C O V E R   S H E E T
for
AMENDED QUARTERLY 17-Q

SEC Registration Number

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COMPANY NAME

GREENERGY HOLDINGS
INCORPORATED

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

#54 NATIONAL ROAD, DAMPOL
II-A, PULILAN, BULACAN 3005

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q-2	MSRD	N/A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,028	**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@ghi.com.ph**	**(02) 8997-5184**	**N/A**

CONTACT PERSON's ADDRESS

54 National Road, Dampol II-A, Pulilan, Bulacan

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

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

1.	For the quarterly period ended	:	**30 June 2021**
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	1,800,778,573
Preferred	1,000,000,000
Amount of Debt Outstanding:	P316,954,360

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

Yes [**x**] No [ ]

The Issuer has 464,760,002 shares listed in the Philippine Stock Exchange.

[1] As of 30 June 2021

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No [ ]

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

Yes [**x**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 June 2021 (with comparative figures as of 31 December 2020 and for the period ended 30 June 2020) are filed as part of this SEC Form 17-Q as Annex "A".

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the attached unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Interim 2nd Quarter

Balance Sheet

Cash and cash equivalent amounted to ₱85.14 million as at June 30, 2021 from 2.78 million consolidated at December 31, 2020. The increase in cash is due to collection from stockholders and affiliates during the quarter.

Receivables increase to ₱255.57 million on June 30, 2021 from ₱251.85 million as of December 31, 2020 mainly due to sales on account during the quarter.

Due from related parties decreased to ₱499.60 million on June 30, 2021 from ₱ 696.1 million consolidated at December 31, 2020 as a result of liquidation and collections during the quarter.

Financial assets at fair value through other comprehensive income remain the same during the quarter.

Property and equipment, decreased to P 135.26 million on June 30, 2021 from ₱141.63 million as at December 31, 2020 due to standard depreciation.

Trade and Other Payables decreased to ₱ 5.65 million on June 30, 2021, compared to the December 31, 2020 amounting to ₱8.10 million due to payments of payables during the quarter.

Non-controlling interest increased to ₱98.86 million on June 30, 2021 from 98.35 million as at December 31, 2020 due to net income results of the operations of subsidiaries under common control.

Income Statement

Revenue recorded for the first six (6) months of 2021 is ₱14.68 million, which includes operation of renewal energy unit, Agri-tourism and biotechnology. The increase is due to increase in demand for fresh harvest, supplements such as CBD oil and solar panels.

Expenses such as contractual services, utilities, repairs and maintenance, materials and supplies, transportation, legal and professional and taxes and licenses decreased by ₱3.22 million during the 2nd quarter of 2021 as compared to same quarter last year due to cost cutting measures implemented by the management.

As a result of the above, the Company had a Consolidated Operating Income of ₱0.61 million for the period June 30, 2021.

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, biotechnology, financial and information technology.

The Group has started an active campaign to gain new clients as well as to revive previous relationships through marketing and selling activities in the Philippines and overseas. With these investments, the management of the Group assessed that the going concern assumption remains to be appropriate as the Group continues to generate sufficient cash flows to sustain operations and complete its current and future plans.

PART II--OTHER INFORMATION

None.

SIGNATURES

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

Issuer **GREENERGY HOLDINGS INCORPORATED**

Signature and Title **ANTONIO L. TIU**
Chairman/President/Chief Executive Officer

Date August 11, 2021

Signature and Title **KENNETH S. TAN**
Treasurer/Chief Financial Officer

Date August 11, 2021

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalent (Note 6)	**₱ 85,141,701**	₱ 2,784,168
Receivables – net (Note 7)	**255,568,330**	251,845,717
Due from related parties – net (Note 17)	**499,602,408**	696,111,219
Advances to projects (Note 8)	**50,000,000**	-
Other current assets – net (Note 10)	**37,246**	19,790
Total Current Assets	**890,349,685**	950,760,894
Noncurrent Assets		
Deposits for land acquisition (Note 9)	**19,600,000**	19,600,000
Financial asset at fair value through other comprehensive income (FVOCI) (Note 11)	**1,519,673,432**	1,458,373,432
Property and equipment – net (Note 14)	**135,263,349**	141,632,520
Investment properties – net (Note 15)	**6,320,465**	6,320,465
Total Noncurrent Assets	**1,680,857,246**	1,625,926,417
	₱ 2,571,206,931	₱ 2,576,687,311
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 16)	**₱ 5,655,038**	₱ 8,089,349
Due to related parties (Note 17)	**89,351,982**	91,673,912
Income tax payable	**126,065**	27,124
Deposit for future stock subscription (Note 17)	**221,821,275**	221,821,275
Total Current Liabilities	**316,954,360**	321,611,660
Equity		
Attributable to equity holders of Parent Company		
Capital stock (Note 18)		
Common – ₱1.00 par value		
Authorized – 1,900,000,000 shares in 2020 and 2019		
Subscribed and paid – 1,704,778,573 shares in 2020 and 1,703,278572 in 2019	**₱ 1,704,778,573**	₱ 1,704,778,573
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)	**(1,640,670,111)**	(1,640,670,111)
Retained earnings (deficit)	**1,723,190,060**	1,724,527,465
	2,155,389,053	2,156,726,458
Non-controlling interests	**98,863,518**	98,349,193
Total Equity	**2,254,252,571**	2,255,075,651
	₱ 2,571,206,931	₱ 2,576,687,311

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Amounts in Philippine Pesos)

	For the Quarter-ended June 30		For the Six months-ended June 30	
	2021	**2020**	**2021**	2020
SALES (Note 19)	**₱ 14,667,345**	₱ 166,904	**₱ 26,177,643**	₱ 507,649
COST OF SALES (Note 20)	**7,822,718**	723,038	**14,045,148**	1,067,173
GROSS INCOME (LOSS)	**6,844,627**	(556,134)	**12,132,495**	(559,524)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(6,391,876)**	(7,064,042)	**(11,398,136)**	(14,618,180)
OPERATING INCOME/(LOSS)	**452,752**	(7,620,176)	**734,359**	(15,177,704)
OTHER INCOME (CHARGES) – Net				
Rental income (Note 19)	**–**	98,827	**–**	197,654
Interest income (Note 6)	**471**	676	**769**	1,034
Unrealized foreign exchange gain (loss) (Note 6)	**84**	(496)	**547**	(173)
	555	99,007	**1,317**	198,515
INCOME/(LOSS) BEFORE INCOME TAX	**453,307**	(7,521,169)	**735,675**	(14,979,189)
INCOME TAX EXPENSE (Note 22)	**(51,408)**	(1,909)	**126,065**	–
NET INCOME/(LOSS)	**P 504,715**	(₱ 7,523,078)	**₱ 609,610**	(₱ 14,979,189)

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(Amounts in Philippine Pesos)

	2021	2020
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
CAPITAL STOCK (Note 18)		
Common		
Authorized – 1.9 billion shares		
Par value – ₱1.00 per share		
Issued and subscribed – 1,800,778,572 shares	**₱ 1,800,778,573**	₱ 1,800,778,572
Subscription receivable	**(96,000,000)**	(97,500,000)
	1,704,778,573	1,703,278,572
Preferred		
Authorized – 1 billion shares		
Par value – ₱0.10 per share		
Issued – 1,000,000,000 shares	**100,000,000**	100,000,000
ADDITIONAL PAID-IN CAPITAL	**268,090,531**	268,090,531
CUMULATIVE FAIR VALUE GAIN (LOSS) ON FINANCIAL ASSET AT FVOCI		
Balance at beginning of the period	**(638,038,377)**	(638,038,377)
Unrealized gain (loss) during the period	**(1,002,631,734)**	(1,312,536,089)
Balance at end of the period (Note 12)	**(1,640,670,111)**	(1,950,574,466)
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of year	**1,723,517,851**	1,753,401,814
Net income (loss) during the year	**(327,791)**	(5,154,561)
Balance at end of year	**1,723,190,060**	1,748,247,253
	₱ 2,155,389,053	₱ 1,869,041,890
NON-CONTROLLING INTERESTS		
Balance at beginning of year	**₱ 97,926,117**	₱ 113,238,354
Net loss during the year	**937,401**	(2,305,368)
Balance at end of year (Note 24)	**98,863,518**	110,932,986
	₱ 2,254,252,571	₱ 1,979,974,876

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Amounts in Philippine Pesos)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/ loss before income tax	**₱ 735,675**	(₱ 7,458,020)
Adjustments for:		
Depreciation and amortization (Note 14)	**6,439,069**	3,210,349
Interest income (Note 6)	**(769)**	(358)
Unrealized foreign exchange loss (gain) (Note 6)	**(547)**	(323)
Operating income/(loss) before working capital changes	**7,173,428**	(4,248,352)
Changes in operating assets and liabilities:		
Increase in:		
Receivables (Note 7)	**(3,722,613)**	(443,572)
Other current assets (Note 10)	**(17,456)**	(30,971)
Decrease in trade and other payables (Note 16)	**(2,434,311)**	(232,091)
Net cash (used in) provided by operations	**999,048**	(4,954,986)
Interest received (Note 6)	**769**	358
Income taxes paid	**(27,124)**	(1,909)
Net cash provided by (used in) operating activities	**972,693**	(4,956,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections from related parties (Note 17)	**₱ 145,076,121**	₱ 3,848,805
Advances made to related parties (Note 17)		(600)
Acquisition of property and equipment	**(69,898)**	
Acquisition of financial asset	**(61,300,000)**	
Net cash provided by investing activities	**83,706,223**	3,848,205
CASH FLOWS FROM A FINANCING ACTIVITY		
Advances received from related parties (Note 17)	**(2,321,930)**	1,028,696
Net cash (used in) provided by financing activities	**(2,321,930)**	1,028,696
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENT	**547**	323
NET DECREASE IN CASH AND CASH EQUIVALENT	**82,357,533**	(79,313)
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR (Note 6)	**2,784,168**	1,320,074
CASH AND CASH EQUIVALENT AT END OF YEAR (Note 6)	**₱ 85,141,701**	₱ 1,240,761

See accompanying 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) under ticker symbol "GREEN".

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

The Parent Company and its subsidiaries (collectively referred to as the "Group") are involved in diversified industries such as renewable energy and waste recycling projects, food and agriculture information technology, fintech, biotech, green infrastructure, and transient oriented property development. The group plans to invest in green and sustainable project and aims to become a carbon neutral company by the year 2030 under vision #GREEN2030.

The Parent Company's registered address and principal place of business is at 54 National Road, Dampol II-A, Pulilan, Bulacan 3005.

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 2020	Ownership 2019
Winsun Green Ventures, Inc. (WGVI)	Philippines	Renewable Energy System	Pulilan, Bulacan	**100.00%**	100.00%
Agrinurture Development Holdings, Inc. (ADHI)	Philippines	Investment Holding	Makati City	**100.00%**	100.00%
Sunchamp Real Estate Development Corp. (SREDC)	Philippines	Real Estate and Agriculture	Makati City	**62.39%**	62.39%
Lite Speed Technologies, Inc. (LSTI)	Philippines	Information Technology	Makati City	**51.00%**	51.00%
Total Waste Management Recovery System, Inc. (TWMRSI)	Philippines	Waste Management Facility	Pulilan, Bulacan	**51.00%**	51.00%

Yakuru Group Pty. Limited (YGPL)	Australia	Professional, Scientific and technical Services	New South Wales, Australia	**51.00%**	–
Ocean Biochemistry Technology Research, Inc.	Philippines	Manufacture, distribution, production of goods and commodities	Pulilan, Bulacan	**60.00%**	-

Going Concern

The Group's financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue towards increasing revenues and improvingoperations despite significant losses incurred over the years. The Group shall continue to expand its core business and increase coverage in various investments in diversifiedindustries such as, but not limited to, renewable energy, real estate, agriculture, waste management facility and information technology.

In view thereof, the Parent Company 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 since 2019. The Parent Company plans to invest in green and sustainable projects and aims to become a carbon neutral company by the year 2030 undervision #GREEN2030.As a result, the Parent Company has the following business activities:

A. On March 25, 2021, the Parent Company executed a Memorandum of Agreement (the "MOA") with Ala Eh Knit, Inc. ("Ala Eh"), an affiliate of Abacore Capital Holdings, Inc., ("ABA") for the development and operation of a logistics center and food terminal in a three-hectare property in Barangay Santa Rita, Aplaya, Batangas City (the "Property").

   Under the MOA, Ala Eh shall amend its Articles of Incorporation as follows:

   1. Increase its authorized capital stock to ₱1,500,000,000 (the "Increase");
   2. Change its primary purpose to allow it to engage in the business of operating, managing, leasing, and developing the Logistic Center and the Food Terminal Complex; and
   3. Change its corporate name.

   The existing shareholders of Ala Eh shall likewise infuse the Property into Ala Eh in exchange for such number of shares equivalent to 40% of the total outstanding capital stock of Ala Eh after the Increase. The total amount of the existing shareholders' intended subscription is Six Hundred Million Pesos (₱600,000,000). The Parent Company, on the other hand, shall subscribe to such number of shares equivalent to 60%of the total outstanding capital stock of Ala Eh after the Increase. The total amount of the Parent Company's intended subscription is Nine Hundred Million Pesos (₱900,000,000). The Parent Company shall manage the construction, development and operation of the Logistics Center consisting of cold and dry storage facilities, agri-processing facilities and other facilities that are necessary for marketing and procurement activities.

   As at April 28, 2021, pursuant to the MOA, the Parent Company and Ala Eh are still in discussion on the most tax efficient manner of infusing the Property into Ala Eh. Once the parties have agreed on said manner of transfer, Ala Eh shall proceed to get the necessary approvals from its Board of Directors, stockholders, the SEC, and other relevant regulatory agencies, if any, to implement the transactions contemplated under the MOA (e.g., amendments of the Articles of Incorporation, infusion of the Property, execution of subscription agreement, etc.)

B. On March 1, 2021, the Parent Company, ABS-CBN Corporation ("ABS-CBN") and iBayad Online Ventures, Inc. ("iBayad") executed a legally binding Term Sheet for the acquisitionby the Parent Company of fifty-one million (51,000,000) fully paid common shares of U-Pay Digital Technologies, Inc. ("U-Pay") from ABS-CBN which would result in the Parent Company owning fifty-one percent (51%) of the outstanding capital stock of U-Pay (the "Transaction"). The Parent Company shall pay the total amount of Fifty-Four Million Pesos (₱54,000,000) as consideration for the Transaction.

   Under the Term Sheet, iBayad shall provide expertise in financial technology, programs and software applications it has developed and will develop for U-Pay, including the service and maintenance thereof. Further, the execution of the definitive agreements is conditioned on a satisfactory legal, financial and environmental, social and governance due diligence by the Parent Company. The Parent Company is given 45 days from execution of the Term Sheet within which to complete the due diligence. The Transactionis also subject to approvals of pertinent government authorities.

   On July 30, 2021, the Board of Directors authorized the Parent Company to enter into a Share Purchase Agreement with ABS-CBN for: (i) the investment of the Company in U-Pay through acquisition from ABS-CBN of 51,000,000 shares of stocks of U-pay (the "Subject Shares") with a par value of P1.00 per share, at a price of its total par value of P51,000,000 (the "Purchase Price"), which would result in the Company owning 51% of the outstanding capital stock of U-Pay: and (ii) payment of additional consideration of P3,000,000 for disbursement of fees and charges due on U-Pay's governmental permits and licenses, reimbursement for the pre-operating expenses advanced by ABS-CBN to U-Pay and assignment to U-Pay of ABS-CBN's rights and interests to the marks and all other intellectual property rights created and developed by ABS-CBN.

   Also, the Parent Company was authorized to enter into a Shareholders' Agreement with the existing shareholder of U-Pay, iBayad, which will govern the relationship between the said corporation and the Parent Company as shareholders of U-Pay.

   On even date, the Share Purchase Agreement was executed by the Parent Company and ABS-CBN. The closing date of the Transaction shall be subject to the completion of certain conditions precedent to closing, including the issuance by the Bangko Sentral ng Pilipinas (BSP) of a letter of no objection to the acquisition of the Subject Shares by the Company, which shall not be later than 30 September 2021.

   U-Pay is a fintech company engaged in the business of customer and merchant e-wallet/e-money services and other related services, operating a platform therefor, as well as advertising, producing, distributing, and marketing products and services that areconnected to the operations of said business. It has a Type "C" E-Money Issuer license issued by the BSP and duly registered to operate as a Remittanceand Transfer Company."

C. On July 23, 2021, the Parent Company executed a Memorandum of Agreement (the "MOA") with Dito Telecommunity Corporation ("DITO") whereby the Parent Company shall render commission-based lead generation services to DITO to lead the public to DITO-related programs and services through offline or online/digital means using its own system or the system of any of its third-party affiliates. The Parent Company and DITO will also collaborate in other areas through co-marketing efforts to support the expansion of DITO's client base and at the same time promote the Parent Company's digital initiatives. The MOA shall have a term of one (1) year, renewable upon the agreement of the parties.

The collaboration between the Parent Company and DITO will pave the way for the conversion of the Parent Company's existing clients, partners, and affiliates to become DITO mobile subscribers, and will expand the Company's vision to build a digital ecosystem for the agricultural sector under vision #GREEN2030.

DITO is a licensed telecommunications company with the necessary franchise, equipment, and capability to operate a mobile telecommunication network and offer products and services to the public such as postpaid and prepaid mobile plans and co-branded handsets and other merchandise.

D. On February 23, 2021, the Parent Company executed a Subscription Agreement with Ocean Biochemistry Technology Research, Inc. ("OBTRI") wherein the Parent Company subscribed to thirty-seven thousand five hundred (37,500) primary common shares of OBTRI from the unissued portion of the latter's outstanding capital stock with a subscription price per share of One Hundred Pesos (₱100) or an aggregate subscription price of Three Million Seven Hundred Fifty Thousand Pesos (₱3,750,000) ("Subscription Price"). The Parent Company has paid 25% of the Subscription Price upon execution of the Subscription Agreement while the balance shall be paid upon call by the Board of Directors of OBTRI. Upon issuance of the shares, the Parent Company shall hold 60% ofthe total issued and outstanding shares of OBTRI.

   OBTRI is a domestic corporation engaged in the business of manufacturing and trading.Upon compliance with the relevant regulatory requirements, it intends to engage in manufacturing and trading of pharmaceutical, nutraceutical and alternative medicine andwill secure a registration with the Food and Drug Administration. It is 51% owned by M2000 Imex Company, Inc., a wholly-owned subsidiary of AgriNurture, Inc., prior to the Parent Company's subscription.

E. On January 26, 2021, the Parent Company executed a Memorandum of Agreement (the "Agreement") with ITBS Information Technology Business Solutions Corp. ("ITBS") for the integration of ePitaka, a payment platform system for financial transactions developed by the Parent Company's related parties, with ITBS' Smart Country Ecosystem's electronic Know Your Citizen platform installed by ITBS in various local government units in the Philippines. The Agreement has a term of three years with an option to renew for another two years upon expiration of the original term.

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

   On May 11, 2021, the agreement between Hanergy and WGVI has expired. WGVI has decided not to renew the Agreement and open up supply sourcing of its pending project from any solar panel suppliers which can offer the best technology at efficient cost, in light of the advancement in global solar technology and improved cost efficiency.

G. On September 9, 2020, the Board of Directors approved the incorporation of Yakuru Group Pty. Limited (YGPL) under the laws of Australia, wherein the Parent Company shall hold 51% equity interest. The subscription price of AUS$51.00, paid in full, is based on the par value of the shares. This will expand the investment portfolio of the Parent Company to include biotechnology. YGPL is a proprietary company limited by shares. YGPL shall venture into biotechnology with primary focus on development and marketing of medicinal hemp globally.

   On July 17, 2019, the Parent Company also entered into a Memorandum of Agreement (MOA) 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 subjectto verification and validation by RYM of the titles and ownership rights of the landowners.

   On October 15, 2019, the Parties agreed to the extension of the prescribed periods provided in the Agreement. However, upon review of the pertinent documents related to the parcels of land and the investment, additional period is required to finalize the duediligence audit, to complete the appraisal report, and to implement the investment. In view thereof, on July 1, 2020, the Parties have agreed to further extend the following period in relation to the MOA:

   1. An additional period of one hundred eighty (180) days from July 1, 2020 for the validation and verification of titles and the issuance of the appraised reports;
   2. An additional period of two hundred ten (210) days from July 1, 2020 to execute the first (1st) tranche of the Investment; and
   3. An additional period of two hundred forty (240) days from July 1, 2020 to executethe second (2nd) tranche of the Investment.

   However, on December 28, 2020 the Parent Company and RYM have decided to no longer pursue the transaction contemplated under the MOA due to the impact of the COVID-19 pandemic, the resulting prolonged community quarantine, and the effect thereof on real estate property businesses.

With the above investments, the management of the Parent Company assessed that the going concern assumption remains to be appropriate as the Parent Company 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 effectson the recoverability and classification of assets or the amount and classification of liabilitiesthat may result from the outcome of this uncertainty.

Subsidiaries

The principal activities of the subsidiaries are as follows:

SREDC

SREDC's principal activity is in real estate, tourism, and agriculture. The Parent Company owns 62.39% of the subsidiary. In 2019, the Parent Company provided for impairment loss on the investment amounting to ₱7.3 million. Additional impairment loss was provided in 2020 amounting to ₱32.5 million.

WGVI

WGVI was incorporated on June 22, 2012 with the primary purpose engaging in the business of renewable energy projects. WGVI has a capital deficiency amounting to ₱66.0 million and ₱

66.7 million as at June 30, 2021 and December 31, 2020, respectively. It started its commercial operation in 2020.

On February 22, 2019, the Board of Directors authorized the Parent Company to make an additional investment up to ₱100 million to finance the latter's "green" projects involving solar power and liquefied natural gas. As of December 31, 2020, the additional investment is not yet made.

On May 10, 2020, WGVI executed an International Distributorship Agreement ("Agreement")with Hanergy Thin Film Power Asia Pacific Limited to be the latter's distributor of its solar products in the Philippines. The Agreement has a term of one year, with an option to renew for another year upon expiration of the original term.

On May 11, 2021 the agreement between Hanergy and WGVI has expired. WGVI has decided not to renew the Agreement and open up supply sourcing of its pending project from any solar panel suppliers which can offer the best technology at efficient cost, in light of the advancement in global solar technology and improved cost efficiency.

<u>TWMRSI</u>
TMWRSI is 51% owned by the Parent Company. It was incorporated primarily to engage inthe business of waste management facility. 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 in Valenzuela City and which was initially expected to be in full operation in 2014.

As at December 31, 2020, 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. Consequently, in 2014, the ParentCompany's investment was provided with full allowance as the management believed that investment is already impaired.

On April 28, 2021 the BOD approved the subscription of 7,500,000 common shares of TWMRSI upon approval of the increase in authorized capital stock. As a result, the Company will hold sixty percent (60%) of the total issued and outstanding shares of TWMRSI.

<u>ADHI</u>
ADHI, a wholly-owned subsidiary of the Parent Company, was incorporated on June 17, 2014 to operate as a holding company for the Parent Company's agricultural portfolio. ADHI has a capital deficiency amounting to ₱320,114 and ₱ 270,573 as at June 30, 2021 and December 31, 2020, respectively. In 2017, the Parent Company's investment was provided with full allowance as management believed that it was already impaired. As at December 31, 2020, ADHI has not yet started its commercial operations. ADHI is currently completing its registration as a Freeport Area of Bataan (FAB) Registered Enterprise and intends to commence its operation within the Authority of the Freeport Area of Bataan (AFAB) on the third quarter of 2021.

<u>LSTI</u>
LSTI, a 51% owned subsidiary of the Parent Company, was registered with the SEC on August 14, 2014 to engage in the business of information and communications technology. LSTI has a capital deficiency amounting to ₱116,998 and ₱55,184 as at June 30, 2021 and December 31, 2020 respectively. In 2017, the Parent Company provided full allowance on the investment as management believed that it was already impaired. As at June 30, 2021,LSTI has not yet started its commercial operations.

On April 28, 2021 the BOD approved the subscription of 7,500,000 common shares of LSTI from the increase in authorized capital stock, the Company will hold ninety percent (90%) of the total issued and outstanding shares LSTI.

YGPL

On September 9, 2020, the Board of Directors approved the incorporation of Yakuru Group Pty. Limited (YGPL) under the laws of Australia, wherein the Parent Company shall hold fifty-one percent (51%) equity interest. The subscription price of AUS$51.00, paid in full, is based on the par value of the shares. This will expand the investment portfolio of the Parent Company to include biotechnology. YGPL is a proprietary company limited by shares. YGPL started its operations in the last quarter of 2020 and shall venture into biotechnology with primary focus on development and marketing of medicinal hemp globally.

OBTRI

OBTRI was incorporated and registered with the SEC on 23 March 2009. It is a domestic corporation engaged in the business of manufacturing and trading. Pursuant to the Subscription Agreement executed on 23 February 2021 between the Company and OBTRI, the Company shall hold sixty percent (60%) of the total issued and outstanding shares of OBTRI.

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

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial asset at fair value through other comprehensive income (FVOCI) which is measured at fair value. The Group presents all items of income and expenses in a single statement of comprehensive income. These consolidated financial statements and notes are presented in Philippine Pesos, which is the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

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

Principles of Consolidation

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

Specifically, the Parent controls an investee if it has:

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

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

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

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

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

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

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

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

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

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

3. Changes in Accounting and Financial Reporting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the applicable amended accounting standards that became effectivein the current year. Unless otherwise indicated, the following amended PAS and PFRS that became effective in 2020 do not have any significant impact on the Group's financial statements or are not applicable to the Group.

<u>Adopted but Did Not Have Significant Impact on the Financial Statements</u>

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferralof lease payments. An amendment to PFRS 16, *Leases* provides lessees with an option to treat

qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.

- Amendments to PFRS 3*, Definition of a Business*
  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PRFSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments. The amendments clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information. In particular, the amendments clarify:

  - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
  - the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of financial information they need.

- Revised Conceptual Framework for Financial Reporting
  The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes are made to any of the current accounting standards. The Group has assessed that its accounting policies are still appropriate under the revised framework.

New and Amended Standards 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 that the adoption of these new and amended standards to have significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective in 2021

- PFRS 17, *Insurance Contracts*
  This standard establishes the principles for the recognition, measurement, presentation,and disclosure of insurance contracts within the scope of the Standard.

  This standard is not applicable to the Group as it has no insurance contracts.

Effective in 2022

These are effective on or after January 1, 2022. Earlier adoption is permitted.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*
  The amendments specify that the cost of fulfilling a contract comprises those that relate directly to the contract, which can either be incremental costs or an allocation of other costs that relate directly to fulfilling contracts. Entities apply the amendments to contractsfor which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparative financialstatements are not restated.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling and the cost of producing such items in profit or loss. An entity applies the amendments retrospectively on or after the beginning of the earliest period presented in the financial statements in which the Amendments to PFRS 3, *Reference to the Conceptual Framework.*

- The amendments update a reference to the Conceptual Framework as this would cause conflicts for entities applying PFRS 3. Potential conflicts occur as the definition of assets and and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized. An exception has been added to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* entity first applies the amendments.

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a First-Time Adopter*
  - Amendments to PFRS 9, *Fees in the '10 Percent' Test for Derecognition of FinancialLiabilities*
  - Amendments to PFRS 16, *Lease Incentives*
  - Amendments to PAS 41, *Taxation in Fair Value Measurements*

Effective in 2023

- Amendments to PFRS 17, Insurance Contracts
- Amendments to PAS 1, Classification of Liabilities as Current or Non-current

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 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.

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

No mandatory effective date
PFRS 9, *Financial Instruments* (Hedge Accounting and amendments to PFRS 9, PFRS 7 andPAS 39)

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

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

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period,
- expected to be settled on demand, or
- cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent. Deferred tax assets are classified as noncurrent assets.

A liability is current when:
- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period,
- it is expected to be settled on demand, or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Assets and Liabilities

Date of recognition

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

Initial recognition

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

Determination of fair value

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

Classification of financial assets

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

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

Financial assets at FVOCI

Financial assets at FVOCI comprise:

- Equity instruments

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

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

  The Group classifies its investment in shares of stocks as financial asset at FVOCI as at June 30, 2021 and December 31, 2020 (see Note 10).

- Debt instruments

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

The Group has no debt instruments at FVOCI as at June 30, 2021 and December 31, 2020.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

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

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

The Group has no financial assets at FVPL as at June 30, 2021 and December 31, 2020.

Financial assets at amortized cost

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This classification includes the Group's cash and cash equivalent, nontrade receivables and due from related parties as June 30, 2021 and December 31, 2020 (see Notes 6, 7 and 16).

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

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

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

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

Subsequent measurement of financial assets

- Debt instruments

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

  - *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in the statements of profit or loss. Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

  - *FVOCI:* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in the statements of profit or loss.

  - *FVPL:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains and losses in the period in which it arises.

- Equity instruments

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

Impairment of financial assets

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

In measuring ECL, the Group must reflect:

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

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

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

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

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

Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities in the following categories:

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

  As at June 30, 2021 and December 31, 2020, the Group has no financial liabilities at FVPL.

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

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

As at June 30, 2021 and December 31, 2020, 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 profit or loss.

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

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

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

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

Cash and Cash Equivalent
Cash pertains to cash on hand and in banks which are stated at face value. Cash equivalent are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value. These are initially recognized at face value and are subsequently measured at amortized cost (undiscounted amount to be received less any impairment).

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

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

Other Current Assets
This account comprises the following:

- *Prepayments* are costs and expenses which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and are amortized as the benefits of the payments are received by the Group and are charged to expense in the applicable period of expiration.

- *Input value added tax (VAT)* represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT is presented as current asset and will be used to offset against the Group's current output VAT liabilities, if any. Input VAT is initially recognized at cost (actual amount paid for) and subsequently stated at its net recoverable amount (unutilized amount of input VAT less impairment). Input VAT that is considered not recoverable permanently is derecognized and written-off to expense.

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.

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

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

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

Under the equity method, the investments in the Investee Company are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the Investee Company, less any impairment in values. The consolidated statements of comprehensive income (loss) reflect the share of the results of the operations of the Investee Company. The Group's share of post-acquisition movements in the Investee Company's equity reserves is recognized directly in equity. Equity in net losses of an associate is recognized only up to the extent of acquisition costs. Equity in net income of an associate is not available for dividends declaration until actually received.

Profits and losses resulting from transactions between the Group and the Investee Company are eliminated to the extent of the interest in the investee company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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

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

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

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

If the Group loses significant influence over an associate, the associate shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate.

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

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

Biological Assets and Agricultural Produce

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

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

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

Investment Properties

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

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

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

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

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance including the cost of day-to-day servicing of an item of property and equipment, are normally charged to operations in the period in which the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

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

Impairment of Nonfinancial Assets

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

Related Party Transactions and Relationships

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

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

Refundable Deposits

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

Equity

- *Capital stock* is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stocks. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- *Subscriptions receivable* pertains to the uncollected portion of subscribed and paid, or issued.
- *Cumulative fair value gain (loss)* on fair market value of financial asset at FVOCI are recognized immediately in other comprehensive income in equity in the period in which they arise and cannot be reclassified to profit or loss in subsequent periods.
- *Retained earnings (deficit)* include all current and prior period results of operations as disclosed in the Group's consolidated statements of comprehensive income (loss).

Deposit for Future Stocks Subscription

Deposit for future stocks subscription represents funds received by the Group from existing and potential stockholders to be applied as payment for subscriptions of unissued shares or shares from an increase in authorized capital stock. Proceeds are recognized as equity when all of the requirements set forth by the SEC have been met, otherwise, it is recognized as a liability.

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

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

Basic Earnings (Loss) per share (EPS)

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

Revenue Recognition

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

The Group applies the following five steps:

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

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

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

- *Agri-tourism revenue* is recognized when the related service is rendered.
- *Sale of fruits and vegetables* in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of trade discounts, if any.
- *Rental income* is recognized on a straight-line basis over the term of the lease.
- *Gain on sale of asset* is recognized when the sale transactions occur.
- *Interest income,* which is presented net of final taxes paid or withheld, is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from

bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.
- *Realized gains and losses* are recognized when the sale transaction occurs.
- *Other income* is recognized when earned or realized.

Cost and Expense Recognition

Expenses are recognized in the Group's consolidated statements of comprehensive income (loss) when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits

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

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

Foreign Currency Transactions and Translations

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

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

Income Taxes

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

Current tax

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the Group's consolidated statements of comprehensive income (loss) because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rate that have been enacted or substantively enacted at the end of each financial reporting period.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences at the end of each financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled. The carrying amount of deferred tax asset is reviewed at the end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Income tax relating to items recognized directly in equity is recognized in equity and not in the Group's consolidated statements of comprehensive income.

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

<u>Leases</u>

<u>Policies beginning January 1, 2019</u>
The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Group has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

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

<u>Policies prior to January 1, 2019</u>
The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental expenses under operating leases are recognized as expense in the profit or loss on a straight-line basis over the term of the lease.

A reassessment is made after inception of the lease only if one of the following applies:
a. There is a change in contractual terms, other than renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on specified asset; and
d. There is a substantial change in the asset.

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

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

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

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

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

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

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

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

5. **Significant Accounting Judgments and Estimates**

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

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

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

- *Assessment of Going Concern*
  Management has made an assessment of the Group's ability to continue as going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management of the Group assessed that the going concern assumption remains to be appropriate as the Group continues to generate sufficient cash flows to sustain operations and complete its current and future plans. Therefore, the consolidated financial statements continue to be prepared on a going concern basis (see Note 1).
- *Determination of Control*
  The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group regularly reassesses whether its control over an investee in facts and circumstances indicate that there are changes to one or more of the three elements of control as discussed in Note 2. The Group determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

- *Classification of Financial Instruments and Measurement Criteria*
  The Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

- *Operating and Finance Leases*
  The Group has entered into a lease agreement as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

  As at June 30, 2021 and December 31, 2020, 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 June 30, 2021 and December 31, 2020 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 June 30, 2021 and December 31, 2020.

  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 receivables from related parties were provided in june 30, 2021 and 2020 amounting to ₱8.7 million and ₱23.7 million, respectively (see Note 16). Allowance for impairment of nontrade receivables amounting to ₱0.03 million and P3.4 million were recognized in 2020 and 2019, respectively. Nontrade receivables amounting to ₱140,890 were directly written off in 2018 (see Note 7).

  The Group's allowance for impairment amounted to ₱336 million as at June 30, 2021 and December 31, 2020 (see Notes 7 and 16).

  The carrying values of financial assets as at June 30, 2021 and December 31, 2020 are shown in Notes 6, 7 and 16.

- *Estimation of Impairment of Financial Asset at FVOCI*
  The Group carries the financial asset at fair value, which requires the use of accounting estimates and judgment, in cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is

substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument.

The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect other comprehensive income.

The carrying values of financial asset at FVOCI as at June 30, 2021 and December 31, 2020 are shown in Note 11.

- *Estimation of Useful Lives of Property and Equipment*
  The useful life of each of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets, if any. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

  There are no changes in the useful lives of the property and equipment in 2021 and 2020.

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

  As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect its nonfinancial assets included in receivables, other current assets, deposits for land acquisition, advances for waste recycling project, investment properties, property and equipment.

  The Group's allowance for impairment loss for nonfinancial assets follow:

	2021	2020
Advances for waste recycling project (Note 12)	**₱235,008,036**	₱235,008,036
Input VAT (Note 9)	**9,422,502**	9,381,384
Investment property (Note 14)	**737,095**	737,095
Total	**₱245,167,633**	₱245,126,515

- *Estimation of Deferred Tax Assets and Deferred Tax Liabilities*
  Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from

the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

No deferred tax asset and liability was recognized in the Group's consolidated financial statements as management believes that these could not be utilized prior to its expiration.

- *Estimation of Provisions for Contingencies*
  The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  The Group has no provisions as at June 30, 2021 and December 31, 2020.

6. Cash and Cash Equivalent

This account consists of:

	2021	2020
Savings and current deposits	**₱80,940,951**	₱1,234,168
Cash on hand	**4,150,750**	1,500,000
Petty Cash	**50,000**	50,000
	₱85,141,701	₱2,784,168

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 profit or loss in the Group's consolidated statements of comprehensive loss amounted to ₱471 in 2021 and ₱358 in 2020. Interest income in 2019 and 2018 include interest earned by the cash equivalent which pertains to time deposit made for a period of three months and earnsinterest at 2.75% which matured in February 2019. Cash in banks denominated in foreign currency with Peso equivalents are as follows:

	Foreign currency	Peso
2021	**US$3076**	**₱149,331**
2020	US$1944	₱94,303

The above balances were translated using the prevailing exchange rates as of June 30, 2021 and December 31, 2020:

	2021	2020
US Dollar	**48.54**	**48.53**

7. **Receivables**

This account consists of:

	2021	2020
Nontrade receivables	**₱255,893,965**	₱252,168,352
Advances to officers and employees	**3,210**	6,210
	255,897,175	252,174,562
Allowance for impairment loss:		
Nontrade receivables	**(328,845)**	(328,845)
	₱255,568,330	₱251,845,717

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. Non-trade receivable also include rent receivable (see Note 19).

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

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

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

   As at June 30, 2021, the nontrade receivables from ZFTC are not yet settled. In 2019, the Parent Company and ZFTC agreed to convert these receivables into an investment with a particular interest. As at June 30, 2021, conversion is still in process and expected to be completed within the 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:

	2021	2020
Balance at beginning of year	**₱328,845**	4,733,006
Reversal of Provision		(4,733,006)
Provision during the year	–	328,845
Written off during the year	–	–
Balance at end of year	**₱328,845**	₱328,845

8. **Advances to Projects**

Advances to projects represent cash advances provided for farm projects and other projects related to business development.

Advances to projects will be reclassified as "Biological Assets", "Property, Plant and Equipment" or "Investment" once the project or business prospect materialize.

9. Deposits for Land Acquisition

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

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

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

The details of the appraised value are as follows:

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

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

The advances made by SREDC to its stockholder totaling ₱446.1 million in 2014 were made subject to liquidation for the following purposes (see Note 16):

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

On December 10, 2014, the Agreement between Mr. Gregorio and the SREDC was extended for another three years or until January 17, 2018. No liquidation was made until January 17, 2018. To allow Mr. Gregorio more time to meet the conditions of the Agreement, on January 5, 2018, the Agreement was extended for another five years from January 17, 2018 or until January 16, 2023.

Moreover, the parties agreed to defer the encashment of the post–dated checks issued as payment for the Park since the payments are dependent on the fulfillment of the conditions of contract. In 2015, the stockholder paid for the improvements made in the Park, including the construction of thirty (30) greenhouses with an estimated cost of ₱10.5 million.

In 2019, several lands amounting to ₱63.4 million were acquired through liquidation of the advances made to stockholder (see Note 13) for the following:

In the last quarter 2017, SREDC started its operation which offers agri-tourism and lifestyle center activities. The Group recognized revenue amounting to ₱0.3 million in 2020 and ₱0.5 million in 2019 which includes income from field trips and other recreational events, room services and other sale of agricultural products.

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

10. **Other Current Assets**

This account consists of:

	2021	2020
Input VAT	**₱9,4539,958**	₱9,381,384
Prepaid tax	**19,790**	19,790
	9,459,748	9,840,666
Less allowance for impairment	**9,422,502**	9,381,384
	₱37,246	₱19,790

Impaired input VAT amounting to ₱9,381,384 were written off in 2020.

11. **Financial Asset at FVOCI**

Below is the rollforward analysis of this account:

	2021	2020
Balance at beginning of year	**₱1,458,373,432**	₱2,461,005,166
Increase (decrease) in fair value		(1,002,631,734)
Acquisition during the year	**61,300,000**	
Disposal during the year	–	
Balance at end of year	**₱1,519,673,432**	₱1,458,373,432

Financial asset at FVOCI pertain to investment in shares of stocks of AgriNurture, Inc. (ANI), a former associate (see Note 11). The fair value of this investment amounted to ₱1.5 billion at ₱8 per share as at December 31, 2020 and ₱2.5 billion at ₱13.5 per share as at December 31, 2019 based on the quoted price published by the PSE.

In 2020, the Parent Company invested in Mabuhay Holdings Corporation amounting to ₱1.64 million. In the same year, the Parent Company sold the said investment at a gain of ₱86,578.

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

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

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

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

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

	2020	2019	2018
Balance at beginning of year	**(₱638,038,377)**	₱970,000	(₱630,000)
Fair value gain during the year	**(1,002,631,734)**	(638,038,377)	1,600,000
Reclassification to retained earnings due to disposal during the year	–	(970,000)	–
Balance at end of year	**(₱1,640,670,111)**	(₱638,038,377)	₱970,000

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

12. Investment in Associate

This pertains to investment in ANI, a company incorporated in the Philippines. The Group holds 188,125,379 shares or 30.26% equity ownership with carrying value amounting to ₱319,154,639 as at December 31, 2017. In May and June 2018, the Parent Company sold 5,828,700 shares of its investment in ANI for net proceeds of ₱88.9 million at an average price of ₱15.24 per share. Gain on sale recognized in the Group's consolidated statements of comprehensive income amounted to ₱79.0 million. The sale resulted to the decrease in the Parent Company's ownership in ANI from 28.16% to 23.73%.

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

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

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

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

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

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

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

The fair value of remaining investment in ANI at the date it ceases to be an associate amounted to ₱3.10 billion based on the quoted price per share is the amount recognized on initial recognition as financial asset at FVOCI in 2018.

13. **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 forfree in a warehouse owned by a director of the TWMRSI located in 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.

14. **Property and Equipment**

The rollforward analysis of this account is shown below:

	2021						
	Land	**Land improvements**	**Building improvements**	**Transportation equipment and machineries**	**Furniture, fixtures and office equipment**	**Bearer assets**	**Total**
Cost:							
Balance at beginning of year	**64,001,278**	**55,720,907**	**45,515,296**	**13,434,282**	**254,079**	**4,032,131**	**182,957,973**
Additions during the year	**–**	**–**	**–**	**69,900**	**–**	**–**	**69,900**
Balance at end of year	**64,001,278**	**55,720,907**	**45,515,296**	**13,504,182**	**254,079**	**4,032,131**	**183,027,873**
Accumulated depreciation and amortization:							
Balance at beginning of year	**–**	**11,436,784**	**18,303,112**	**8,970,201**	**196,079**	**2,419,279**	**41,325,455**
Depreciation and amortization	**–**	**1,857,364**	**3,049,694**	**1,101,572**	**27,227**	**403,213**	**6,439,069**
Balance at end of year	**–**	**13,294,148**	**21,352,806**	**10,071,773**	**223,306**	**2,822,492**	**47,764,524**
Net book value	**64,001,278**	**42,426,759**	**24,162,490**	**3,432,409**	**30,773**	**1,209,639**	**135,263,349**

	2020						
	Land	Land improvements	Building improvements	Transportation equipment and machineries	Furniture, fixtures and office	Bearer assets	Total
Cost:							
Balance at beginning of year	641,278	55,720,907	45,515,296	13,434,282	254,079	4,032,131	119,597,973
Additions during the year	63,360,000						63,360,000
Balance at end of year	64,001,278	55,720,907	45,515,296	13,434,282	254,079	4,032,131	182,957,973
Balance at beginning of year		7,722,056	12,203,726	6,741,783	164,426	1,702,508	28,534,499
Depreciation and amortization		3,714,728	6,099,386	2,228,418	31,653	716,771	12,790,956
Balance at end of year		11,436,784	18,303,112	8,970,201	196,079	2,419,279	41,325,455
Net book value	64,001,278	44,284,123	27,212,184	4,464,081	58,000	1,612,852	141,632,518

Depreciation and amortization expense for the period ended June 30, 2021 and 2020 are shown as part of general and administrative expenses in the Group’s consolidated statements of comprehensive income (loss) (see Note 20).

The Group's management had reviewed the carrying values of the property and equipment as at June 30, 2021 and December 31, 2020 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.

15. **Investment Properties**

As at June 30, 2021 and December 31, 2020 the account consists of the following:

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

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

Fair value of the property was not determined as at June 30, 2021. However, the management believes that there were no conditions present in 2021 and 2020 that would significantly reduce the recoverable values of investment property from its net carrying value and that fair value of the investment approximates its carrying value.

The Group's management had reviewed the carrying values of the investment properties for any impairment as at June 30, 2021 and December 31, 2019. Allowance for impairment amounted to ₱0.74 million as at June 30, 2021 and December 31, 2020.

There are no contractual commitments to purchase or construct investment property. There is also no investment property that are pledged as securities as at June 30, 2021 and December 31, 2020. Furthermore, there is no property whose title is restricted from use of the Group in both years.

16. **Trade and Other Payables**

This account consists of:

	2021	2020
Trade	**₱733,781**	₱87,767
Government payables	**4,541,361**	4,545,871
Accrued expenses	**109,896**	578,896
Refundable deposit	**270,000**	270,000
Advances from Officer and Employee	–	2,606,815
	₱5,655,038	₱8,089,349

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

Government payables are dues and remittances which represents contributions of employees that will be remitted to various government agencies. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

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

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

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 2020, additional settlement received amounted to ₱3.8 million.

c. As at June 30, 2021 and December 31, 2020 details and outstanding balances of due to and from related parties follow:

	2021	2020
Receivables		
Stockholders	**₱509,819,408**	₱707,135,290
Affiliates	**73,357,369**	72,550,298
	583,176,777	779,685,588
Allowance for impairment	**(83,574,369)**	(83,574,369)
	₱499,602,408	₱696,111,219
Payables		
Affiliates	**₱54,510,904**	71,200,135
Stockholders	**34,841,078**	20,473,777
	₱89,351,982	₱91,673,912

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:

	2021	2020
Receivables		
Balance at beginning of year	**₱696,111,219**	₱717,917,772
Liquidation during the period (Note 8)	**(135,979,753)**	(20,547,225)
Collections during the period	**(61,478,000)**	
Advances made during the period	**948,942**	7,403,879
	499,602,408	704,774,426
Provision for impairment during the year	–	(8,663,207)
Balance at end of year	**₱499,602,408**	₱696,111,219
Payable		
Balance at beginning of year	**₱91,673,912**	₱80,986,459
Advances received during the period		12,313,789
Payments made during the period	**(2,321,930)**	(1,629,336)
Reversal during the period	–	
Balance at end of the period	**89,351,982**	**91,673,912**

d. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application to and approval by the SEC of the Parent Company's increase of its authorized capital stock (the "Increase"), EHI subscribed to ₱250.0 million worth of common shares at ₱1.00 per share and ₱37.5 million worth preferred shares at ₱0.01 per share. On May 22, 2019, the Parent Company and EHI executed an Amended Subscription Agreement amending the Subscription Agreement dated July 2, 2014 to increase the subscription of EHI from ₱250 million worth of common shares to ₱750.0 million worth of common shares. The amended number of subscribed common shares represent 25% of the required subscription out of the proposed increase. The deposit will be converted into equity once approval from the SEC have been obtained.

   In 2019, the Parent Company received additional deposits amounting to ₱44.8 million. The Group is awaiting approval by the SEC of the increase. The balance of the deposit for future stock subscription presented under current liabilities in the Group's consolidated statements of financial position amounted to ₱221.8 million as at June 30, 2021 and December 31, 2020.

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

	2021			
Category	Amount	Balance - Asset (Liability)	Terms and Conditions/Settlement	Guaranty/ Provision
Stockholders				
Receivables		₱509,819,408	Noninterest-bearing; payable on demand and to be settled through liquidation	Unsecured; no significant warranties and covenants; with impairment
• Liquidation	(135,604,753)			
• Collections	(61,478,000)			
• Advances made	948,942			
• impairment		(17,018,462)		
	-			
	-			
Payable		(34,841,078)	Noninterest-bearing; payable Allowance for on demand and to be settled in cash	Unsecured; no significant warranties and covenants
• Advances received	14,060,004			
• Payments made	-			
Deposit for future stock subscriptions	-	(221,821,275)	Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock	Unsecured; no significant warranties and covenants
Affiliates				
Receivable		73,357,369	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants; with impairment
• Advances made	52,910			
• Collections received	-			
• Allowance for impairment	-	(66,555,907)		
Payable		(54,510,904)	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants
• Advances received	-			
• Payments made	17,138,161			
• Write-off				

	2020			
Category	Amount	Balance - Asset (Liability)	Terms and Conditions/Settlement	Guaranty/ Provision
Stockholders				
Receivables		₱722,206,125	Noninterest-bearing; payable on demand and to be settled through liquidation	Unsecured; no significant warranties and covenants; with impairment
• Liquidation	(₱3,848,805)			
• Collections	-			
• Advances made	600			
• Allowance for impairment		-		
	-			
	-			
Payable		(14,034,331)	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants
• Advances received	-			
• Payments made	3,000			
Deposit for future stock subscriptions	-	(221,821,275)	Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock	Unsecured; no significant warranties and covenants
Affiliates				
Receivable		66,775,304	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants; with impairment
• Advances made	600			
• Collections received	-			
• Allowance for impairment	-	(66,402,931)		
Payable		(67,980,824)	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants
• Advances received	-			
• Payments made	1,328,696			
• Write-off	-			

f. Compensation paid to key management personnel for June 30, 2021 and 2020 follows:

	2021	2020
Short term benefits		
Salaries and wages	**₱458,404**	₱401,678
13th month pay and other benefits	**38,200**	40,782
	₱496,604	₱390,078

g. There are no other significant related party transactions on June 30, 2021 and December 2020

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 June 30, 2021 and December 31, 2020 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	1,704,778,573	₱1,704,778,573

There were no movements in the Group's common and preferred shares in 2021 and 2020.

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 1,028 as at June 30, 2021.

The principal market for the Group's capital stock is the PSE. The high and low trading prices of the Group's shares as at June 30, 2021 and 2020 are as follows:

	2021		2020	
	High	Low	High	Low
First	₱4.94	₱3.69	₱2.17	₱0.65
Second	4.53	3.35	1.93	0.74
Third	–	–	2.26	1.50
Fourth	–	–	2.74	2.17

19. Sales

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

Category	**2021**	**2020**
Sale of solar energy	**₱ 5,806,223**	**₱-**
Sale of fruits and vegetables	**16,304,540**	**362,948**
Sale of supplements (CBD oil)	**4,016,880**	-
Agri-tourism	**50,000**	109,780
Total	**₱ 26,177,643**	**₱340,745**

The table shows the analysis of sales of the Group by major sources for the years ended June 30, 2021 and 2020:

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

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

Rent receivable amounted to ₱1.7 million as at June 30, 2021 and December 31, 2020 respectively (see Note 7). Refundable deposit under this lease agreement amounted to ₱270,000 as at June 30, 2021 and December 31, 2020 (see Note 15)

20. **Cost of Sales**

This account consists of:

	2021	2020
Farm supplies	**6,690,722**	1,067,173
Solar Energy	**5,225,601**	
Supplements	**2,128,825**	
	₱14,045,148	**₱1,067,173**

21. **General and Administrative Expenses**

This account consists of:

	Note	**2021**	2020
Depreciation and amortization	13	**₱6,4239,069**	₱6,420,698
Utilities		**1,322,038**	1,048,565
Salaries and wages		**1,262,012**	2,224,680
Contractual services		**1,066,429**	3,627,688
Listing and stock transfer fees		**427,770**	315,064
Legal and professional		**296,347**	67,000
Taxes and licenses		**184,211**	6,500
Transportation		**175,343**	285,976
Materials and supplies		**127,514**	312,010
Repairs and maintenance		**88,708**	233,821
Representation and entertainment		**2,087**	72,278
Miscellaneous		**6,609**	3,900
		₱11,398,136	₱14,618,180

Miscellaneous expenses include advertising, service charges and other fees.

As at June 30, 2021 and 2020, the Group is not covered by the provisions of the Republic Act No. 7641, Retirement Pay Law, because the total number of regular employees is not more than 10, which is the number of mandated to comply with the said law. Accordingly, the Group has not made a provision for retirement benefits.

22. **Income Taxes**

a. The current income tax expense in 2021 and 2020 pertains to RCIT and MCIT respectively.

b. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax shown in Group's consolidated statements of comprehensive income (loss) is as follows:

	Notes	2021	2020
Income (loss) before income tax		**₱735,675**	**(₱7,458,020)**
Multiplied by statutory tax rate		**20%**	**30%**
Income tax expense computed at statutory tax rate		**147,035**	**(2,237,406)**
Income tax effects of:			
Interest income subjected to final tax	6	**(192)**	**(107)**
Unrecognized deferred tax assets on:			
NOLCO		**(20,778)**	**2,239,422**
		₱126,065	**₱1,909**

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

Year incurred	NOLCO	Expired	Unexpired	Tax benefit	Year of expiration
2019	₱30,774,580	₱–	₱30,774,580	₱9,287,039	2022
2018	31,719,395	–	31,719,395	9,434,535	2021
2017	1,337,437	1,337,437	–	–	2020
	₱63,831,412	₱1,337,437	₱62,493,975	₱18,721,574	

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

Year incurred	NOLCO	Expired	Unexpired	Tax benefit	Year of expiration
2020	₱30,691,585	₱–	₱30,691,585	₱9,038,489	2025

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

d. The Group opted for the itemized deduction scheme for its income tax reporting in 2020 and 2019.

23. **Basic Earnings (Loss) per Share**

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

	2021	**2020**
Net loss attributable to the equity holders of the Parent Company	**(₱327,791)**	**(₱5,154,561)**
Divided by: Weighted average number of common shares	**1,704,778,573**	**1,703,278,572**
Basic loss per share	**(₱0.0002)**	**(₱0.003)**

The Group has no diluted loss per share for the year ended June 30, 2021 and 2020.

24. **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:

	2021			
	Balance at beginning of year	Net income (loss)	Addition during the year	Balance at end of year
SREDC	₱213,861,381	15,096	-	₱213,876,477
LSTI	(56,848)	-	-	(56,848)
TWMRSI	(115,518,366)	(2,842)	-	(115,521,208)
YGPL	63,026	925,147	-	988,173
OBTRI	–	–	(423,076)	(423,076)
TWMRSI	₱98,349,193	937,401	(423,076)	₱98,863,518

	2020			
	Balance at beginning of year	Net income (loss)	Addition during the year	Balance at end of year
SREDC	₱228,743,356	(₱14,881,975)	₱–	₱213,861,381
LSTI	(26,559)	(30,289)	–	(56,848)
TWMRSI	(115,478,443)	(39,923)	–	(115,518,366)
YGPL	–	61,293	1,733	63,026
	₱113,238,354	(₱14,890,894)	₱1,733	₱98,349,193

Other comprehensive loss pertains to fair value loss on financial asset at FVOCI for the year attributable to non–controlling interest.

25. **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 June 30, 2021 and December 31, 2020:

	2021			
	Carrying value	Fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
Cash on hand (Note 6)	4,150,750	4,150,750	₱–	4,150,750
Petty cash (Note 6)	50,000	50,000	₱–	50,000
Financial assets at amortized cost				
Cash in banks (Note 6)	80,940,951	80,940,951	–	80,940,951
Nontrade receivables – net (Note 7)	255,568,329	255,568,329	–	255,568,329
Due from related parties – net (Note 17)	499,602,408	499,602,408	–	499,602,408
Financial asset at FVOCI (Note 11)	1,519,673,432	1,519,673,432	1,519,673,432	–
	₱2,359,985,870	₱2,359,985,870	₱1,519,673,432	₱840,312,438
Financial liabilities at amortized cost				
Trade and other payables* (Note 16)	₱1,113,677	₱1,113,677	₱–	₱1,113,677
Due to related parties (Note 17)	89,351,982	89,351,982	–	89,351,982
	₱90,465,659	₱90,465,659	₱–	₱90,465,659

	2020			
	Carrying value	Fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
Cash on hand (Note 6)	₱1,500,000	₱1,500,000	₱–	₱1,500,000
Petty cash (Note 6)	50,000	50,000	₱–	50,000
Financial assets at amortized cost				
Cash in banks (Note 6)	1,234,168	1,234,168	–	1,234,168
Nontrade receivables – net (Note 7)	251,839,507	251,839,507	–	251,839,507
Due from related parties – net (Note 16)	696,111,219	696,111,219	–	696,111,219
Financial asset at FVOCI (Note 10)	1,458,373,432	1,458,373,432	1,458,373,432	–
	₱2,409,108,326	₱2,409,108,326	₱1,458,373,432	₱950,734,894
Financial liabilities at amortized cost				
Trade and other payables* (Note 15)	₱3,543,478	₱3,543,478	₱–	₱3,543,478
Due to related parties (Note 16)	91,673,912	91,673,912	–	91,673,912
	₱95,217,390	₱95,217,390	₱–	₱95,217,390

**Excluding government payables amounting to ₱4.45 million on 2021 and ₱4.46 million in 2020 (see Note 15).*

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

There are no transfers to and from level 1 and 2 categories during 2021 and 2020

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

The Group is exposed to a variety of financial risks, which resulted from its investing and financing activities. The Group's principal financial instruments comprise of cash in banks, nontrade receivables, financial asset at FVOCI, trade and other payables, and due to and from related parties. The main purpose of investing these financial instruments (assets) is to maximize interest yield and for capital appreciation. The Group's policies and guidelines cover credit, liquidity risk, interest rate risk, equity price risk and foreign currency risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

- *Credit Risk*
  Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, resulting in financial loss to the Group. The Group is exposed to credit risk primarily from cash in banks, nontrade receivables, due from related parties and financial asset at FVOCI.

  With respect to credit risk arising from the Group's financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

  Credit risk exposure
  The table below shows the gross maximum exposure to credit risk of the Group as at June 30, 2021 and December 31, 2020, without considering the effects of credit risk mitigation techniques.

	2021	2020
Cash in banks	**80,940,951**	**₱2,734,168**
Nontrade receivables	**253,089,561**	**252,168,352**
Due from related parties	**583,176,777**	**779,685,588**
Financial assets at FVOCI	**1,519,673,432**	**1,458,373,432**
	P 2,436,880,721	**₱2,492,961,540**

  Credit quality per class of financial asset
  Below is the credit quality per class of financial assets as at June 30, 2021 and December 31, 2020.

2021

	Neither past due nor impaired		Past due but		
	High grade	Standard grade	not impaired	Impaired	Total
Cash in banks	₱80,940,951	-	₱–	₱–	₱80,940,951
Nontrade receivables	–		252,760,716	328,845	253,089,561
Due from related parties	948,942	498,653,466	–	83,574,369	583,176,777
Financial asset at FVOCI	–	1,519,673,432	–	–	1,519,673,432
	₱81,889,892	₱2,018,326,898	₱252,760,716	₱83,903,214	₱2,436,880,721

	2020				
	Neither past due nor impaired		Past due but		
	High grade	Standard grade	not impaired	Impaired	Total
Cash in banks	₱2,620,799	₱113,369	₱–	₱–	₱2,734,168
Nontrade receivables	–	1,720,770	250,118,737	328,845	252,168,352
Due from related parties	7,403,179	688,708,040	–	83,574,369	779,685,588
Financial asset at FVOCI	–	1,458,373,432	–	–	1,458,373,432
	₱10,023,978	₱2,148,915,611	₱250,118,737	₱83,903,214	₱2,492,961,540

The credit quality of cash and financial assets at FVOCI quoted securities are based on the nature and performance of the counterparty. High grade cash in banks are placed, invested, or deposited in local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability. Investment in shares of stocks under high grade classification are assigned to financial assets invested to well-established and financially sound company.

High grade receivables are those with no default in payment. Standard grade pertains receivables are active accounts with propensity of deteriorating to mid-range age buckets.These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

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

Impairment assessment
The Group applies general approach for determining the ECLs of cash in banks, nontrade receivables and due from related parties. A credit loss is the difference between the cashflows 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 is based on the assumptions about risk of default and expected loss rates.The management has assessed that due from related parties amounting to ₱83.6 million in 2020 are uncollectible.

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

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

	2021			
	On demand	Due within one year	Due beyond one year but not more than five years	Total
Financial assets				
Cash in banks	₱80,940,951	₱–	₱–	₱80,940,951
Nontrade receivables – net	255,568,329	–	–	255,568,329
Due from related parties – net	499,602,408	–	–	499,602,408
Financial asset at FVOCI		–	1,519,673,432	1,519,673,432
	₱836,111,688	–	₱1,519,673,432	₱2,355,785,120
Financial liabilities				
Trade and other payables*	₱1,113,677	₱1,113,677	₱–	₱1,113,677
Due to related parties	89,351,982	89,351,982	–	89,351,982
	₱90,465,659	₱90,465,659	**₱–**	₱90,465,659

	2020			
	On demand	Due within one year	Due beyond one year but not morethan five years	Total
Financial assets				
Cash in banks	₱2,734,168	₱–	₱–	₱2,734,168
Nontrade receivables – net	251,839,507	–	–	251,839,507
Due from related parties – net	696,111,219	–	–	696,111,219
Financial asset at FVOCI		–	1,458,373,432	1,458,373,432
	₱950,684,894	₱–	₱1,458,373,432	₱2,409,058,326
Financial liabilities				
Trade and other payables*	₱–	₱3,543,478	₱–	₱3,543,478
Due to related parties	91,673,912	–	–	91,673,912
	₱91,673,912	₱3,543,478	₱–	₱95,217,390

- Interest rate risk

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

  Historically, the rate fluctuations relative to its cash in banks are minimal. Interest rates in 2020 and 2019 are less than 1%.

- Equity Price Risk

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

  At December 31, 2020 and 2019, if the quoted stock price for the securities using PSE index had increased by 70% and 38%, respectively, Group's total equity would have been higher by about ₱ 1.02 billion and ₱932.3 million, respectively. On the other hand, if the quoted market price for these securities had decreased by the same percentage, with all other variables held constant, total equity for the period would have been lower by the same amount. The analysis is based on the assumption that the quoted prices had changed by 70% and 38%, with all other variables held constant.

- Foreign Currency Risk

  Currency risk arises when transactions are denominated in foreign currency. The Groupis not exposed to significant foreign currency risk given that the Group's foreign currency denominated financial assets which pertains to cash in banks are not significant in amount.

27. 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:

	2021	2020
Capital stocks	**₱1,804,778,573**	₱1,804,778,573
Additional paid-in capital	**268,090,531**	268,090,531
Retained earnings	**1,723,190,060**	1,724,527,465
Due to related parties	**89,351,982**	91,673,912
	₱3,885,411,146	₱3,889,070,481

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

The debt-to-equity ratios as at June 30, 2021 and December 31, 2020 follow:

	2021	2020
Total debt	**₱316,954,360**	**₱321,611,660**
Total equity	**2,254,252,571**	**2,255,075,651**
	14%	14%

The Group had not been subjected to externally imposed capital requirements in 2021 and 2020. No changes were made pin the objectives, policies, and processes during the years ended December 31, 2020 and 2019.

28. **Segment Reporting**

Business Segments

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

The industry segments where the Group operates are as follows:

a. The holding segment is engaged in investment holding;
b. The renewal energy segment is engaged in the business and/or operation of renewable energy system and/or harnessing renewable energy resources;
c. The waste management segment is engaged in the business of building, operating and managing waste recovery facilities;
d. The real estate segment is engaged in 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.
f. The professional, scientific and technical services segment is engaged in biotechnology with primary focus on development and marketing of medicinal hemp globally.

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

<u>Segment Financial Information</u>

The segment financial information is presented as follows:

	2021							
	Holding	Renewable energy	Waste management	Lease and agri-tourism	Information technology	Professional, Scientific and Technical Services	Elimination	Total
Income								
Revenue	₱–	₱ 5,806,223	₱–	₱16,354,540	₱–	₱4,016,880	₱–	₱ 26,177,643
Gain on sale of financial asset at FVOCI		–	–	–	–	–	–	
Interest income	472	81	–	216	–	–	–	769
Foreign Exchange gain	547	-		-	–	–	–	547
	1,019	(5,806,303)	–	16,354,756	–	4,016,880	-	26,178,959
Expense								
General and administrative expenses	(1,777,925)	(5,226,151)	(5,800)	(16,304,583)		(2,128,825)		(25,443,284)
Provision for income tax		(116,030)	–	(10,035)	–	–	–	(126,065)
Net income (loss)	(1,776,906)	464,122	(5,800)	40,139	-	1,888,055	-	609,610
Net income (loss) attributable to:								
Equity holders of the Parent Company	(1,776,906)	464,122	(2,958)	25,043		962,908		(327,791)
Noncontrolling interest	–	–	(2,842)	15,096		925,147		937,401
Assets and Liabilities								
Segment assets	2,367,360,241	16,666,505	6,630	538,275,666	10,050,197	2,016,677	(363,168,985)	2,571,206,931
Segment liabilities	(310,188,020)	(82,914,755)	(233,890,768)	(16,771,223)	(167,195)	-	326,977,601	(316,954,360)

	2020							
	Holding	Renewable energy	Waste management	Lease and agri-tourism	Information technology	Professional, Scientific and Technical Services	Elimination	Total
Income								
Revenue	₱–	₱6,713,476	₱–	₱2,758,808	₱–	₱355,466	₱–	₱9,827,750
Gain on sale of financial asset at FVOCI	86,578	–	–	–	–	–	–	86,578
Interest income	716	676	–	435	–	–	–	1,827
Reversal of allowance	480,619	15,771	–	4,733,006	–	–	(479,919)	4,749,477
Reversal of payables	116,332	–	–	–	–	–	–	116,332
	684,245	6,729,923	–	7,492,249	–	355,466	(479,919)	14,781,964
Expense								
General and administrative expenses	(3,904,091)	(6,452,707)	(81,475)	(29,400,246)	(61,814)	(230,380)	(676)	(40,131,389)
Impairment loss	(33,301,575)	(204,046)	–	(17,647,758)	–	–	32,779,944	(18,373,435)
Unrealized forex loss	(1,820)	–	–	–	–	–	–	(1,820)
Provision for income tax	(4,057)	(23,066)	–	(13,440)	–	–	–	(40,563)
Net income (loss)	(36,527,298)	50,104	(81,475)	(39,569,195)	(61,814)	125,086	32,299,349	(43,765,243)
Net income (loss) attributable to:								
Equity holders of the Parent Company	(36,527,298)	50,104	(41,552)	(24,687,220)	(31,525)	63,793	32,299,349	(28,874,349)
Noncontrolling interest	–	–	(39,923)	(14,881,975)	(30,289)	61,293	–	(14,890,894)
	(₱36,527,298)	₱50,104	(₱81,475)	(₱39,569,195)	(₱61,814)	₱125,086	₱32,299,349	(₱43,765,243)
Assets and Liabilities								
Segment assets	₱2,366,011,218	₱6,094,576	₱–	₱540,540,715	₱266,170	₱128,622	(₱336,353,990)	₱2,576,687,311
Segment liabilities	₱307,120,986	₱72,806,949	₱233,878,338	₱18,018,719	₱383,169	₱–	(₱310,596,501)	₱321,611,660

29. **Events After Reporting Period**

COVID-19

In a move to contain the COVID-19 pandemic, the community quarantine which was imposed on March 29, 2020 was extended throughout December 31, 2020. On February 27, 2021, itwas announced that Metro Manila and other provinces have extended the general community quarantine (GCQ) until March 28, 2021. On March 29, 2021, enhanced community quarantine (ECQ) has been imposed until April 30, 2021. Throughout the imposition of the community quarantine, the Group has observed the government mandates and directive related thereto. COVID-19 pandemic poses a significant impact on the Group's financial statements due to a volatile stock price movement which affects its financial assets at FVOCI and delays in completion of the agreements as stated in Note 1. Further, travel restrictionsgravely affect SREDC's tourism operations. Nevertheless, the Group's management and BOD will continuously monitor the impacts of COVID-19 and will plan accordingly to minimize and(or) mitigate further risk on the Group's financial performance and position. The Group has taken measures to preserve the health and safety of its stakeholders as well as the businessoperations.

Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE"

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax Incentives for Enterprises Act" (Create Act) was passed into law. Salient provision of CreateAct applicable to the Group are as follows:

1. Reduction in corporate income tax (CIT) rate effective July 1, 2020 as follows:

   Domestic corporations shall be subject to the following reduced CIT rates depending on their assets and taxable income:
   a. Those with assets amounting to ₱100,000,000 and below, and with taxable income equivalent to ₱5,000,000 and below will be subjected to a 20% tax rate;
   b. Those with assets above ₱100,000,000 or those with taxable income amounting to more than ₱5,000,000 will be subjected to a 25% tax rate.

   (Note: Computation of total assets is exclusive of the value of the land where the property, plant, and equipment are situated.)

   Foreign Corporations (resident and nonresident foreign corporations) will have a fixed reduced tax rate of 25%.

2. Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.

3. Regional Operating Headquarters (ROHQs) of multinational companies previously subject to a tax of 10% on their taxable income shall be subject to the regular corporate income tax effective January 1, 2022.

4. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%).

5. For entities under the 25% income tax rate, their deductible interest expense shall be reduced by an amount equivalent to 20% of the interest income subject to final tax.

The Create Act took effect on April 11, 2021.

The proper calculation of the current income tax and related tax accounts as at and for the taxable year ended December 31, 2020 as a result of the reduction tax rate under the Create Act is presented below. The adjustment relating to such calculation, if any, will be recognized in the Group's financial statements as at and for the year ended December 31, 2021

30. **Other Matters**

On Voluntary Trading Suspension

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

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

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

On Civil Forfeiture

On December 15, 2015, the Regional Trial Court of the City of Manila, Branch 53, (the "Court") placed under asset preservation specified bank accounts of (i) Parent Company and (ii) SREDC, a subsidiary of the Parent Company (the "Order"). The Order was predicated solely on the allegation made by the Anti-Money Laundering Council ("AMLC") that multiple transactions involving receipt of inward remittances and inter-branch fund transfers between Parent Company, SREDC, EHI 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 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 SREDCs had economic justifications and involved business transactions, which were timely made public.

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

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

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

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

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

Considering the lapse of the reglementary period to file a petition for certiorari, the Parent Company has been advised that both the Orders July 9, 2018 and July 1, 2019 are now final and executory.