COVER SHEET

SEC Registration Number

					1	3	4	8	0	0

COMPANY NAME

JOLLIVILLE HOLDINGS
CORPORATION

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

4/F 20 LANSBERGH PLACE BLDG.
170 TOMAS MORATO AVE. COR.
SCOUT CASTOR ST., QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
2 0 I S		N A

DEFINITIVE (SSM – 13 February 2019)

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
claire.depasion@joh.ph	373-3038	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
33	Any day in 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
Ortrud T. Yao	ortrud_ting@joh.ph	373-3038	N/A

CONTACT PERSON'S ADDRESS

4/F 20 Lansbergh Place, 170 Tomas Morato Avenue cor. Scout Castor St., Quezon City

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

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

JOLLIVILLE HOLDINGS CORPORATION

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JAN 18 2019
MARKET REGULATION DEPT.
BY: Sheryl TIME: 2:10

NOTICE OF SPECIAL STOCKHOLDERS' MEETING

TO: ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the special stockholders' meeting of Jolliville Holdings Corporation (the "Corporation") will be held on 13 February 2019, Wednesday, at 3:00 o'clock in the afternoon, at the 4th Floor, 20 Lansbergh Place, 170 Tomas Morato Avenue corner Scout Castor Street, Quezon City, for the purpose of taking up the following:

AGENDA

1. Call to Order;
2. Proof of Notice of Meeting;
3. Certification of Quorum;
4. Approval of the Declaration of Property Dividend of JOH at the rate of 66.03%
5. Other Matters; and
6. Adjournment.

In accordance with the rules of the Philippine Stock Exchange, only stockholders of record as of **18 January 2019** are entitled to notice of and to vote as such in the special shareholders' meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at **2:00 pm** and end promptly at **2:45 pm.** All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation. All proxies should be received by the Corporation at least four (4) business days before the meeting, or on or before **07 February 2019**. Proxies submitted will be validated by a Committee of Inspectors on **11 February 2019** at 10:00 in the morning at 4th Floor, 20 Lansbergh Place, 170 Tomas Morato Avenue corner Scout Castor Street, Quezon City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or SSS UMID Card. Attendees unable to present identification document upon registration shall not be admitted to the meeting.

City of Quezon, 18 January 2019.

ORTRUD T. YAO
CFO/Treasurer/Asst. Secretary

JOLLIVILLE HOLDINGS CORPORATION
SPECIAL STOCKHOLDERS' MEETING

February 13, 2019 at 3:00 P.M.
4th Floor 20 Lansbergh Place, 170 Tomas Morato Avenue, Quezon City

PROXY

I/WE, the undersigned shareholder of JOH, hereby appoint, name, and constitute:

_______________________________________,
or in his absence,

the Chairman of the Board, or in the latter's absence, the Secretary of the Meeting, as my attorney-in-fact and proxy, to represent me at the special stockholders' meeting of the Company on Wednesday, 13 February 2019 at 3:00 p.m. and any adjournment(s) thereof, as fully and to all intents and purposes as I might or could if present and voting in a person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.

In particular, I/We hereby direct my/our said proxy to vote all my/our shares on the agenda items set forth below as I/We have expressly indicated by marking the same with an "X":

Items	**Action**		
	For	**Against**	**Abstain**
Approval of the Declaration of Property Dividend of JOH at the rate of 66.03%			

_________________________ Printed Name of Stockholder

_________________________ Authorized Signatory

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 07 FEBRUARY 2019. THIS PROXY WILL BE VALIDATED BY A COMMITTEE OF INSPECTORS ON 11 FEBRUARY 2019 AT 10:00 O'CLOCK IN THE MORNING AT THE PRINCIPAL OFFICE OF THE COMPANY LOCATED AT 4TH FLOOR, 20 LANSBERGH PLACE, 170 TOMAS MORATO AVENUE COR. SCOUT CASTOR STREET, QUEZON CITY. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON. THIS PROXY DOES NOT NEED TO BE NOTARIZED. (Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories.)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JAN 18 2019
MARKET REGULATION DEPT.
BY: [signature] TIME: 2.20

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter:

   JOLLIVILLE HOLDINGS CORPORATION

3. Country of incorporation: **PHILIPPINES**

4. SEC Identification Number: **134800**

5. BIR Tax Identification Code: **000-590-608-000**

6. Address of principal office:
   4/F 20 Lansbergh Place, 170 Tomas Morato Ave., corner Scout Castor St., Quezon City Postal Code: **1103**

7. Registrant's telephone number, including area code: **(632) 373-3038**

8. Date, time and place of the meeting of security holders:

   13 February 2019 (Wednesday), 3:00 P.M.
   Jolliville Holdings Corporation
   4/F 20 Lansbergh Place, 170 Tomas Morato Ave.,
   cor. Sct. Castor St., Quezon City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **21 January 2019**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock, ₱1 par value shares	**281,500,000**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes __√__ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange — common shares**

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter:

   JOLLIVILLE HOLDINGS CORPORATION

3. Country of incorporation: **PHILIPPINES**

4. SEC Identification Number: **134800**

5. BIR Tax Identification Code: **000-590-608-000**

6. Address of principal office:
   4/F 20 Lansbergh Place, 170 Tomas Morato Ave.,
   corner Scout Castor St., Quezon City Postal Code: **1103**

7. Registrant's telephone number, including area code: **(632) 373-3038**

8. Date, time and place of the meeting of security holders:

   13 February 2019 (Wednesday), 3:00 P.M.
   Jolliville Holdings Corporation
   4/F 20 Lansbergh Place, 170 Tomas Morato Ave.,
   cor. Sct. Castor St., Quezon City

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Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock, ₱1 par value shares	**281,500,000**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes _√_ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange — common shares**

PART I.
INFORMATION REQUIRED IN THE INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date :	13 February, 2019
Time :	3:00 P.M.
Place :	4th Floor 20 Lansbergh Place 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City
Principal: Office	4th Floor 20 Lansbergh Place 170 Tomas Morato Ave. cor. Scout Castor St., Quezon City

The approximate date on which the information statement and proxy form will be sent to all shareholders is on **21 January 2019**.

<u>Statement that proxies are not solicited:</u>

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. Dissenter's Right of Appraisal

There are no matters to be taken up which will give rise to the exercise of the appraisal right of stockholders.

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

There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of the Company, any nominee or associate thereof, in any matter to be acted upon~~.~~

The Board of Directors of the Company is not aware of any party who has indicated an intention to oppose the motions set forth in the Agenda.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 31 December 2018, there are 281,500,000 common shares of Jolliville Holdings Corporation outstanding. Out of the aforesaid outstanding common shares, 1,263,602 common shares are held by foreigners. Each stockholder owning one share is entitled to one vote. Only holders of the Company's stock of record at the close of business on 18 January

2019 acting in person or by proxy on the day of the meeting are entitled to vote at the Special Stockholders' Meeting to be held on13 February 2019. The record date was set ten (10) business days from the actual date of the Company's disclosure of the notice to the Philippine Stock Exchange (PSE).

a. Security Ownership of Certain Record and Beneficial Owners

The following table presents the record/beneficial owners known to the Company who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company as of 31 December 2018.

Title of Class of Shares Held	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Held
Common	Elgeete Holdings, Inc.(4/F 20 Lansbergh Place, 170 Tomas Morato Ave. cor. Sct. Castor St., Quezon City, Stockholder)	See Footnote 1	Filipino	125,783,791	44.68%
Common	IGC Securities Inc. (Suite 1006, Tower I & Exchange Plaza, Ayala Triangle, Ayal Avenue, Makati City No relationship)	See Footnote 2	Filipino	19,293,200	6.85%
Common	Myron Ventures, Inc. (357 Quezon Avenue, Quezon City, Stockholder)	See Footnote 3	Filipino	18,000,000	6.39%
Common	Lucky Securities, Inc. (Unit 1402-B PSE Center Exchange Road, Ortigas Center, Pasig City, No relationship)	See Footnote 2	Filipino	14,170,000	5.03%

[1] Elgeete Holdings, Inc. is a private holding company, majority-owned and controlled by members of the Ting Family. Mr. Jolly L. Ting, the single largest stockholder among the Ting Family in this company, exercises the voting power over the shares.

[2] IGC Securities Inc. and Lucky Securities Inc. are participants in the Philippine Central Depository Inc. (PCD) who hold the shares on behalf of its clients. None of their clients hold more than 5% of the company's outstanding stock.

[3] Myron Ventures Corp. is a domestic corporation duly registered with the Securities and Exchange Commission.

b. Security Ownership of Management

As of 31 December 2018, the shares owned of record or beneficially by the directors and the executive officers are as follows:

Title of Class	***Name of Beneficial Owner***	***Amount and Nature of Beneficial Ownership***	***Citizenship***	***Percent of Class***
Common	Jolly L. Ting	959,999 (direct)	Filipino	0.34%
Common	Jolly L. Ting	21,280,175 (indirect)	Filipino	7.56%
Common	Rodolfo L. See	5,994,000 (direct)	Filipino	2.13%
Common	Melody T. Lancaster	1 (direct)	Filipino	0.00%
Common	Melody T. Lancaster	9,181,491 (indirect)	Filipino	3.26%
Common	Nanette T. Ongcarranceja	500,001 (direct)	Filipino	0.18%
Common	Nanette T. Ongcarranceja	9,366,278 (indirect)	Filipino	3.33%
Common	Ortrud T. Yao	1,000,001 (direct)	Filipino	0.36%
Common	Ortrud T. Yao	9,181,491 (indirect)	Filipino	3.26%
Common	Dexter E. Quintana	854,001 (direct)	Filipino	0.30%
Common	Sergio R. Ortiz-Luis Jr.	1,000 (direct)	Filipino	0.00%
Common	Anna Francesca C. Respicio	Nil	Filipino	0.00%

Directors and officers as a group hold a total of 58,318,438 shares equivalent to 20.72% of Jolliville Holdings Corporation's issued and outstanding capital stock. Mr. Jolly L. Ting owns indirectly more than 5% shares of the Company's total outstanding capital stock.

c. Voting Trust Holders of 5% or more

No person holds 5% or more of the issued and outstanding shares of the Company under a voting trust or similar agreement.

d. Changes in Control

There has been no arrangement, which may result in a change in the control of the Company.

There has been no change in control of the Company since the beginning of the last fiscal year.

Item 6. Compensation of Directors and Executive Officers

Compensation of directors and executive officers are carried in the books of parent company and operating subsidiaries.

a. Standard Arrangements. All the executive officers receive a fixed monthly remuneration and year-end bonus while the other directors, including the two (2) independent directors, receive a per diem of ₱8,000 per board/committee meeting.

b. Other Arrangements. The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as above stated.

SUMMARY COMPENSATION TABLE
Annual Compensation

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Others
A Jolly L. Ting, Chairman & Chief Executive Officer* B Nanette T. Ongcarranceja, President/Chief Operating Officer* C Ortrud T. Yao, Treasurer/Asst. Corp. Sec./Chief Finance Officer* D Melody T. Lancaster, Vice President*				
TOTAL	2018	9,043,145	701,334	58,344
	2017	8,612,519	667,637	55,566
	2016	8,202,399	635,845	52,920
	2015	7,665,793	594,248	50,400
All other officers and directors as a group unnamed	2018	7,287,224	2,698,807	176,488
	2017	6,940,213	2,570,292	168,084
	2016	6,609,727	2,447,897	160,080
	2015	6,177,315	2,287,754	160,000

**these are the only top compensated Executives of the Company*

During the last and ensuing year, there are no:

1) Employment contracts between the Company and the named directors and senior officers;
2) Compensatory Plan or Arrangement;
3) Outstanding Warrants or Options held by directors and officers or the prices of such adjusted or amended; and
4) Amounts paid for committee participation or special assignments.

Under Article IV Section 2 of the Company's By-Laws, the officers of the Corporation shall hold office for one year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

Item 7. Independent Public Accountants

Constantino, Guadalquiver & Co. (CGCo) has been the Company's independent auditors since 2000. They are being recommended by the Audit Committee for election by the stockholders at the scheduled annual meeting.

Mr. Dexter E. Quintana, an independent director, chairs the Audit Committee

The Audit Committee performs a robust process in recommending the appointment, reappointment, removal, and fees of the external auditor. The recommendation of the committee is subject to approval of the Board and ratification of the shareholders during the annual stockholders' meeting.

Representatives of CGCo are expected to be present during the special stockholders' meeting. They are also expected to respond to appropriate questions from stockholders, if needed. CGCo has accepted the Company's invitation to stand for the special stockholders' meeting this year.

Jerome Antonio B. Constantino is the current audit partner for the Company and its subsidiaries. Pursuant to SRC Rule 68, Paragraph 3(b)(iv), the Company will either change its External Auditor or rotate the engagement partner every five (5) years.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 11. Financial and Other Information

The Company's financial statements as of and for the quarter ended 30 September 2018 and Management Report are attached hereto as Annexes "A" and "B".

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

MS. ORTRUD T. YAO
Chief Finance Officer
Philippine H2O Ventures Corp.
4/F 20 Lansbergh Place
170 Tomas Morato Ave., cor. Scout Castor St.,
Quezon City 1103

Item 14. Restatement of Accounts

The accounting policies and disclosure set out in the attached unaudited financial statements have been applied consistently to all the year presented except for the following amended PFRS and PAS which became effective in 2017:

• PAS 7, *"Cash Flow Statements": Disclosure Initiative*
The amendments require the entity to provide disclosures that enable users of financial statement to evaluate changes in liabilities arising from financing activities, including both 18 changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

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

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

The amendments did not have significant impact on the financial statements as this affects disclosures only.

• PAS 12, *"Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.
The amendments have no significant impact on the Company's financial statements as this affects disclosures only.

D. OTHER MATTERS

Item 18. Other Proposed Actions

Action to be taken is the approval of the property dividends declared by the Company on 4 January 2019.

The Board, in its special meeting held on 4 January 2019, approved the declaration of 66.03% property dividends of JOH with a total amount of One Hundred Eighty Five Million Eight Hundred Sixty Two Thousand Seven Hundred Fifty Pesos (Php185,862,750.00), comprising of 42,225,000 shares of Tubig Pilipinas Corp. ("Tubig Pilipinas") carried at Php2.59 per share and 76,500,000 shares of Philippine Hydro Electric Ventures, Inc. ("Phil. Hydro") carried at Php1.00 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of 30 September 2018. Entitled shareholders will receive 27 shares of Phil Hydro and 15 shares of Tubig Pilipinas for every 100 shares of JOH.

Fractional shares shall be converted into cash and be released to the shareholders at the same time as the property dividend.

Tubig Pilipinas was originally formed as Tabuk Water Corp. on 14 August 2006 to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes and to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and related system elements required thereto.

At present, Tubig Pilipinas' authorized capital stock is ₱500 million consisting of 500 million common shares with a par value of ₱1 per share. As of 31 December 2018, 163,450,000 shares are subscribed and paid.

Phil. Hydro, formerly Bia Ventures Inc., was incorporated on 17 July 2009, primarily to lease and purchase land, marine, aquatic and environmental resources of the Philippines to the extent permitted by law and to develop and conserve places with tourism value. The SEC has approved Phil. Hydro's amended Articles of Incorporation on 24 November 2014, amending its primary purpose as to engage in, own, develop, construct, rehabilitate, operate and maintain water and electric power plant systems and facilities, renewable and indigenous power generation plants and other types of power generation and/or converting stations; and to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding company or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants.

Phil. Hydro has an authorized capital stock of ₱1 billion divided into 1,000,000,000 shares with a par value of ₱1.00 a share. As of 31 December 2018, the subscribed and paid-up capital of Phil. Hydro is ₱255 million.

More information about JOH, Tubig Pilipinas and Phil Hydro can be found in Annex B under Business of the Issuer.

Item 19. Voting Procedures

The aforementioned motions will require the affirmative vote of a majority of the issued and outstanding shares of the Company's common stock present and represented and entitled to vote at the Special Meeting. Because abstentions with respect to any matter are treated as shares present and represented and entitled to vote for purposes of determining whether the stockholders have approved that matter, abstentions have the same effect as negative votes. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not deemed to be present or represented for purposes of determining whether stockholders' approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting and voting shall be by *viva voce*. CGCo, the Company's independent auditors, were requested and have agreed to manually tally the votes at the meeting. They will present the results afterwards.

Omitted Items

Items 5, 8, 9, 10, 12, 13, 15, 16, and 17 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the Information set forth in this report is true, complete and correct. This report is signed in Quezon City on 18 January 2019.

JOLLIVILLE HOLDINGS CORPORATION
Issuer

NANETTE T. ONGCARRANCEJA
President

Annex "A"

111132018000944

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Mark Anthony R. Osena
Receiving Branch : SEC Head Office
Receipt Date and Time : November 13, 2018 12:14:55 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000134800
Company Name	JOLLIVILLE HOLDINGS CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111132018000944
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2018
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

SEC Registration Number

1 3 4 8 0 0

Company Name

J O L L I V I L L E   H O L D I N G S

C O R P O R A T I O N   A N D   S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town)Province)

4 T H   F L O O R   L A N S B E R G H   P L A C E

1 7 0   T O M A S   M O R A T O   A V E .   C O R .

S C O U T   C A S T O R   S T . ,   Q U E Z O N   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q 3rd Qtr. 2018	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
ortrud_ting@joh.ph	3 7 3 - 3 0 3 8	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
34	Any Day in 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
ORTRUD T. YAO	ortrud_ting@joh.ph	373-3038	N/A

Contact Person's Address

4TH FLOOR LANSBERGH PLACE 170 TOMAS MORATO AVE. COR. SCOUT CASTOR ST., QUEZON CITY

Note: In case of death, resgination 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.

JOLLIVILLE HOLDINGS CORPORATION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2018**

2. SEC Identification No. **134800**

3. BIR Tax Identification **No. 000-590-608-000**

4. Exact name of registrant as specified in its charter:
JOLLIVILLE HOLDINGS CORPORATION

5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code : _________ (SEC Use Only)

7. Address of principal office and Postal Code:
4th Floor 20 Lansbergh Place, Tomas Morato Ave. cor. Scout Castor St., 1103 Quezon City

8. Registrant's telephone no. and area code: **(632) 373-3038**

9. Former name, address, and fiscal year, if changed since last report:
Not applicable

10. Securities registered pursuant to Sections 4 & 8 of the RSA:

Title of Each Class	No. of Shares of Common Stock Outstanding &/or Amount of Debt Outstanding
Common Stock, ₱ 1 par value	**281,500,000 shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 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 reports):
Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days:
Yes [x] No [ ]

TABLE OF CONTENTS

FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit I) for the third (3rd) Quarter ending September 30, 2018.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

The consolidated financial statements for the third quarter ended September 30, 2018 resulted in a net income after tax of ₱378,374,695 compared to ₱62,266,613 of the same period last year. The increase in net income during the period is mainly due to the gain on sale of investment in a subsidiary amounting to ₱324,676,804.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales increased by 25.62% from ₱254,754,241 to ₱320,031,382 for the nine months ended of this year as against the same period last year due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of third quarter of 2018, contracted energy was at 28,985,208 kilowatt hours (kWh) as against 29,872,024 kWh for the same period in 2017.

Water service revenues increased by ₱91,453,156 or 100% by the third quarter of 2018. This represents water revenues earned covering the period from June 2018 to September 2018. As of September 30, 2018, total water subscribers is 22,317. Water revenues earned for the five months ended May 31, 2018 and nine months ended September 30, 2017 amounting to ₱107,453,946 and ₱174,428,401, respectively, was presented as part of income from water operations of a disposed subsidiary under "Other Income (Charges) - net" in the consolidated statements of comprehensive income. This resulted from disposal of a subsidiary last June 1, 2018. For the five months ended May 31, 2018 and nine months ended September 30, 2017, total water subscribers base stood at 21,262 and 19,535, respectively.

Rental revenues increased by 13.03% or ₱ 6,306,397 as a result of rental rate escalation charged to clients starting first quarter of 2018.

Technical services decreased by 18.69% from ₱31,466,818 to ₱25,586,817 for the nine months ended of this year as against the same period last year. Contract with a client ceased effective July 1, 2018.

Cost of services increased by 42.81% or ₱ 101,503,847 for the period. This was due to increase in fuel expenses brought about by higher fuel prices, additional outside services, increase in repairs and maintenance and water service costs incurred for four months starting from June 2018 to September 2018. Water service costs incurred for the five months ended May 31, 2018 and nine months ended September 30, 2017 amounting to ₱44,287,991 and ₱73,034,627, respectively, was presented as part of income from water operations of a disposed subsidiary under "Other Income (Charges) - net" in the consolidated statements of comprehensive income.

Operating expenses increased by 81.96% or ₱42,831,100 for the period. Much of the increase is attributable to higher depreciation expense, increase in salaries, additional professional fees and taxes, commission fees related to sale of a subsidiary and water operating expenses incurred for four months starting from June 2018 to September 2018. Water operating expenses incurred for the five months ended May 31, 2018 and nine months ended September 30, 2017 amounting to ₱16,998,314 and ₱29,790,014, respectively, was presented as part of income from water operations of a disposed subsidiary under "Other Income (Charges) - net" in the consolidated statements of comprehensive income.

Net other income increased by 607.95% or ₱301,403,565 for the nine months ended September 30, 2018. This resulted mainly from gain on sale of investment in a subsidiary amounting to ₱324,676,804. Income from operations of disposed subsidiary pertains to CWWC's results of operation amounting to ₱46,167,641 and ₱71,603,760 for the five months ended May 31, 2018 and nine months ended September 30, 2017.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Tubig Pilipinas Corp. and subsidiaries, Philippine Hydro Electric Ventures, Inc. and a subsidiary and Jolliville Leisure & Resort Corporation and subsidiaries. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in these subsidiaries.

Financial Position

Total assets increased by 12.93% or ₱710,762,926 from ₱5,498,190,434 as of December 31, 2017 to ₱6,208,953,360 as of September 30, 2018.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱3,812,170,244 as of September 30, 2018. It increased by 9.79% or ₱340,031,162 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant, ongoing development and construction of CWWC's and MAWI's water supply systems and JLRC's Jolly Waves Waterpark & Resort construction project.

Cash and cash equivalents account increased by 70.18% or ₱166,300,313 during the period. This represents the net effect of proceeds received from sale of investment in a subsidiary, loan availments made and payment of obligations as of third quarter of 2018.

Receivables increased by 44.33% or ₱ 69,319,765 during the first nine months of 2018 due to lesser collection from customers.

Due from related parties increased by 342.38% from ₱57,710,249 as of December 31, 2017 to ₱255,298,663 as of September 30, 2018 as advances were made to affiliates for working capital requirements.

Inventories amounting to ₱23,090,944 pertain mostly to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 10.85% or ₱2,259,945 from last year's balance of ₱20,830,999.

Other current assets increased by 4.36% from ₱86,835,984 as of December 31, 2017 to ₱90,625,774 as of September 30, 2018. The increase mainly pertains to input VAT incurred and additional creditable withholding taxes received.

Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement with Udenna Development Corp. (collectively the "Parties"), for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of this transaction, H2O's assets and liabilities were presented separately as "current assets held for sale" and "current liabilities held for sale" in the consolidated statements of financial position as of December 31, 2017. On June 1, 2018, a Deed of Absolute Sale was executed. Due to the closing of sale, current assets and liabilities held for sale are adjusted as of September 30, 2018.

During second quarter, OHC assigned its investment in shares of stocks to a related party. As a result, investment in associates decreased by 50.52% from ₱51,792,517 as of December 31, 2017 to ₱25,629,525 as of September 30, 2018.

Investment property increased by 0.11% or ₱1,384,146 during the period. This pertains to acquisition of a condominium unit during the period.

The deferred tax effects of unrealized gain on foreign exchange for the period caused the deferred tax assets account to decrease by 0.0034% from ₱25,669,700 as of December 31, 2017 to ₱25,668,833 as of September 30, 2018, respectively.

Other noncurrent assets decreased by 19.24% or ₱22,172,572 during the period. This mainly represents the net effect of additional development costs of the power plant and decrease in goodwill due to disposal of a subsidiary.

Available-for-sale investments remained unchanged from its balance as of September 30, 2018.

Accounts payable and other current liabilities decreased by 6.54% from ₱914,269,628 as of December 31, 2017 to ₱854,447,285 as of September 30, 2018. Much of this is attributed to OPI's, CWWC's, MAWI's and JLRC's payments of obligation to contractors.

Loans payable increased by 23.68% or ₱466,087,575 as of September 30, 2018. This mainly represents additional releases from the loan facility with local banks intended for the construction of Inabasan power plant and Jolly Waves Waterpark & Resort and short-term loan drawings made by CWWC and OPI.

Due to related parties increased by 13.97% from ₱271,316,132 as of December 31, 2017 to ₱309,207,844 as of September 30, 2018 as the effect of additional advances received from affiliates.

The income tax liability as of December 31, 2017 was due and paid in March 2018 and April 2018. The income tax liability as of September 30, 2018 consists of income tax accruals for the third quarter of 2018. Income tax payable decreased by 15.83% or ₱2,870,588 as of September 30, 2018.

Customers' deposits increased by 2.00% or ₱606,761 as of September 30, 2018. This account pertains to additional water meter maintenance collected by CWWC and MAWI.

On August 8, 2018, the Parent Company's Board of Directors, after negotiating with Elgeete Holdings Inc., agreed to reverse the deposit for future stock subscription amounting to ₱35,000,000 back to accounts payable. As a result, deposit for future stock subscription decreased by 100% or ₱35,000,000 as of September 30, 2018.

Retirement benefit obligation and deferred tax liabilities were unchanged from year-end.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Tubig Pilipinas Corp. and subsidiaries, Philippine Hydro Electric Ventures, Inc. and a subsidiary and Jolliville Leisure & Resort Corporation and subsidiaries. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in these subsidiaries.

Liquidity and Solvency

The Group's cash balance increased from ₱236,956,409 as of end of 2017 to ₱403,256,722 as of September 30, 2018. The increase is the net effect of proceeds received from sale of investment in a subsidiary, loan availments made and payments made to creditors. There are sufficient cash and credit to finance operating and investing activities of the Group.

Dividends

None

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Company, including any Default or Acceleration of an Obligation

None

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including Contingent Obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons created during the Reporting Period

None

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

On June 21, 2016, the Energy Regulatory Commission (ERC) issued a Decision for the approval of the Power Supply Agreement (PSA) between ORMECO and Ormin Power Inc. (OPI). The ERC only granted the generation rates of ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) from OPI's proposed rate of ₱2.95/kWh under the PSA. The difference in rate is primarily due among others, to ERC's exclusion of pre-operating expenses, contingency, permits/licenses and other development costs in the computation of the total project cost as a component of the capacity fee and the use of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants.

On October 17, 2016, OPI filed an Omnibus Motion for Partial Reconsideration and for the Issuance of a Status Quo Order to the ERC. On January 11, 2017, OPI filed a Supplemental Motion for Partial Reconsideration to submit supporting documents based on OPI's incurred actual expenses.

On June 6, 2017, the Commission issued a Status Quo Ante Order deferring the implementation of the decision dated June 21, 2016 for a period of no more than six (6) months or until the issues are earlier resolved.

On December 5, 2017, ERC issued an Order extending the Status Quo Order prayed by OPI in its Omnibus Motion. The implementation of the Decision dated June 21, 2016 was stayed for another six (6) months or until the resolution of the Omnibus Motion, which comes earlier.

On June 5, 2018, ERC extended the Status Quo Ante Order for another six (6) months or until December 5, 2018 or the resolution of the Omnibus Motion for Partial Reconsideration, whichever comes earlier.

Management strongly believes that the ERC should favorably consider OPI's Motion on the matter of the excluded costs, sufficiently supported by evidence of actual amounts incurred.

Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

Ormin Power, Inc. is currently constructing its 10 MW Mini Hydro Power Plant facility in San Teodoro, Oriental Mindoro. The project cost is ₱1.6 billion and it is currently being financed through a term loan from the Development Bank of the Philippines. The total principal and interest released amounted to ₱1.121 billion and ₱122.7 million as of September 30, 2018. Expected project completion is on December 2018.

On March 14, 2014, OPI entered into an agreement with a foreign supplier for the purchase of various hydroelectric equipment to be used in the Inabasan Mini Hydro Power Plant. Total contract price of the equipment amounted to US$3.0 million.

Calapan Waterworks Corporation has completed the Phase II Expansion Program for Calapan City Water Supply System. Phase II involved development of new water production facilities, installation of storage facilities for the water system, and pipe laying of additional distribution lines. Phase II was estimated to cost about ₱162 million, about ₱118 million was financed through bank borrowing while the balance has been funded through internally generated funds.

Metro Agoo Waterworks, Inc. is currently undertaking Phase I of its proposed water system in Agoo, La Union. The estimated cost is ₱313.73 million, about ₱280 million will be financed through bank borrowings while the balance will be funded through internally generated funds.

Jolliville Leisure and Resort Corporation is currently constructing and developing its waterpark and resort located at Sapul, Calapan City, Oriental Mindoro. The estimated cost is ₱358.57 million, about ₱251 million will be financed through bank borrowings while the balance will be funded through internally generated funds.

Any Significant Elements of Income or Loss that did not arise from Continuing Operations

None

Financial Risk Disclosure

Please refer to Note 2 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments of the Group.

The Group's principal financial instruments comprise of cash, receivables, short-term bank deposits, available-for-sale investments, bank loans, trade payables, due to related parties and payable to property owners. The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk.

The main objectives of the Group's financial risk management areas are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Group's Board reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk
The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term borrowings. The Group's policy is to minimize interest rate cash flow risk exposures. Long-term borrowings are therefore usually at agreed interest rates. Also, the Group manages its exposure to interest rate risk by closely monitoring bank interest rates with various banks and maximizing borrowing period based on market volatility of interest rates.

Credit risk
This risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through monitoring procedures and regular coordination with the customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Given the Group's diverse customer base, it is not exposed to large concentration of credit risk.

Currency risk
Currency risk is the risk that a business' operations or an investment's value will be affected by changes in exchange rates. If Philippine pesos, the Group's functional currency, has to be converted into another currency to buy or sell goods and services, or to make certain investments, a gain or loss may arise when these are converted back into pesos. This risk has been assessed to be insignificant given that all the Group's transactions are made in pesos. The Group has no investments in foreign securities.

Market risk
Market risk is the risk of losses arising from changes in market prices. This usually affects an entire class of assets or liabilities. The value of investments may decline over a given period of time simply because of economic changes or other events that impact large portions of the market. Management has assessed this risk to be insignificant since the Group's financial instruments are not openly traded in the open market (stock exchange, foreign exchange, commodity market, etc.) nor does it engage in exotic financial instruments such as derivatives, spot or forward contracts and the like. The fair values of the Group's financial instruments did not change between this period and the preceding period thus no gain or loss was recognized.

EXHIBIT I

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

	Note		September 30, 2018 (Unaudited)		December 31, 2017 (Audited)
ASSETS					
Current Assets					
Cash and cash equivalents		₱	**403,256,722**	₱	236,956,409
Receivables – net			**225,692,420**		156,372,655
Due from related parties	5		**255,298,663**		57,710,249
Inventories			**23,090,944**		20,830,999
Other current assets			**90,625,774**		86,835,984
			997,964,523		558,706,296
Current assets held for sale			**–**		21,574,178
Total Current Assets			**997,964,523**		580,280,474
Noncurrent Assets					
Available-for-sale (AFS) investments			**3,084,307**		3,084,307
Investment in associates			**25,629,525**		51,792,517
Investment property			**1,251,364,342**		1,249,980,196
Property, plant and equipment – net			**3,812,170,244**		3,472,139,082
Deferred tax assets	7		**25,668,833**		25,669,700
Other noncurrent assets - net			**93,071,586**		115,244,158
Total Noncurrent Assets			**5,210,988,837**		4,917,909,960
		₱	**6,208,953,360**	₱	5,498,190,434
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and other current liabilities		₱	**854,447,285**	₱	914,269,628
Short-term loans payable	4		**510,500,000**		430,000,000
Current portion of long-term loans payable	4		**179,511,389**		120,714,182
Due to related parties	5		**309,207,844**		271,316,132
Income tax payable			**15,264,183**		18,134,771
			1,868,930,701		1,754,434,713
Current liabilities held for sale			**–**		206,103
Total Current Liabilities			**1,868,930,701**		1,754,640,816
Noncurrent Liabilities					
Noncurrent portion of long-term loans payable	4		**1,744,751,842**		1,417,961,474
Retirement benefit obligation			**50,023,032**		50,023,032
Deferred tax liabilities	7		**59,686,878**		59,686,878
Customers' deposits			**30,887,234**		30,280,473
Deposit for future stock subscription			**–**		35,000,000
Total Noncurrent Liabilities			**1,885,348,986**		1,592,951,857
Total Liabilities			**3,754,279,687**		3,347,592,673

(Forward)

(Carryforward)

		September 30, 2018 (Unaudited)		December 31, 2017 (Audited)
Equity				
Attributable to Equity Holders of Parent Company				
Capital stock	₱	**281,500,000**	₱	281,500,000
Additional paid-in capital		**812,108**		812,108
Revaluation reserves on AFS investments		**538,057**		885,393
Revaluation surplus on investment property and property, plant and equipment		**210,580,048**		224,603,631
Reserve for actuarial loss		**(5,749,987)**		(5,416,277)
Retained earnings		**1,426,145,908**		1,089,942,535
		1,913,826,134		1,592,327,390
Noncontrolling Interests		**540,847,539**		558,270,371
Total Equity		**2,454,673,673**		2,150,597,761
	₱	**6,208,953,360**	₱	5,498,190,434

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Pesos)

	Note	Quarter Ended September 30 2018	Quarter Ended September 30 2017	Nine Months Ended September 30 2018	Nine Months Ended September 30 2017
REVENUES					
Power sales		**₱ 132,302,363**	₱ 90,978,960	**₱ 320,031,382**	₱ 254,754,241
Water services		**68,212,039**	–	**91,453,156**	–
Rental		**18,249,100**	16,066,359	**54,707,838**	48,401,441
Technical services		**4,608,938**	10,488,939	**25,586,817**	31,466,818
		223,372,440	117,534,258	**491,779,193**	334,622,500
COSTS OF SALES AND SERVICES		**152,059,007**	82,049,699	**338,585,498**	237,081,651
GROSS INCOME		**71,313,433**	35,484,559	**153,193,695**	97,540,849
OPERATING EXPENSES		**36,470,423**	15,548,861	**95,091,786**	52,260,686
INCOME FROM OPERATIONS		**34,843,010**	19,935,698	**58,101,909**	45,280,163
OTHER INCOME (CHARGES) – Net	6	**(6,465,106)**	14,130,655	**350,980,978**	49,577,413
INCOME BEFORE INCOME TAX		**28,377,904**	34,066,353	**409,082,887**	94,857,576
INCOME TAX EXPENSE					
Current		**8,929,495**	11,710,882	**30,707,325**	32,590,963
Deferred		**151**	–	**867**	–
	7	**8,929,646**	11,710,882	**30,708,192**	32,590,963
TOTAL COMPREHENSIVE INCOME		**₱ 19,448,258**	₱ 22,355,471	**₱ 378,374,695**	₱ 62,266,613
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the parent company		**16,793,427**	20,634,455	**₱ 373,662,534**	₱ 51,862,733
Noncontrolling interests		**2,654,831**	1,721,016	**4,712,161**	10,403,880
		₱ 19,448,258	₱ 22,355,471	**₱ 378,374,695**	₱ 62,266,613
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the parent company		**₱ 16,793,427**	₱ 20,634,455	**₱ 373,662,534**	₱ 51,862,733
Noncontrolling interests		**2,654,831**	1,721,016	**4,712,161**	10,403,880
		₱ 19,448,258	₱ 22,355,471	**₱ 378,374,695**	₱ 62,266,613
EARNINGS PER SHARE	8	**₱ 0.0597**	₱ **0.0733**	**₱ 1.3274**	₱ 0.1842

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)

	2018	2017
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
CAPITAL STOCK – P1 par value		
Authorized – 1,000,000,000 shares		
Subscribed and fully paid		
– 281,500,000 shares	₱ 281,500,000	₱ 281,500,000
ADDITIONAL PAID-IN CAPITAL	812,108	812,108
REVALUATION RESERVES ON AFS INVESTMENTS		
Balance at beginning of year	885,393	773,399
Disposal of a subsidiary	(347,336)	–
Balance at end of period	538,057	773,399
REVALUATION SURPLUS ON INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT - Net		
Balance at beginning of year	224,603,631	223,589,552
Disposal of a subsidiary	(14,023,583)	–
Balance at end of period	210,580,048	223,589,552
RESERVE FOR ACTUARIAL LOSS		
Balance at beginning of year	(5,416,277)	(4,588,097)
Disposal of a subsidiary	(333,710)	–
Balance at end of period	(5,749,987)	(4,588,097)
RETAINED EARNINGS		
Balance at beginning of year	1,089,942,535	1,013,518,435
Net income during the period	373,662,534	51,862,733
Disposal of a subsidiary	(37,459,161)	–
Balance at end of period	1,426,145,908	1,065,381,168
	1,913,826,134	1,567,468,130
NONCONTROLLING INTERESTS		
Balance at beginning of year	558,270,371	484,674,041
Disposal of a subsidiary	(325,936,540)	–
Issuance of preferred stock	164,434,000	–
Increase during the period	102,746,422	–
Deposit for future stock subscription	27,000,000	–
Payment received for subscription receivable	9,621,125	–
Share in total comprehensive income	4,712,161	10,403,880
Balance at end of period	540,847,539	495,077,921
	₱ 2,454,673,673	₱ 2,062,546,051

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts in Philippine Pesos)

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	**409,082,887**	₱	94,857,576
Adjustments for:				
Depreciation and amortization		**54,314,305**		50,051,626
Finance charges		**21,251,550**		22,278,294
Interest income		**(680,070)**		(539,143)
Net unrealized foreign exchange gain		**(11,395)**		(4,099)
Operating income before working capital changes		**483,957,277**		166,644,254
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables		**(62,779,023)**		(10,560,397)
Inventories		**(2,259,945)**		(5,128,639)
Curren assets held for sale		**21,574,178**		–
Other current assets		**(3,789,790)**		1,108,714
Increase (decrease) in:				
Accounts payable and other current liabilities		**(75,200,093)**		(22,730,384)
Customers' deposits		**606,761**		2,087,956
Curren liabilities held for sale		**(206,103)**		–
Cash generated from operations		**361,903,262**		131,421,504
Income tax paid		**(33,577,913)**		(30,266,650)
Interest paid		**(21,251,550)**		(22,278,294)
Interest received		**680,070**		539,143
Net cash provided by operating activities		**307,753,869**		79,415,703
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment		**(394,345,467)**		(196,689,639)
Investment property		**(1,384,146)**		–
Decrease (increase) in:				
Due from related parties		**(197,588,414)**		(13,593,080)
Other noncurrent assets		**22,172,572**		(18,928,522)
Net cash used in investing activities		**(571,145,455)**		(229,211,241)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan availments		**555,453,999**		146,753,008
Payments of loan		**(89,366,424)**		(21,465,748)
Increase (decrease) in:				
Due to related parties		**37,891,712**		(26,201,703)
Noncontrolling interests		**(74,298,783)**		–
Net cash provided by financing activities		**429,680,504**		99,085,557
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**11,395**		4,099
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**166,300,313**		(50,705,882)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**236,956,409**		275,312,575
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	**403,256,722**	₱	224,606,693

(Forward)

(Carryforward)

		2018		2017
CASH AND CASH EQUIVALENTS AT END OF PERIOD CONSISTS OF:				
Cash in bank	₱	**381,623,550**	₱	136,046,791
Placements		**21,276,037**		88,221,379
Cash on hand		**357,135**		338,523
	₱	**403,256,722**	₱	224,606,693

See accompanying Notes to Consolidated Financial Statements.

1. **Basis of Preparation of the Financial Statements**

The accompanying consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, investment property and certain property and equipment which are stated at fair market value and appraised values, respectively. These consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of Jolliville Holdings Corporation (the Parent Company) and the following subsidiaries held directly or indirectly through wholly and majority-owned subsidiaries.

Subsidiaries	Percentage of Ownership	
	September 2018	
Ormina Realty and Development Corporation (ORDC)		100.00
Jolliville Group Management, Inc. (JGMI)		100.00
Servwell BPO International Inc. (Servwell)		100.00
Granville Ventures Inc. (GVI)		100.00
Jollideal Marketing Corporation (JMC)		100.00
Jolliville Leisure and Resort Corporation (JLRC) and Subsidiaries		100.00
Buyayao Island Resort Corporation (Buyayao Island)*	50.99	
Sapulville Enterprises Corp.*	75.00	
Sapul Ventures Corp.*	75.00	
Ormin Holdings Corporation (OHC) and Subsidiaries:		100.00
OTY Development Corp. (ODC)		100.00
Melan Properties Corp. (MPC)		100.00
KGT Ventures, Inc. (KVI)		100.00
Ibayo Island Resort Corp. (IIRC)		100.00
NGTO Resources Corp. (NRC)		100.00
Philippine Hydro Electric Ventures, Inc. (PHEVI)		100.00
Ormin Power, Inc. (OPI)	59.98	
Tubig Pilipinas Corp. and Subsidiaries**		
Direct ownership of the Parent Company	88.50	
Parent Company's ownership through OHC Subsidiaries	11.50	100.00
Calapan Waterworks Corporation (CWWC)		99.75
Metro Agoo Waterworks Inc. (MAWI)		
Parent Company's ownership through CWWC		83.91
Nation Water Corporation (NWC)*		74.88

**preoperating stage*

***formerly Tabuk Water Corp.*

Subsidiaries	Percentage of Ownership	
	December 2017	
Ormina Realty and Development Corporation (ORDC)		100.00
Jolliville Group Management, Inc. (JGMI)		100.00
Servwell BPO International Inc. (Servwell)		100.00
Granville Ventures Inc. (GVI)		100.00
Jollideal Marketing Corporation (JMC)		100.00
Jolliville Leisure and Resort Corporation (JLRC) and Subsidiaries		100.00
Buyayao Island Resort Corporation (Buyayao Island)*	50.99	
Sapulville Enterprises Corp.*	75.00	
Sapul Ventures Corp.*	75.00	
Ormin Holdings Corporation (OHC) and Subsidiaries:		100.00
OTY Development Corp. (ODC)		100.00
Melan Properties Corp. (MPC)		100.00
KGT Ventures, Inc. (KVI)		100.00
Ibayo Island Resort Corp. (IIRC)		100.00
NGTO Resources Corp. (NRC)		100.00
Philippine Hydro Electric Ventures, Inc. (PHEVI)		100.00
Ormin Power, Inc. (OPI)	60.00	
Philippine H2O Ventures Corp. and Subsidiaries		
Direct ownership of the Parent Company	36.73	
Parent Company's ownership through OHC Subsidiaries	24.67	61.40
Calapan Waterworks Corporation (CWWC)		61.25
Metro Agoo Waterworks Inc. (MAWI)		
Parent Company's ownership through CWWC		51.52
Tubig Pilipinas Corp.**		100.00
Nation Water Corporation (NWC)*	34.99	
Parent Company's ownership through H2O	24.48	59.47

**preoperating stage*

***formerly Tabuk Water Corp.*

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

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.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Noncontrolling interests share in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Noncontrolling interests consist of the amount of those interests at the date of the original business combination and the noncontrolling interest's share of changes in equity since the date of the combination. Losses applicable to the noncontrolling interests in excess of the noncontrolling interests share in the subsidiary's equity are allocated against the interest of the Group except to the extent that the noncontrolling interests has a binding obligation and is able to make an additional investment to cover losses.

2. Changes in Accounting and Financial Reporting Policies

Changes in Accounting Policies

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

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

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

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

  The amendments did not have significant impact on the Group's consolidated financial statements as this affects disclosures only.

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

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

  The amendments have no significant impact on the Group's consolidated financial statements as this affects disclosures only.

Annual Improvements to PFRS (2012-2014 Cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 12, "*Disclosure of Interest in Other Entities": Clarification of the Scope of the Standard*

  Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interest listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

This amendment does not have significant impact to the Group's consolidated financial statements as this affects disclosures only

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its consolidated financial statements.

Effective in 2018

- PFRS 2, *"Share-Based Payment": Classification and Measurement of Share-based Payment Transactions*

  This contains the following clarifications and amendments:
  - Accounting for cash-settled share-based payment transactions that include a performance condition;
  - Classification of share-based payment transactions with net settlement features;
  - Accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

  The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

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

- PFRS 4, *"Insurance Contracts": Applying* PFRS 9, *Financial Instruments with PFRS 4, Insurance Contracts*

  The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:
  - An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");
  - An optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PRFS 4 (the "deferral approach").

  The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

  The amendments are currently not applicable to the Group since it does not have activities that are predominantly connected with insurance or insurance contracts.

- PFRS 9, *"Financial Instruments: Classification and Measurement"*
  PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

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

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

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
  These amendments, which are effective from January 1, 2018, clarify how companies:
  - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;
  - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
  - determine whether the revenue from granting a license should be recognized at a point in time or over time.

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

- PAS 40, *"Investment Property": Transfers of Investment Property*
  The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

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

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

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

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

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

Effective in 2019

- PFRS 16, *"Leases"*
  Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

  The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its consolidated statements of financial position

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

  The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy (BoA).

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

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

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by BoA.

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

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

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

- Amendments to PFRS 3 *Business Combinations* and PFRS 11 *Joint Arrangements* Part of the *Annual Improvements to PFRS Standards 2015-2017 Cycle*
  The amendments clarify how a company accounts for obtaining control (or joint control) of a business that is a joint operation if the company already holds an interest in that business. On PFRS 3, the company remeasures its previously held interest in a joint operation when it obtains control of the business. On PFRS 11, the company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- Amendments to PAS 12, *Income Tax Consequence of Payments on Financial Instruments Classified as Equity* Part of the *Annual Improvements to PFRS Standards 2015-2017 Cycle*
  The amendments clarify that the requirements in paragraph 52B of PAS 12 apply to all income tax consequences of dividends. The Group accounts for all income tax consequences of dividend payments in the same way.

- Amendments to PAS 23, *Borrowing Costs Eligible for Capitalization* Part of the *Annual Improvements to PFRS Standards 2015-2017 Cycle*
  The amendments to IAS 23 clarify which borrowing costs are eligible for capitalization in particular circumstances. The Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- *Amendment to PAS 19, Plan Amendment, Curtailment or Settlement*
  The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments require the Group to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

<u>Effective in 2021</u>

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

  An entity shall apply PFRS 17 *Insurance Contracts* to:

  - Insurance contracts, including reinsurance contracts, it issues;
  - Reinsurance contracts it holds; and
  - Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

  Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them PFRS 15 Reve*nue from Contracts with Customers* and provided the following conditions are met:

  a. the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
  b. the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and
  c. the insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

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 IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Currently, the Group has no activities to which this interpretation will apply.

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

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

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below:

Financial Assets and Liabilities

Recognition

The Group recognizes a financial asset or liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. It determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVPL in which the transaction costs are recognized 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 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 instruments with similar maturities.

Financial assets and liabilities are further classified into the following categories: financial assets or financial liabilities at FVPL, loans and receivables, held-to-maturity investments, and available-for-sale financial assets and other financial liabilities. The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation at every reporting date.

As of September 30, 2018 and December 31, 2017, the Group holds financial asset under loans and receivables, available-for-sale and financial liability under other financial liabilities.

A more detailed description of the categories of financial assets and liabilities that the Group has is as follows:

- *Loans and Receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at fair value. Subsequent to initial recognition, loans and receivables that are classified as non-current are carried at amortized cost in the statements of financial position. Assets that are classified as current are carried at their undiscounted amount. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve (12) months of each end of financial reporting period. Otherwise, these are classified as noncurrent assets.

  This category includes cash and cash equivalents, receivables, due from related parties and deposits and reserve fund.

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

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

  Classified under this category are the Group's mutual fund managed by an insurance company.

- *Other Financial Liabilities*
  Other financial liabilities pertain to liabilities that are not held for trading or not designated as FVPL upon inception of the liability. A financial liability at FVPL is acquired principally for the purpose of repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL.

  Other 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.

  This category includes accounts payable and other current liabilities, due to related parties, loans payable, and customers' deposit in the consolidated statements of financial positions.

<u>Impairment of Financial Assets</u>
The Group assesses at the end of each financial reporting period whether a financial asset or group of financial assets is impaired. Impairment losses, if any are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows or current fair value.

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

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

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

- *AFS Financial Assets.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

Financial Liabilities

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

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

Business Combination
Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill is tested annually for impairment and carried at cost less accumulated impairment. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

<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 anorderly 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Revenue, Cost and Expense Recognition
Revenue is recognized when it is probable that the economic benefit associated with the transactions will flow to the Group and the amount can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- *Power sales and water services* are recognized when the related services are delivered.
- *Rental income* is recognized on a straight-line basis in accordance with the substance of the lease agreement.
- *Technical services* comprise the value of all services provided and are recognized when rendered.
- *Sale of goods* is recognized upon delivery of goods sold, and the transfer of risks and rewards to the customer has been completed.
- *Interest income* is recognized on a time proportion basis that reflects the effective yield on the asset.
- *Other income* is recognized when the related income/service is earned.

Cost and Expenses Recognition
Cost and expenses are recognized in the consolidated statements of comprehensive income 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.

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

Special Bank Deposit and Reserve Fund
Certain bank deposits are restricted for withdrawal by the creditor bank as hold-out fund for the Group's loan availments. These are classified as noncurrent assets.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Other Assets
This account comprises the following:
- *Input tax* is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.
- *Prepayments* are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of comprehensive income when incurred.
- *Creditable withholding tax* is deducted from income tax payable in the same year the revenue is recognized.

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

Investment in an Associate
An associate is an entity in which the Group's ownership interest ranges between 20% and 50% or where it has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The Group carries its investment in an associate at cost, increased or decreased by the Group's equity in net earnings or losses of the investee company since date of acquisition and reduced by dividends received. Equity in net losses is recognized only up to the extent of acquisition costs.

Investment Property
Investment property represents property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under the fair value model. Generally, it is revalued annually and is included in the Group's statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment property, which consists mainly of land, buildings and condominium units, is initially measured at acquisition cost, including transaction costs.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as fair value adjustment on investment property under other income in the Group's statements of comprehensive income. In case of fair value loss and there is a carrying revaluation surplus balance as a result of transfer from property, plant and equipment carried at appraised value, the loss shall be applied first to the balance of revaluation surplus before recognizing the remaining loss to profit or loss.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

A Group-occupied property classified under property and equipment account becomes an investment property when it ends Group-occupation.

Property, Plant and Equipment
Land and building and improvements are carried at appraised values as determined by an independent firm of appraisers on January 15, 2016. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus" shown under Equity section in the consolidated statement of financial position. Other property, plant and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

Initial cost of property, plant and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives except for leasehold improvements which are amortized over the estimated useful life of the assets or term of the lease, whichever is shorter.

	Years
Leasehold improvements	20
Buildings, condominium units and improvements	10 - 25
Furniture, furnishings and equipment for lease	10
Water utilities and distribution system	10 - 50
Power plant	15
Office furniture, fixtures and equipment	5
Transportation equipment	8

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

Construction in progress, included in the property and equipment, is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress and equipment for installation is not depreciated until such time as the relevant assets are completed or installed and put into operational use.

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

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 and development costs included under “Property, Plant and Equipment” account in the consolidated statement 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 operation in the period in which they are incurred.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future revenue from the related project. Otherwise, development costs are expensed as incurred. The costs will be amortized on a straight-line basis over a period of 25 years upon completion.

Impairment of Nonfinancial Assets

The carrying values of long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

Loans Payables

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the settlement amount is recognized over the term of the loan in accordance with the Group's accounting policy for borrowing costs.

Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

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 accounting 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 wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Retirement benefits
Retirement benefits liability, as presented in the consolidated statement of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

<u>Related Party Transactions and Relationships</u>
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) and, 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.

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

<u>Foreign Currency Transactions and Translations</u>
Transactions denominated in foreign currencies are recorded in Philippine pesos using the exchange rate at the date of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are stated using the closing exchange rate at the end of financial reporting period. Gains or losses arising from foreign currency transactions are credited or charged directly to current operations.

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 stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related taxes.
- *Revaluation surplus accounts* for the excess of the fair market value over the carrying amounts of "Land and improvements" and "power plant" included under the Property, plant and equipment account and certain investment property. Any appraisal decrease is first offset against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.
- *Revaluation reserves on available-for-sale* investment accounts are the excess of the fair market value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to consolidated statement of comprehensive income in the year that the permanent fluctuation is determined.
- *Retained earnings* include all current and prior period net income less any dividends declared as disclosed in the consolidated statement of comprehensive income.
- *Reserve for actuarial gain (loss)* comprises the net actuarial gains and losses on the Group's retirement obligation as a result of re-measurement.

Leases

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.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

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.

The Group as lessee

Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rental is recognized as expense in the periods in which it is incurred.

Rental expense under operating leases is charged to profit or loss on a straight-line basis over the term of the lease.

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.

Income Taxes
Income taxes represent the sum of current year tax and deferred tax.

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

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of net operating loss carryover (NOLCO) and 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 assets is reviewed at 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.

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

Income tax relating to items recognized directly in equity is recognized in equity and other comprehensive income.

Earnings per Share (EPS)
EPS is determined by dividing net income for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

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 end of each financial reporting period and adjusted to reflect the current best estimate.

<u>Contingencies</u>
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.

<u>Events after the End of Financial Reporting Period</u>
Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Management's Use of Judgments and Estimates

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's consolidated financial statements when determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>*Judgments*</u>
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:

- *Determination of Control.*
  The Parent Company 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 Parent Company controls an entity if and only if the Parent Company has all of the following:

  - Power over the entity;
  - Exposure, or rights, to variable returns from its involvement with the entity; and,
  - The ability to use its power over the entity to affect the amount of the Parent Company's returns.

  The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Classification of Leases*
  The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each 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 agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

- *Determination of Impairment of AFS Investment*
  The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

- *Classification of Fair Value of Financial Instruments*
  PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

- *Measurement of Security Deposits*
  The future cash flows of security deposits from the leases cannot be readily determined nor reliably measured because the actual timing of payment cannot be reasonably predicted as these deposits are generally redeposited every renewal of lease contracts, the new terms and conditions thereof are not yet known. Further, the deposit that will actually be repaid to the Company is also attached to a conditional repayment provision that is the faithful performance by the Company as a lessee of its obligations under the lease contracts. Accordingly, security deposits are carried at cost less any impairment.

- *Distinction between Investment Property and Owner-Occupied Property*
  The Group determines whether a property qualifies as an investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also other assets used in the supply process.

  Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

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

- *Impairment of Receivables*
  The Group maintains allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts.

  The factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

- *Net Realizable Value (NRV) of Inventories*
  The Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at financial reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made of different estimates were utilized.

- *Allowance for Inventory Obsolescence*
  Provision is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for obsolescence if any, is made.

- *Fair Value Measurement of Investment Property*
  The Group's investment property composed of parcels of land and buildings and improvements are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

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

  There were no significant changes in the estimated useful lives of the Group's property, plant and equipment during the year.

- *Determination of Pension and Other Retirement Benefits*
  The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

  Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

  The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

- *Impairment of Nonfinancial Assets*
  Impairment review is performed when certain impairment indicators are present. Such indicators would include significant changes in asset usage, significant decline in market value and obsolescence or physical damage on an asset. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

- *Impairment of Goodwill*
  Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Group determines whether goodwill is impaired at least on an annual basis. This requires anestimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows.

- *Realizability 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.

- *Fair Value of Financial Assets and Liabilities*
  PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

- *Provisions for Contingencies*
  The estimate of the probable costs for possible third party claims, including tax liabilities, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the consolidated financial statements, no provision for probable losses is recognized in the consolidated financial statements.

4. **Loans Payable**

Details of loans availed from local banks are as follow:

Short-term loans

a. In 2018 and 2017, OPI availed short-term loans from various local banks. Total loan proceeds amounted to ₱111.0 million in 2018 and ₱135.0 million in 2017. Short-term loans payable paid in 2017 amounted to ₱110.0 million, respectively. Interest rates on loans range from 2.9% to 4.75% per annum. The loans are payable within 1 month to 6 months from the date of availment. Outstanding balance of the loan amounted to ₱450.5 million and ₱395.0 million as of September 30, 2018 and December 31, 2017, respectively.

b. In 2018 and 2017, CWWC availed short-term loans from a local bank amounting to ₱25.0 million in 2018 and ₱35.0 million in 2017. The loans are payable in 90 days which are renewable. Interest rates on loan range from 3.1% to 4% per annum. Outstanding balance of the loan amounted to ₱60.0 million and ₱35.0 million as of September 30, 2018 and December 31, 2017, respectively.

Long-term loans

a. On April 8, 2011, OPI entered into a loan agreement with a local bank for the establishment of a power plant for ₱275.9 million payable in ten (10) years with six months grace period. Interest is fixed at 9.0% per annum but subject to re-pricing. As of September 30, 2018, interest rate is 6.00% per annum. As of September 30, 2018 and December 31, 2017, the total loan amounted to ₱77.5 million and ₱96.88 million, respectively.

   Debt Covenant
   OPI entered into a Deed of Assignment with Hold-Out relative to the loan, in favor of the bank, OPI's trade receivable under the Power Supply Agreement (PSA) entered with Oriental Mindoro Electric Cooperative, Inc. (ORMECO). Also, the loan requires a portion of OPI's cash in bank pertaining to a Reserve Fund equivalent to two (2) months amortization payable under the loan agreement.

   Also, as a security for the loan, OPI mortgaged its 6.4 MW Bunker C-Fired Packaged Power Station in favor of the bank.

   On June 25, 2013, OPI availed a term loan agreement with a local bank for the construction of Inabasan Mini-Hydro Power Plant amounting to ₱1.1 billion. The release of loan proceeds depends on the fulfillment, compliance or submission by OPI of the specific conditions for the following project components: civil works, electro-mechanical works, and contingent works. The total principal and interest released amounted to ₱1.121 billion and ₱122.7 million, respectively as of September 30, 2018.

   On July 15, 2015, OPI availed a term loan agreement with a local bank amounting to ₱90.6 million to finance the costs incurred for OPI's Calapan Diesel Power Plant Expansion. The loan is payable within 10 years with six months grace period with 6.00% interest rate per annum. As of September 30, 2018 and December 31, 2017, the loan amounted to ₱65.15 million and ₱71.50 million, respectively.

In 2017 and 2016, OPI entered into various car loan agreements with a local bank for OPI's BOD and officers' requirements. The cost of the cars was capitalized as part of "Transportation equipment" account. The amount financed by the bank amounted to ₱3.25 million in 2016 payable in monthly installments for 5 years with annual interest rate of 9.35% in 2018 and 2017. As of September 30, 2018 and December 31, 2017, the loan balance amounted to ₱2.8 million and ₱3.4 million, respectively.

b. In December 2005, CWWC entered into loan agreement from a local bank for the rehabilitation, expansion and improvements of its waterworks system for ₱137 million payable in fifteen (15) years. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. CWWC was able to negotiate the interest rate at 6.25% in 2018 and 2017.

   In 2014, CWWC entered into another loan agreement with local bank for ₱118.25 million. Total proceeds during the year amounted to ₱92.3 million payable in ten (10) years with annual interest of 6%. The proceeds of the loan will be used exclusively to finance the water source development, acquisition of three (3) sets of electro-mechanical equipment, site and land development, construction of a high ground reservoir and expansion of its waterworks system.

   Debt Covenant
   CWWC executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of CWWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards and (b) billed water/receivables until the amount of the loan is fully paid. The Reserve Fund shall be maintained for CWWC's expenses for maintenance, operation and emergency fund.

   Also, the Parent Company, CWWC and major stockholders mortgaged their real estate and other equipment situated in Calapan City, Oriental Mindoro in favor of the bank. The titles of the mortgaged property have already been delivered to the bank.

   As of September 30, 2018 and December 31, 2017, this loan amounted to ₱115.95 million and ₱120.83 million, respectively.

c. On September 14, 2015, MAWI entered into a loan agreement with DBP to partially finance the Phase 1 of the proposed improvement and expansion of water supply system in Agoo, La Union. Total proceeds amounted to ₱109.9 million payable in fifteen (15) years inclusive of a maximum of two years grace period on principal with interest rate of 6.78% per annum.

   Debt Covenant
   MAWI executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of MAWI's Reserve Fund equivalent to at least 5% of its monthly revenue and shall be effective only after six (6) months from the date of commercial operation; and (b) billed water services until the amount of the loan is fully paid. The said Reserve Fund is subject to a hold-out provision equivalent to at least one (1) quarterly amortization due under this agreement.

Also, MAWI entered to in a Deed of Undertaking and Deed of Trust to constitute (a) within six (6) months from the date of full release of loan a real estate mortgage over all real properties, together with improvements to be acquired out of the total proceeds of the loan; (b) to increase its authorized capital stock and paid up capital within one (1) year of loan availment to at least ₱45.0 million and within two (2) years from the date of full release of loan to at least ₱92.0 million; and (c) a chattel mortgage over property and equipment to be acquired under the loan agreement.

As of September 30, 2018 and December 31, 2017, this loan amounted to ₱213.69 million and ₱212.60 million, respectively.

d. On July 20, 2017, JLRC entered into a loan agreement with a local bank for the construction of Jolly Waves Waterpark Resort for ₱246.0 million which is payable in ten (10) years with one (1) year grace period from the initial drawdown. Interest is fixed at 4.0% per annum but subject to re-pricing. As of September 30, 2018 and December 31, 2017, this loan amounted to ₱246.0 million and ₱47.0 million, respectively.

e. In February 2018, Servwell availed auto loan financing from a local bank. Total loan proceeds amounted to ₱0.9 million with interest rate of 6.82% which is payable in twelve (12) monthly installments from the date of availment. As of September 30, 2018, this loan amounted to ₱0.4 million, respectively.

5. Related Party Transactions

The Group has the following transactions with related parties:

a. Unsecured and non-interest bearing cash advances made by stockholders to the Group for working capital purposes which are payable on demand and usually settled in cash.

b. Unsecured and noninterest bearing cash advances from affiliates for working capital purposes which are payable on demand and usually settled in cash.

c. On July 15, 2014, CWWC entered into another construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of Phase 1 of 2014 Expansion Program. Total contract price of the project amounted to ₱162 million.

d. On March 4, 2015, MAWI entered into a construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of Phase 1 of the Proposed Water System. Total contract price of the project amounted to ₱313.7 million.

e. In 2015, JGMI entered into a contract with an affiliate to manage and supervise the construction of a water work system. Total contract price is ₱12.5 million to be paid based on progress billings. Also, the Company rendered services to the affiliate in connection with the detailed engineering design of Agoo water system.

Affiliates are entities that are owned and controlled by the Parent Company and neither a subsidiary nor associate of the Group. These affiliates are effectively sister companies of the Group by virtue of ownership of the Parent Company.

6. Other Income (Charges) - net

This account consists of:

	Note	Nine months ended September 30 2018	2017
Gain on sale of investment in a subsidiary	9	**₱324,676,804**	₱–
Income from water operations of disposed subsidiary	9	**46,167,641**	71,603,760
Interest expense		**(21,251,550)**	(22,278,294)
Interest income		**680,070**	539,143
Bank charges		**(379,267)**	(290,899)
Financial host expense		**(288,222)**	(298,720)
Net foreign exchange gain		**11,395**	4,099
Others		**1,364,107**	298,324
		₱350,980,978	₱49,577,413

7. Income Taxes

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate.

Deferred tax assets consist of tax effect of retirement benefit obligation, net operating loss carry-over, allowance for impairment losses of receivables, rent expense as result of PAS 17 and carryforward benefit of minimum corporate income tax.

Deferred tax liabilities include tax effect of fair value adjustments in investment property and property and equipment classified as ordinary asset, capitalized borrowing costs, rental income as result of PAS 17 and unrealized foreign exchange gain/loss.

8. Earnings Per Share (EPS)

Computation of EPS is as follows:

	Nine months ended September 30 2018	2017
Net income attributable to equity holders of the parent company	**₱373,662,534**	₱51,862,733
Divided by weighted average number of common shares	**281,500,000**	281,500,000
	₱1.3274	₱0.1842

9. **Other Matters**

The following are major events affecting the Parent Company and subsidiaries:

Jolliville Holdings Corporation (Parent Company), KGT Ventures, Inc. (KVI), Melan Properties Corp. (MPC), OTY Development Corp. (ODC) and NGTO Resources Corp. (NRC)

- On December 21, 2017, the Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement (MOA) with Udenna Development Corp. (UDEVCO) for the sale of 150,824,890 shares (Sale Shares) representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of the sale of H2O's shares to UDEVCO, KVI, MPC, ODC, and NRC reclassified its 15,000,000 shares at ₱4.00 per share in H2O's stockholdings from noncurrent to current AFS investments.

  On February 28, 2018, a detailed Sale and Purchase Agreement (SPA) was executed by the Parties pursuant to the MOA. Under the SPA, the Sellers agree to sell and UDEVCO agrees to buy the Sale Shares based on an agreed purchase price, subject to the fulfillment by the Parties of the conditions precedent such as the spin-off of H2O's shares to CWWC which required the approval of at least 2/3 of H2O's outstanding capital stock; and UDEVCO's obligation to obtain from SEC an order of exemptive relief allowing it to launch, implement and consummate a tender offer for all the issued and outstanding capital stock of H2O to persons other than the Sellers. On April 4, 2018, H2O's stockholders approved the CWWC sale to TPC.

  On June 1, 2018, a Deed of Absolute Sale was executed by the Parties. Total consideration received amounted to ₱641,477,190 or ₱4.30 per share. This resulted to a gain on sale of investment in a subsidiary amounted to ₱324,676,804 which is presented under "Other Income (Charges) - net" in the consolidated statements of comprehensive income.

Tubig Pilipinas Corp. (TPC)

- On March 2, 2018, SEC approved TPC's change of name from Tabuk Water Corp. to Tubig Pilipinas Corp. and increase in its authorized capital stock from ₱10,000,000 divided into 10,000,000 common shares with par value of ₱1.00 per share to ₱500,000,000 divided into 500,000,000 common shares with par value of ₱1.00 per share.

- On February 21, 2018, TPC entered into a purchase agreement with H2O, to purchase all H2O's shares and interests, subject to conditions, in CWWC consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a consideration of ₱442 million (the CWWC sale). Closing of the purchase and sale transaction of CWWC sale shall take place upon the approval by H2O's stockholders representing at least two-thirds of the outstanding capital stock, and that the sale of the Parent Company along with its subsidiaries and related parties of all their shareholding in H2O representing 62% of the issued and outstanding capital of H2O to a third party will pursue. On April 4, 2018, H2O's stockholders approved the CWWC sale to TPC. On June 1, 2018, a Deed of Absolute Sale was executed by the Parties.

  As a result of the above transactions, income from water operations of a disposed subsidiary for the five months ended May 31, 2018 and for the nine months ended September 30, 2017 amounted to ₱46,167,641 and ₱71,603,760, respectively, is presented under "Other Income (Charges) - net" in the consolidated statements of comprehensive income.

Jolliville Holdings Corporation (Parent Company)

- In a regular meeting held on August 8, 2018, the Parent Company’s Board of Directors, after negotiating with Elgeete Holdings Inc., agreed to reverse the deposit for future stock subscription amounting to ₱35,000,000 back to accounts payable. This was fully paid on October 5, 2018.

Philippine Hydro Electric Ventures Inc. (PHEVI)

- On June 13, 2018, PHEVI’s stockholders’ representing at least two-thirds (2/3) of the outstanding capital stock, approved the increase of PHEVI’s authorized capital stock from ₱300,000,000 divided into 300,000,000 common shares with par value of ₱1.00 per share to ₱1,000,000,000 divided into 1,000,000,000 common shares with par value of ₱1.00 per share. Out of ₱700,000,000 increase in capital, ₱175,000,000 worth of shares was subscribed and the amount of ₱43,750,000 was paid in cash. On October 26, 2018, SEC approved PHEVI’s increase in authorized capital stock.

Ormin Power Inc. (OPI)

- On August 11, 2017, SEC approved OPI’s increase in authorized capital stock from ₱466,000,000 divided into 466,000,000 common shares with par value of ₱1.00 per share to ₱766,000,000 divided into 466,000,000 common shares with par value of ₱1.00 per share and 300,000 preferred shares with par value of ₱1,000.00 per share.

Metro Agoo Waterworks Inc. (MAWI)

- On May 25, 2017, SEC approved MAWI’s increase in authorized capital stock from ₱10,000,000 divided into 10,000,000 common shares with par value of ₱1.00 per share to ₱110,000,000 divided into 10,000,000 common shares with par value of ₱1.00 per share and 100,000 preferred shares with par value of ₱1,000.00 per share.

Jolliville Holdings Coproration **EXHIBIT II**

Schedule of Financial Indicators

KEY PERFORMANCE INDICATORS

			September 2018	September 2017
I PROFITABILITY				
Return on Total Assets	ROA=	NI+ {(interest exp x (1-tax rate)}	393,250,780	77,861,419
		Ave. Total Assets	5,853,571,897	4,899,520,982
It measures efficiency of the Group in using its assets to generate net income.			0.0672	0.0159
Return on Equity	ROE=	Net Income	378,374,695	62,266,613
		Ave. Stockholders Equity	2,302,635,717	2,031,412,745
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			0.1643	0.0307
Water Revenue per Subscriber	WRS=	Water Revenue	198,907,102	174,428,401
		Ave. No. of Water Subscribers	22,317	19,535
Measures how well service and facilities improvements have influence consumer's usage.			8,913	8,929
II FINANCIAL LEVERAGE				
Debt Ratio	Debt Ratio=	Total Liabilities	3,754,279,687	2,908,491,958
		Total Assets	6,208,953,360	4,971,038,009
It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.			0.6047	0.5851
Debt to Equity Ratio	Debt to Equity=	Total Liabilities	3,754,279,687	2,908,491,958
		Shareholder's Equity	2,454,673,673	2,062,546,051
It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.			1.5294	1.4101
III MARKET VALUATION				
Price to Book Ratio	PB ratio=	Market value/share	5.06	4.89
		Book value/share	6.80	5.57
Relates the Group's stock to its book value per share.			0.7441	0.8779

EXHIBIT III

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

SEPTEMBER 30, 2018

	Current	1-30 days	31-60 days	Over 60 days	Total
Trade	110,949,078	554,304	245,865	36,490,455	148,239,702
Advances and nontrade	2,178,981	675	-	75,273,062	77,452,718
	113,128,059	554,979	245,865	111,763,517	225,692,420

DECEMBER 31, 2017

	Current	1-30 days	31-60 days	Over 60 days	Total
Trade	39,495,519	573,074	15,265,742	11,858,678	67,193,013
Advances and nontrade	934,344	-	-	88,245,298	89,179,642
	40,429,863	573,074	15,265,742	100,103,976	156,372,655

JOLLIVILLE HOLDINGS CORPORATION
SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF SEPTEMBER 30, 2018

Retained earnings at beginning of year	₱	**493,679,936**
Less:		
Fair value adjustment of investment property - net of deferred tax		**(378,856,904)**
Gain on assignment of stocks		**(13,808,138)**
Deferred income due to PAS 17 - net of deferred tax		**(55,786)**
Retained earnings as adjusted to available for dividend declaration at beginning of year		**100,959,108**
Add:Net income during the period		**240,576,425**
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF PERIOD	₱	**341,535,533**

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

SEPTEMBER 30, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for First time adopters*		✓	
PFRS 2	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition			✓
	Amendments to PFRS2: Classification and Measurement of Share-based Payment Transactions		✓	

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓*
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal			✓**
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓**
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Financial Instruments: Disclosure – Servicing Contracts*			✓**
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*			✓**
PFRS 8	Operating Segments			✓**
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments*	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓**
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments for Investment Entities			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*			✓
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓**
	Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations*			✓
PFRS 12	Disclosure of Interests in Other Entities			✓**
	Amendments for Investment Entities*			✓**
	Amendment to PFRS 10, PFRS 12 and PAS 28: Investment Entities – Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014-2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard*			✓**
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	✓		
	Annual Improvements (2011-2013 Cycle): Portfolio Exception	✓		✓
PFRS 14	Regulatory Deferral Accounts*			✓**
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendment to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income (Annual Improvements 2009-2011 Cycle)	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative*			✓**
PAS 2	Inventories			✓**
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*			✓**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓**
	Amendment to PAS 12: Recognition of Deferred Tax: Assets for Unrealized Losses*			✓**
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization*			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions			✓**
	Annual Improvements (2012-2014 Cycle): Employee Benefits – Regional Market Issue Regarding Discount Rate*			✓**
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓**
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓**
	Amendment: Net Investment in a Foreign Operation			✓**
PAS 23 (Revised)	Borrowing Costs			✓**
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓**
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments in Investment Entities			✓
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements*			✓**
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓**
	Amendment to PFRS 10, PFRS 12 and PAS 28: Investment Entities – Applying the Consolidation Exception			✓**
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associates and Joint Venture		✓	
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to Pas 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PAS 28, Long Term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendment to PAS 32: Classification of Rights Issues			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓**
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information 'elsewhere in the Interim Financial Report'*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization*			✓**
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Investment Property*			✓**
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer of Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓**
IFRIC 9	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
IFRIC 10	Interim Financial Reporting and Impairment			✓**
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓**
IFRIC 13	Customer Loyalty Programmes			✓**
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓**
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓**
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓**
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 18	Transfers of Assets from Customers			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓**
SIC-15	Operating Leases - Incentives			✓**
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓**
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓**
SIC-29	Service Concession Arrangements: Disclosures			✓**
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓**
SIC-32	Intangible Assets - Web Site Costs			✓**

*These are effective subsequent to December 31, 2017.
**Adopted but no significant impact.

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: **JOLLIVILLE HOLDINGS CORPORATION**

FOR THE REGISTRANT

Chief Executive Officer: **JOLLY L. TING**

Signature and Title: ______________________

Chief Executive Officer

Chief Financial Officer: **ORTRUD T. YAO**

Signature and Title: ______________________

Chief Financial Officer

Date: November 7, 2018

Annex “B”

MANAGEMENT REPORT

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes thereto contained in this Report.

Short Background of Business of Registrant

The Group (refers to Jolliville Holdings Corporation and its subsidiaries) has principal business interests in leasing, management services, property development, land banking, local waterworks system, business process outsourcing, and power generation.

JOH and Ormina Realty & Development Corp. (ORDC) leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, Jolliville Group Management Inc. (JGMI) provides general management services and assistance to companies within and affiliated to the Group, notably ORDC and Calapan Water. Another consolidated subsidiary, SBI, on the other hand, provides business process outsourcing services to third parties engaged in the KTV entertainment and leisure/recreation business, and construction. The services are provided based on a pre-agreed monthly retainer that is reviewed annually.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City, Agoo La Union and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development. At this time when demand for property is soft, the Company is in no real rush to start development of its land-banked properties and there is no pressure on it to do so. It will only start its own development program for its properties once there is already a clear signal of a real turn around in the property situation.

Through Jolliville Leisure & Resort Corporation (“JLRC”), the Company has ventured with other investors (Aviso Holdings, Inc., Sta. Lucia Realty and Dev’t., Inc., Alson’s Land Corp. and Blue River Holdings, Inc.) to invest in a businessman’s hotel at the Eagle Ridge Golf and Country Club in General Trias, Cavite. Known as the Eagle Ridge Microtel, it is the first value-for-money businessman’s hotel in the area designed to cater not only to the accommodation needs of transient businessmen and tourists, but also to golf players and enthusiasts of the golf course and facilities of Eagle Ridge. JLRC has a 37.6% stake in Eagle Ridge Hotel Corporation.

JOH, through subsidiary Jolliville Leisure and Resort Corp., is building a themed water park in Barangay Sapul, Calapan City, Oriental Mindoro. This will feature premium facilities complete with day-time and overnight accommodations, unique water amenities, function rooms, bike and body zip lines, and diverse diving options. Once the project is completed, it will offer tourists, visitors and residents of Mindoro Island an exciting recreational facility. The Company expects to open the water park to the public this year.

Business and General Information

(1) Business Development

Originally incorporated as a realty company in September 1986 by the Ting family, the Company underwent a transformation to that of a holding company on 15 April 1999 after securing Securities and Exchange Commission's (SEC) approval for the change in its primary purpose. Subsequently, on 4 May 999, the SEC approved the increase in capitalization of Jolliville Holdings Corporation ("JOH"). The authorized capital stock of the Company was increased from 30,000 shares with a par value of ₱100 per share to 1 billion shares with a new par value of ₱1 per share. To date, 281.5 million common shares are issued and fully paid.

After this transformation into a holding company, JOH acquired the entire capital stock of its affiliates namely, Jolliville Group Management, Inc. ("JGMI"), Ormina Realty & Development Corp. ("ORDC"), Servwell BPO International Inc. ("Servwell" or "SBI"), Jolliville Leisure and Resort Corporation ("JLRC"), Jollideal Marketing Corporation ("JMC"), Granville Ventures, Inc. ("GVI"), and Ormin Holdings Corporation ("OHC"). It acquired the foregoing companies through the assignment of shares of stock, which was paid for in cash to members of the Ting Family who held ownership in the former prior to JOH's acquisition.

JGMI was incorporated on 9 March 1994 and at present, has an authorized capital stock of ₱10 million divided into 100,000 common shares, with a par value of ₱100 per share. To date, 100,000 common shares of JGMI are issued and fully paid.

The BOD of JGMI, in its meeting held on 6 December 2018, has unanimously approved the declaration of cash dividends amounting to Ten Million Pesos (₱10,000,000) or One Hundred Pesos (₱100.00) per share of JGMI's One Hundred Thousand (100,000) outstanding common shares. The cash dividends were paid out of the unrestricted retained earnings as of 30 November 2018.

ORDC was incorporated on 22 April 1997 with an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. To date, 84,705,052 common shares of the corporation are subscribed and ₱147,977,236 has been received as payment on subscription inclusive of additional paid-in capital of ₱63,272,184.

ORDC's BOD, in its meeting held on 6 December 2018, approved a declaration of Forty Percent (40%) stock dividends equivalent to 33,882,021 common shares out of its unrestricted retained earnings.

Servwell was incorporated on 19 May 2009 as a wholly-owned subsidiary of JOH primarily to design, implement, and operate certain business processes; to assist companies in running their accounting units; to provide receivables and payables processing, billings and collections, treasury, escrow and other related services; to provide provident fund accounting; and to provide human-resource related processes. It has an authorized capital stock of ₱5 million divided into 5 million common shares with a par value of ₱1 a share. To date, all SBI shares have been fully subscribed and paid for.

On 18 December 2017 and 12 December 2016, BOD of Servwell approved the declaration of cash dividends out of its retained earnings amounting to ₱18.0 million and ₱15.0 million, respectively.

Servwell's BOD, in its meeting held on 6 December 2018, approved a declaration of cash dividend amounting to ₱8,000,000 or ₱1.60 per share on the Corporation's 5,000,000 outstanding common shares. The cash dividend has been paid out of the unrestricted retained earnings.

JLRC was incorporated on 20 March 1995, and at present, has an authorized capital stock of ₱20 million divided into 200,000 common shares, with a par value of ₱100 per share. To date, 125,000 common shares are issued and fully paid.

During 2016, the construction for Jolly Waves Waterpark Resort located in Calapan City, Oriental Mindoro has started. JLRC entered into contract agreements with various suppliers for the construction of the said resort. JLRC also entered into term loan agreement with a local bank to finance the construction of the said resort.

The Company, through JLRC's subscription in shares of stock on July 2016, indirectly acquired 75% ownership of Sapul Ventures Corp. and Sapulville Enterprises Corp.

Sapul Ventures Corp. was incorporated on 10 June 2011 to acquire by purchase, lease, donation or otherwise, or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds whether improve manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances. It has an authorized capital stock of ₱5 million divided into 5 million common shares, with a par value of ₱1 per share. Currently, 5 million common shares are subscribed and fully paid.

Sapulville was registered with the SEC on 27 May 2011, to acquire by purchase, exchange, assign, gift or otherwise, and to sell, assign, transfer, exchange, develop/improve, mortgage, pledge, deal in, with or otherwise operate, enjoy, and dispose of all or any of its properties of every kind and description and whatever situated as to the extent permitted by law including but not limited to real estate of all kinds, whether improved or unimproved, and any interest or right therein, and bonds, debentures, shares of stock, promissory notes or other securities, or obligations created, negotiated or issued by any corporation without however managing securities portfolio or similar securities or to act as broker/dealer of securities. It has an authorized capital stock of ₱5 million divided into 5 million common shares, with a par value of ₱1 per share. Currently, 5 million common shares are subscribed and fully paid.

On 14 October 2015, the Company through its subsidiary JLRC, indirectly owned 50.99% or 152,999,996 common shares of Buyayao Island Resort Corporation.

Buyayao Island Resort Corporation ("BIRC" or "Buyayao") was incorporated on 14 October 2015 primarily to acquire by purchase, negotiation or otherwise land and other real property, including buildings, construct resorts, hotels, or establishments for dining, leisure or recreation, by itself or with other entities or persons, to establish all facilities and services such as but not limited to transportation necessary, incidental or desirable for the operation of such hotels, resorts or establishments, to operate and manage such resorts, hotels, and establishment and the facilities and services to do any other acts for the preservation, protection, improvement or enhancement of the value of any such property or venture, and to exercise all the rights, powers and privileges of ownership of every kind and description over such properties or ventures. BIRC has an authorized capital stock of ₱500 million divided into 500 million common shares, with a par value of ₱1 per share. To date, 300 million common shares of the corporation are subscribed and ₱150 million has been received as payment on subscription.

JMC was incorporated on 10 April 1999 with an authorized capital stock of ₱2 million divided into 20,000 common shares, with a par value of ₱100 per share. To date, 10,000 common shares are issued and fully paid.

Granville Ventures, Inc. ("GVI") was incorporated on 19 March 2001 with an initial authorized capital stock of ₱1.0 million divided into 1 million common shares, with a par value of ₱1 per share. To date, 500 thousand common shares are subscribed and fully paid.

OHC was incorporated on 1 March 1994 with an authorized capital stock of ₱50 million divided into 500,000 common shares, with a par value of ₱100 per share. Currently, 361,630 common shares are subscribed and ₱16,540,750 have been received as payment on subscription.

The Company, through Ormin Holdings Corporation, indirectly acquired the following corporations: (a) OTY Development Corp; (b) Melan Properties Corp.; (c) NGTO Resources Corp.; (d) KGT Ventures Inc.; and (e) Ibayo Island Resort Corp.

OTY Development Corp. ("ODC") was incorporated on 7 March 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of 31 December 2017, 24,995 common shares of ODC are subscribed and paid.

Melan Properties Corp. ("MPC") was incorporated on 3 March 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of 31 December 31, 2018, 24,995 common shares of MPC are subscribed and paid.

NGTO Resources Corp. ("NRC") was incorporated on March 5, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of 31 December 2017, 24,995 common shares of NRC are subscribed and paid.

KGT Ventures Inc. ("KVI") was incorporated on 11 March 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of 31 December 2017, 24,995 common shares of KVI are subscribed and paid.

Ibayo Island Resort Corp. ("IIRC") was incorporated on 14 August 2007, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of 31 December 2017, 12,500 common shares of IIRC are subscribed and paid.

The BOD of Melan, KGT, NGTO, and OTY has approved the declaration of cash dividends in the amount of ₱1,249,500 for each corporation on March 2016.

Calapan Waterworks Corporation ("CWWC" or "Calapan Water") was incorporated on 23 May 1991, and at present, has an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. As of 31 December 2018, 137,909,053 common shares of Calapan Water are subscribed and paid.

Calapan Water's BOD, in its special meeting held on 20 February 2018, approved a cash dividend declaration amounting to Fifty-Eight Million Pesos (₱58,000,000) out of the unrestricted retained earnings as of 31 December 2017.

On 19 November 2018, CWWC sold 3,696,000 shares of Metro Agoo Waterworks Inc. (MAWI) to Balliville Ventures Corp. for ₱3,696,000, or ₱1.00 per share. . After the sale, CWWC holds 47.52% of the outstanding capital stock of MAWI.

Metro Agoo Waterworks Inc. (MAWI) was incorporated on 17 September 2012 to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto.

Tabuk Water Corp. ("TWC") was incorporated on 14 August 2006 to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes and to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and related system elements required thereto.

Originally, TWC had an authorized capital stock of ₱10 million divided into 10 million common shares with a par value of one peso (₱1.00) per share. The issued and outstanding capital stock of TWC consisted of 10 million common shares.

TWC was renamed as Tubig Pilipinas Corp. ("TPC") on March 01, 2018, and simultaneously increased its capital stock from Ten Million Pesos (₱10,000,000) to Five Hundred Million Pesos (₱500,000,000) divided into 500 million shares with par value of ₱1.00 each share. These changes were duly approved by the SEC. To date, the total amount subscribed and paid-up is ₱163,450,000.

On 21 February 2018, TPC executed a Share Purchase Agreement with H2O (a former subsidiary of JOH) regarding the sale of the latter's shareholding in Calapan Water consisting of 137,045,398 common shares with a par value of One Peso ₱1.00 per share, or an aggregate par value of ₱137,045,398, representing 99.75% of the total issued and outstanding capital stock of CWWC, as to comply with the Memorandum of Agreement signed by the JOH Group and Udenna Development Corp. on 21 December 2017 whereby one of the conditions was H2O shall execute a spin-off by way of sale and assignment of all its assets and business, comprising of the shares mentioned above. The amount of consideration to the sale was Four Hundred Forty Two Million Pesos (₱442,000,000) which was paid in full by TPC to H2O on 1 June 2018.

On 13 November 2014, CWWC and Tabuk Water subscribed shares in Nation Water.

Nation Water is a preoperating company that was formally registered with the SEC on 13 November 2014 primarily to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production, and supply of water for domestic, municipal, agricultural, industrial, commercial and recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. It has an authorized capital stock of ₱10 million divided into 10 million common shares with a par value of ₱1 per share. Currently, 2.5 million common shares are subscribed and ₱625,000 has been received as payment on subscription.

On 24 March 2014, the BOD of JOH approved to purchase 100% of the total outstanding shares of pre-operating company Philippine Hydro Electric Ventures Inc. (PHEVI) equivalent to 79,999,300 common shares at ₱1 a share. Subsequently, JOH sold all of its shareholdings in subsidiary Ormin Power Inc. to PHEVI. These transactions did not affect the consolidated financial results of the Company.
Philippine Hydro Electric Ventures Inc. ("PHEVI" or "Phil. Hydro"), formerly, Bia Ventures Inc., was incorporated on 17 July 2009, primarily to lease and purchase land, marine, aquatic and environmental resources of the Philippines to the extent permitted by law and to develop and conserve places with tourism value. The SEC has approved PHEVI's amended Articles of Incorporation on 23 November 2014, amending its primary purpose as to engage in, own, develop, construct, rehabilitate, operate and maintain water and electric power plant systems

and facilities, renewable and indigenous power generation plants and other types of power generation and/or converting stations; and to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding company or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants. It has an authorized capital stock of ₱1 billion divided into 1 billion shares with a par value of ₱1 a share. As of 31 December 2018, the subscribed and paid-up capital stock of PHEVI is ₱255 million.

Ormin Power Inc. (“OPI”) was incorporated on 27 April 2009 to provide power generation and electricity supply services to distribution utilities, including but not limited to, electric cooperatives; to install, build, own, lease, maintain or operate power generation facilities, using fossil fuel, natural gas, or renewable energy; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services. PHEVI directly currently owns 60% of OPI’s outstanding capital stock.

On 6 December 2016, OPI’s BOD approved the declaration of stock dividends in the form of preferred stock out of the unrestricted retained earnings amounting to ₱30,000,000. Also, on the same date, OPI’s stockholders representing at least two-thirds (2/3) of the outstanding capital stock, approved the dividend declaration and the increase of OPI’s authorized capital stock (ACS) from ₱466,000,000 divided into 466,000,000 common shares with par value of ₱1.00 per share to ₱766,000,000 divided into 466,000,000 common shares with par value of ₱1.00 per share and 300,000 preferred shares with par value of ₱1,000.00 per share. Out of the ₱300,000,000 increase in capital, ₱75,000,000 worth of shares was subscribed, the amount of ₱11,250,000 was paid in cash, and ₱30,000,000 was paid in the form of stock dividends. On 11 August 2017, the SEC approved OPI’s application for increase in ACS.

On 18 December 2017, OPI’s BOD approved the amendment of Articles of Incorporation on the features, rights and privileges that the preferred stock shall be cumulative, voting and non-participating. These shall be redeemable at the option of OPI either entirely or in proportion under the terms and conditions authorized by OPI’s BOD.

The BOD, in its meeting held on 20 June 2018, approved to increase OPI’s authorized capital stock from ₱766,000,000 divided into 466,000,000 common shares of the par value of ₱1 each and 300,000 preferred shares of the par value of ₱1,000.00 per share to ₱1,066,000,000 consisting of 466,000,000 common shares at ₱1 par value per share and 600,000 preferred shares at ₱1,000 par value per share. Out of the net increase in authorized capital stock of ₱300,000,000, ₱75,000,000 worth of shares has been actually subscribed with the par value of ₱1,000 per share and ₱72,000,000 has been paid in cash.

On 11 October 2018, OPI’s BOD approved the declaration of cash dividend amounting to ₱6,124,448 to its preferred stockholders as of 30 September 2018, Also, on the same date, OPI’s BOD approved the declaration of preferred stock dividend amounting ₱15,000,000 to common stockholders as of 30 September 2018.

As of 31 December 2018, OPI had a subscribed and paid-up capital of ₱844.1 million and ₱791.7 million, respectively.

Neither the Company nor its subsidiaries are the subject of any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

The Group (refers to Jolliville Holdings Corporation and its subsidiaries) has principal business interests in leasing, management services, property development, land banking, local waterworks system, business process outsourcing, and power generation.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City, Agoo La Union and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development.

JOH and ORDC leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, JGMI provides general technical services and assistance to companies within and affiliated to the Group, notably ORDC and Calapan Water. Another consolidated subsidiary, SBI, on the other hand, provides business process outsourcing services to third parties engaged in the KTV entertainment and leisure/recreation business. The services are provided based on a pre-agreed monthly contract retainer that is reviewed annually.

Through JLRC, the Company has ventured with other investors (Aviso Holdings, Inc., Sta. Lucia Realty and Dev't., Inc., Alson's Land Corp. and Blue River Holdings, Inc.) to invest in a businessman's hotel at the Eagle Ridge Golf and Country Club in General Trias, Cavite. Known as the Eagle Ridge Microtel, it is the first value-for-money businessman's hotel in the area designed to cater not only to the accommodation needs of transient businessmen and tourists, but also to golf players and enthusiasts of the golf course and facilities of Eagle Ridge. JLRC has a 37.6% stake in Eagle Ridge Hotel Corporation.

Calapan Water owns and operates exclusively the local waterworks system of Calapan City by virtue of its legislative franchise under Republic Act No. 9185 which expires on Feb. 9, 2028 and a Certificate of Public Convenience issued by the National Water Resources Board ("NWRB") which expires on Jan. 17, 2018. It is one of the few privately owned water systems in the country today. It has no competitor nor known oppositor to its franchise within its franchise area.

Groundwater is the source of water supply in Calapan City. CWWC draws water from the ground and distributes the water through its transmission and distribution lines leading to the household. A total of seven (7) wells are operational and are equipped with production meters. Last 22 November 2018, CWWC completed and commissioned the three additional booster stations located at Lumangbayan with a capacity of 1,500 cubic meters to ensure water availability during peak demand hours. Currently, CWWC operates twelve (12) booster units to ensure adequate water supply to higher elevations and extreme areas within the service barangays.

As of 31 December 2018, the water supply system serves twenty-seven (27) urban barangays and nine (9) adjoining rural barangays. The total number of water service connections is now at 15,859 from the previous year's 14,450. It currently serves 14,939 residential and 920 commercial clients. It is not dependent on one or few major customers nor does its depend on a limited number of suppliers.

CWWC completed the pipelaying and energization of new transmission line from the newly commissioned water source at Barangay Biga to the existing transmission line at Barangay Sapul. This will partially improve the water supply condition at the existing service barangays.

CWWC's average Non-Revenue Water (NRW) went down to 22.29% for 2018 as against 25.51% for 2017. There was a significant drop of NRW by 13.68% for the month of December 2018 compared to December 2017.

Regular bacteriological and chemical/physical test results released by the Batangas Water District Laboratory indicate that all of CWWC's water sources conform to the Philippine National Standards for Drinking Water (PNSDW).

The chart below shows the residential and commercial rates being implemented in Calapan City. It was approved by the NWRB in reference to NWRB case NO. 09-1304 and Resolution No. 010-0510.

Residential	
Consumption Bracket	Water Rates
0-10 cu.m.	P321.00 min. charge
11-20 cu.m.	47.90 per cu.m.
21-30 cu.m.	59.00 per cu.m.
31-40 cu.m.	62.60 per cu.m.
41-50 cu.m.	66.80 per cu.m.
Over 50 cu.m.	72.30 per cu.m.
Commercial	
Consumption Bracket	Water Rates
0-10 cu.m.	P642.00 min. charge
11-25 cu.m.	64.20 per cu.m.
26-1000 cu.m.	118.00 per cu.m.
Over 1000 cu.m.	133.60 per cu.m.

Calapan Water formally took over the operation of the water system of the Municipality of Tabuk, the capital of Kalinga province, in October 2006. Under the contract with the Local Government of Tabuk, Calapan Water will operate and maintain the water system in Tabuk City for a period of 15 years. This lease agreement was extended for another 10 years (from year 2021) or up to September 30, 2031 through a resolution passed by the legislative council of Tabuk City on 2 February 2010. The system remains the property of the local government.

The subscriber base stood at 3,949 as of 31 December 2018, 3,700 as of 31 December 2017, and 3,475 as of 31 December 2016. The system is capable of accommodating up to around 9,000 subscribers. CWWC in Tabuk draws water from the ground and distributes the water through the LGU owned system leading each household.

Groundwater is the source of water supply in Tabuk City. Three (3) out of four (4) wells with a total capacity of 80 lps are operational. Aside from the existing three (3) wells, an elevated water steel storage and a ground level concrete reservoir with a total capacity of 350 cu.m. and 640 cu.m., respectively, have been built to ensure consistent water supply.

As part of its campaign to reduce the non-revenue water, the company implemented the use of leak detection equipment last 2013. By using this device, the distribution system water losses have been minimized and water is being conserved.

The current rates for Tabuk City are as follows:

Consumption Bracket	**Water Rates**
Residential	
0 to 10 cu.m.	Php 210.00 minimum
11 to 20 cu.m.	23.15 per cu.m.

21 to 30 cu.m.	25.30 per cu.m.
Over 31cu.m.	27.45 per cu.m.
Commercial A	
0 to 10 cu.m.	Php 315.00 minimum
11 to 20 cu.m.	34.70 per cu.m.
21 to 30 cu.m.	37.95 per cu.m.
Over 31 cu.m.	41.15 per cu.m.
Commercial B	
0 to 10 cu.m.	Php 367.00 minimum
11 to 20 cu.m.	40.50 per cu.m.
21 to 30 cu.m.	44.25 per cu.m.
Over 31 cu.m.	48.00 per cu.m.

The standard rates are adjusted taking into consideration the movements in the consumer price index of the Cordillera Autonomous Region with respect to power, labor and other related costs.

The Company has no direct competition for the waterworks business in its service area.

The Company is very much dependent on its being able to have continuing business with its existing customers. Calapan and Tabuk water subscribers are dependent on Calapan Water for their daily water needs. As such, the Company does not foresee losing clients as long as Calapan Water continues to deliver quality potable water service.

CWWC incurred minimal expenses for research and development activities as well as for compliance to environmental laws. These costs are a small percentage of revenues for for the calendar years 2018, 2017, and 2016.

On 10 December 2012, MAWI entered into Memorandum of Agreements (MOA) with the Municipality of Agoo and with the Municipality of Tubao, Province of La Union. The MOA with Agoo covers the joint and mutual cooperation of MAWI and Agoo LGU in the successful construction, installation, operation and maintenance of a water supply system for the supply and distribution of water in Agoo for domestic, industrial and/or commercial use for a period of twenty-five (25) years, renewable for another 25 years. On the other hand, the MOA with Tubao covers the sourcing of water by MAWI within the former's territorial jurisdiction to supply and distribute water to its constituents and the adjacent Municipality of Agoo, including the right of way to install, lay, construct and maintain water mains, pipes, conduits and all other necessary apparatus and appurtenances for a period of 25 years also, renewable for another 25 years.

The construction of well sites and laying of pipes in Agoo were accomplished last December 2015. MAWI has laid 53.4 kilometers of distribution pipelines and 6.7 kilometers of transmission pipelines. It has built two (2) pumping stations and two (2) boosters. It has two (2) deep well sources covered by Conditional Water Permit Nos. 10-16-13-038 and 12-11-3-008, with a total discharge of 60.536 lps. (or 5,230.31 cum) per day.

The NWRB in its Decision dated 21 October 2015, granted MAWI a CPC and approved the following water rates:

Residential/Institutional/Public Taps	
Consumption Block	Approved Rates
0-10 cu.m.	₱475.00 min. charge
11-20 cu.m.	61.70 per cu.m.
21-30 cu.m.	85.20 per cu.m.
31-40 cu.m.	108.90 per cu.m.
41-50 cu.m.	132.90 per cu.m.
Over 50 cu.m.	160.00 per cu.m.

Commercial/Industrial	
Consumption Block	Approved Rates
0-10 cu.m.	₱949.00 min. charge
11-25 cu.m.	94.90 per cu.m
26-1000 cu.m.	151.90 per cu.m.
Over 1000 cu.m.	234.00 per cu.m.

On 19 November 2014, Development Bank of the Philippines (DBP) extended MAWI, a Two Hundred Eighty Million Pesos (₱280,000,000) term loan to finance the construction of water distribution system in Agoo. As of 31 December 2018, ₱217.75 million has been drawn from the term loan facility.

MAWI started its formal business operations last 2 February 2016.

MAWI draws water from the ground and distributes the water through the transmission and distribution lines leading each household. It serves fourteen (14) urban barangays and thirty-three (33) adjoining rural barangays in Agoo and six (6) barangays in Aringay. As of 31 December 2018, the total number of household connections is 3,325 broken down into 3,240 residential and 85 commercial clients. MAWI is not dependent on one or few major customers nor does it depend as well on a limited number of suppliers. MAWI has no competitor in the town of Agoo.

Salintubig pipelines were completed in 2018 to serve eight (8) rural barangays in Municipality of Agoo, La Union. As of 31 December 2018, the total number of connections in the Salintubig areas is 465.

Average NRW went down to 8% for 2018 as against 13.42% of the previous year. For the month of December 2018, NRW is 5.19% from 10.83% of December 2017.

OPI began its commercial operations last 11 November 2011. It operates a 9.6 MW diesel fired power plant in Calapan City to supply the Oriental Mindoro Electric Cooperative. It is also currently constructing a 10 MW mini hydro power facility in the Municipality of San Teodoro in Oriental Mindoro.

On 21 June 2016, the Energy Regulatory Commission (ERC) issued a Decision for the approval of the PSA between ORMECO and OPI. The ERC only granted the generation rates of ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) from OPI's proposed rate of ₱2.95/kWh under the PSA. The difference in rate is primarily due among others, to ERC's exclusion of pre-operating expenses, contingency, permits/licenses and other development costs in the computation of the total project cost as a component of the capacity fee and the use of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants.

On 17 October 2016, the Company filed an Omnibus Motion for Partial Reconsideration and for the Issuance of a Status Quo Order to the ERC. On 11 January 2017, OPI filed a Supplemental Motion for Partial Reconsideration to submit supporting documents based on OPI's incurred actual expenses.

On 6 June 2017, ERC issued the Status Quo Ante Order deferring the implementation of the Decision for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved.

On 5 December 2017, ERC issued an Order extending the Status Quo Order prayed by OPI in its Omnibus Motion. The implementation of the Decision dated 21 June 2016 was stayed for another six (6) months or until the resolution of the Omnibus Motion, which comes earlier.

Management strongly believes that the ERC should favorably consider OPI's Motion on the matter of the excluded costs, sufficiently supported by evidence of actual amounts incurred.

The Company considers the Oriental Mindoro Electric Cooperative (ORMECO) as a significant customer being the primary off-taker of the power produced by Ormin Power Inc. The Group does not spend material amounts for business development activities as most plans are developed internally.

Except for the waterworks business where it has no direct competition, the Company carries out most of its business activities in a competitive environment and competes in terms of market reach, diversity, customer relations, and pricing, among others. Heightened competition could negatively affect the Company's operational results.

In the leasing business, it competes with a number of financial institutions and real estate companies, both domestic and international. While its competitors offer their leasing lines to the general public, none of them have concentrated and specialized on servicing the particular market niche of the Company, the KTV operators. The long-established relationship of the Company with its KTV clients in the renting out of facilities, furnishings and equipment puts it at some advantage vis-à-vis its competitors. This competitive advantage is further strengthened by the management services and consultancy contracts of the Company with its KTV clients.

The Company's primary competitors in the management services and business process outsourcing industries are Accenture, the management services and the business process outsourcing units of the other major independent accountancy firms, and international BPO companies. However, the Company considers as its competitive advantage, its long-time relationship with its clients as well as the fact that it has multi-faceted business relationship with them (it also rents out to the same clients furnishing, fixtures, furniture and equipment for their KTV operations). The management services and business process outsourcing lines are highly dependent on the continuing renewals of its contracts with its clients. The Company is confident though that, for as long as the KTV operations of its clients are viable and profitable, it will continue to service the specialized business process outsourcing needs of these clients.

Land banking and property development is a highly competitive industry. The major industry and sector leaders of this industry include the SM Group and Robinsons Land that are more focused on retail mall development, Ayala Land that is involved in residential, commercial, high rise, and industrial development, Sta. Lucia Realty which is into residential, commercial and leisure/resort development, Filinvest Land which is into central business district development, Megaworld and Empire East Land which are into both horizontal (subdivision & townhouses) and vertical (condominium) residential and commercial development.

In the leisure and resort development businesses, JOH adopts a strategy of "product and market niching". It enters into strategic alliances with more seasoned partners as in the case of the Eagle Ridge Microtel hotel project.

The Group does not plan nor propose going into other types of businesses or offer any new service except for upcoming entry in the tourism business through its Jollywaves Waterpark in Sapul, Calapan City, Oriental Mindoro, as discussed on page 1 of this report.

The Company is very much dependent on its being able to have continuing business with its existing clients and customers. The Company has had a long-time relationship with these clients and does not foresee losing any of them.

The Company's subsidiaries involved in the service industries need no special government approvals. However, its waterworks business through Calapan Water and its power generation business through OPI require several special government approvals such as Environment Compliance Certificate from the Department of Environment and Natural Resources (DENR) and water permits from the National Water Resources Board. Tariff rates are subject to regulation by the NWRB, while power rates are approved by the Department of Energy. The complexities of tariff regulation require consideration of many factors including the proponent's return of investment.

Management's Discussion and Analysis

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes thereto contained in this Report.

Results of Operations

September 2018 compared with September 2017

The consolidated financial statements for the third quarter ended 30 September 2018 resulted in a net income after tax of ₱378,374,695 compared to ₱62,266,613 of the same period last year. The increase in net income during the period is mainly due to the gain on sale of investment in a subsidiary amounting to ₱324,676,804.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales increased by 25.62% from ₱254,754,241 to ₱320,031,382 for the nine months ended of this year as against the same period last year due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of third quarter of 2018, contracted energy was at 28,985,208 kilowatt hours (kWh) as against 29,872,024 kWh for the same period in 2017.

Water service revenues increased by ₱91,453,156 or 100% by the third quarter of 2018. This represents water revenues earned covering the period from 2018 June to 2018 September. As of 30 September 2018, total water subscribers is 22,317. Water revenues earned for the five months ended 31 May 2018 and nine months ended 30 September 2017 amounting to ₱107,453,946 and ₱174,428,401, respectively, was presented as part of income from water operations of a disposed subsidiary under "Other Income (Charges) - net" in the consolidated statements of comprehensive income. This resulted from disposal of a subsidiary last 1 June 2018. For the five months ended 31 May 2018 and nine months ended 30 September 2017, total water subscribers base stood at 21,262 and 19,535, respectively.

Rental revenues increased by 13.03% or ₱6,306,397 as a result of rental rate escalation charged to clients starting first quarter of 2018.

Technical services decreased by 18.69% from ₱31,466,818 to ₱25,586,817 for the nine months ended of this year as against the same period last year. Contract with a client ceased effective 1 July 2018.

Cost of services increased by 42.81% or ₱101,503,847 for the period. This was due to increase in fuel expenses brought about by higher fuel prices, additional outside services, increase in repairs and maintenance and water service costs incurred for four months starting from

June 2018 to September 2018. Water service costs incurred for the five months ended 31 May 2018 and nine months ended 30 September 2017 amounting to ₱44,287,991 and ₱73,034,627, respectively, was presented as part of income from water operations of a disposed subsidiary under "Other Income (Charges) - net" in the consolidated statements of comprehensive income.

Operating expenses increased by 81.96% or ₱42,831,100 for the period. Much of the increase is attributable to higher depreciation expense, increase in salaries, additional professional fees and taxes, commission fees related to sale of a subsidiary and water operating expenses incurred for four months starting from June 2018 to September 2018. Water operating expenses incurred for the five months ended 31 May 2018 and nine months ended 30 September 2017 amounting to ₱16,998,314 and ₱29,790,014, respectively, was presented as part of income from water operations of a disposed subsidiary under "Other Income (Charges) - net" in the consolidated statements of comprehensive income.

Net other income increased by 607.95% or ₱301,403,565 for the nine months ended 30 September 2018. This resulted mainly from gain on sale of investment in a subsidiary amounting to ₱324,676,804. Income from operations of disposed subsidiary pertains to CWWC's results of operation amounting to ₱46,167,641 and ₱71,603,760 for the five months ended 31 May 2018 and nine months ended 30 September 2017.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Tubig Pilipinas Corp. and subsidiaries, Philippine Hydro Electric Ventures, Inc. and a subsidiary and Jolliville Leisure & Resort Corporation and subsidiaries. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in these subsidiaries.

2017 compared with 2016

The consolidated financial statements for the year ended 31 December 2017 resulted in a net 73.00% decrease in net income after tax from ₱342,175,769 in 2016 to ₱92,378,167 in 2017.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales increased by 2.60% from ₱315,525,125 to ₱323,735,044 for this year as against last year due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of 31 December 2017, contracted energy was at 37,297,512 kilowatt hours (kWh) as against 42,761,124 kWh in 2016.

Water service revenues grew by ₱12,183,200 or by 5.46% from ₱223,079,762 in 2016 to ₱235,262,962 by end 2017. The increase is attributable to the additional number of subscribers in the cities of Calapan and Tabuk and municipality of Agoo as well as the increase in production volume in these service areas. Total subscriber base stood at 20,182 by the end of 2017 compared to 17,907 subscribers by the end of 2016.

Rental revenues increased by 7.39% or ₱4,435,011 from ₱60,046,692 in 2016 to ₱64,481,703 in 2017 mainly due to rental rate escalation.

Technical services grew by ₱1,997,893 or 5.00% from ₱39,957,864 in 2016 to ₱41,955,757 in 2017 as a result of rate escalation charged to clients this year.

Equity share in net earnings of an associate pertains to JLRC's share in earnings of Eagle Ridge Hotel Corporation. This account amounted to ₱125,941 in 2017 and decreased by 52.89% compared to ₱267,345 in 2016.

Other revenue pertains to the proceeds from sale of plumbing materials which decreased by 68.82% or ₱37,861.

Cost of services increased by 8.13% or ₱30,857,690 for the year 2017 as compared to 2016. This is resulted from increase in fuel expenses brought about by higher fuel prices and additional utilities expenses due to incremental power consumption of new production wells.

Operating expenses decreased by 0.22% or ₱271,611 this year. The decrease is the net effect of higher depreciation expense, increase in transportation and travel expenses, additional seminar fees, higher repairs and maintenance, lower personnel cost, lesser communication expenses, decrease in computer software expenses and no provision for impairment losses was made during the year.

Net other income decreased by 102.63% or ₱259,967,785 this year. Bulk of the decrease came from lower outcome of investment properties appraised values in 2017. Increase in fair value of investment property amounted to ₱19,260,770 and ₱272,812,897 in 2017 and 2016, respectively. Higher finance charges resulted from additional loan availments made during the year, further increasing other charges by ₱7,752,538. Reversal of actuarial gain amounted to ₱1,348,828 in 2017 resulted from the resignation of H2O's employee who is not qualified to avail retirement benefit.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Philippine H2O Ventures, Corp and subsidiaries, Philippine Hydro Electric Ventures, Inc. and a subsidiary, Nation Water Corp. and Jolliville Leisure & Resort Corporation and subsidiaries. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in these subsidiaries.

2016 compared with 2015

The consolidated financial statements for the year ended 31 December 2016 resulted to a net income after tax of ₱342,175,769 compared to ₱264,805,645 in 2015.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales decreased by 10.07% from ₱350,841,395 to ₱315,525,125 for this year as against last year due to lower fuel prices and lower energy off-take from ORMECO. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of 31 December 2016, contracted energy was at 42,761,124 kilowatt hours (kWh) as against 43,365,420 kWh in 2015.

Water service revenues have been steadily increasing and this is attributable to the additional number of subscribers in the Cities of Calapan and Tabuk and the Municipality of Agoo from 15,424 as of end of 2015 to 17,907 as of end of 2016. Water service revenues grew by 13.56% from ₱196,436,420 to ₱223,079,762 for this year as against last year. MAWI started its operations in February 2016 and has started generating revenues.

Rental revenues slightly increased by 0.41% or ₱245,794 resulting from additional leases that started last August 2016 and June 2015.

Technical services remained unchanged as the rates were maintained at the same level. .

Equity share in net earnings of an associate amounted to ₱267,345 as of 31 December 2016 and decreased by 60.58% or ₱410,874 compared to ₱678,219 in 2015.

Other revenue pertains to sale of plumbing materials which increased by 121.40% or ₱30,167.

Cost of services decreased by 0.85% or ₱3,272,914 for the period. This is mainly due to the net effect of lower fuel prices and volume consumption for OPI's generation requirements, additional outside services and repairs and maintenance incurred, increase in salaries and employees benefits and depreciation from acquisition of property and equipment.

Operating expenses increased by 2.31% or ₱2,795,123 for the year. Much of the increase could be attributed to additional depreciation expense and provision for impairment in 2016.

Net other income increased by 64.88% or ₱99,680,261 this year. This is mainly due to increase in fair value of investment property amounted to ₱272,812,897 in 2016 compared to ₱176,725,230 in 2015.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Philippine H2O Ventures, Corp., Nation Water Corp., Metro Agoo Waterworks Incorporated, Buyayao Island Resort Corp. and Philippine Hydro Electric Ventures, Inc. The fluctuation in this account is tiedin to the operating results and to the Company's overall ownership in the former.

Financial Position

September 2018 versus 31 December 2017

Total assets increased by 12.93% or ₱710,762,926 from ₱5,498,190,434 as of 31 December 2017 to ₱6,208,953,360 as of 30 September 2018.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱3,812,170,244 as of 30 September 2018. It increased by 9.79% or ₱340,031,162 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant, ongoing development and construction of CWWC's and MAWI's water supply systems and JLRC's Jolly Waves Waterpark & Resort construction project.

Cash and cash equivalents account increased by 70.18% or ₱166,300,313 during the period. This represents the net effect of proceeds received from sale of investment in a subsidiary, loan availments made and payment of obligations as of third quarter of 2018.

Receivables increased by 44.33% or ₱69,319,765 during the first nine months of 2018 due to lesser collection from customers.

Due from related parties increased by 342.38% from ₱57,710,249 as of 31 December 2017 to ₱255,298,663 as of 30 September 2018 as advances were made to affiliates for working capital requirements.

Inventories amounting to ₱23,090,944 pertain mostly to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 10.85% or ₱2,259,945 from last year's balance of ₱20,830,999.

Other current assets increased by 4.36% from ₱86,835,984 as of 31 December 2017 to ₱90,625,774 as of 30 September 2018. The increase mainly pertains to input VAT incurred and additional creditable withholding taxes received.

Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement with Udenna Development Corp. (collectively the "Parties"), for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of this transaction, H2O's assets and liabilities were presented separately as "current assets held for sale" and "current liabilities held for sale" in the consolidated statements of financial position as of 31 December 2017. On 1 June 2018, a Deed of Absolute Sale was executed. Due to the closing of sale, current assets and liabilities held for sale are adjusted as of 30 September 2018.

During second quarter, OHC assigned its investment in shares of stocks to a related party. As a result, investment in associates decreased by 50.52% from ₱51,792,517 as of 31 December 2017 to ₱25,629,525 as of 30 September 2018.

Investment property increased by 0.11% or ₱1,384,146 during the period. This pertains to acquisition of a condominium unit during the period.

The deferred tax effects of unrealized gain on foreign exchange for the period caused the deferred tax assets account to decrease by 0.0034% from ₱25,669,700 as of 31 December 2017 to ₱25,668,833 as of 30 September 2018, respectively.

Other noncurrent assets decreased by 19.24% or ₱22,172,572 during the period. This mainly represents the net effect of additional development costs of the power plant and decrease in goodwill due to disposal of a subsidiary.

Available-for-sale investments remained unchanged from its balance as of 30 September 2018.

Accounts payable and other current liabilities decreased by 6.54% from ₱914,269,628 as of 31 December 2017 to ₱854,447,285 as of 30 September 2018. Much of this is attributed to OPI's, CWWC's, MAWI's and JLRC's payments of obligation to contractors.

Loans payable increased by 23.68% or ₱466,087,575 as of 30 September 2018. This mainly represents additional releases from the loan facility with local banks intended for the construction of Inabasan power plant and Jolly Waves Waterpark & Resort and short-term loan drawings made by CWWC and OPI.

Due to related parties increased by 13.97% from ₱271,316,132 as of 31 December 2017 to ₱309,207,844 as of 30 September 2018 as the effect of additional advances received from affiliates.

The income tax liability as of 31 December 2017 was due and paid in 2018 March and 2018 April. The income tax liability as of September 30, 2018 consists of income tax accruals for the third quarter of 2018. Income tax payable decreased by 15.83% or ₱2,870,588 as of 30 September 2018.

Customers' deposits increased by 2.00% or ₱606,761 as of 30 September 2018. This account pertains to additional water meter maintenance collected by CWWC and MAWI.

On 8 August 2018, the Parent Company's Board of Directors, after negotiating with Elgeete Holdings Inc., agreed to reverse the deposit for future stock subscription amounting to ₱35,000,000 back to accounts payable. As a result, deposit for future stock subscription decreased by 100% or ₱35,000,000 as of 30 September 2018.

Retirement benefit obligation and deferred tax liabilities were unchanged from year-end.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Tubig Pilipinas Corp. and subsidiaries, Philippine Hydro Electric Ventures, Inc. and a subsidiary and Jolliville Leisure & Resort Corporation and subsidiaries. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in these subsidiaries.

2017 versus 2016

Total assets increased by 13.88% or ₱670,186,480 from ₱4,828,003,954 as of 31 December 2016 to ₱5,498,190,434 as of 31 December 2017.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱3,472,139,082 as of 31 December 2017. It increased by 20.46% or ₱589,721,903 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant, ongoing development and construction of CWWC's and MAWI's water supply systems and JLRC's Jolly Waves Waterpark & Resort construction project.

Cash and cash equivalents account decreased by 13.93% or ₱38,356,166 from ₱275,312,575 as of 31 December 2016 to ₱236,956,409 as of 31 December 2017. This is the net effect of additional loan availments and payment of obligations which were due and paid during the year.

Receivables account decreased by 1.69% or ₱2,687,030 from ₱159,059,685 as of 31 December 2016 to ₱156,372,655 as of 31 December 2017. The decrease is due to prompt collections from several customers and recoupment of advances to contractors related to progress billings received.

Inventories amounting to ₱20,830,999 pertain mostly to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 52.71% from last year's balance of ₱13,640,735.

Due from related parties decreased by 9.94% from ₱64,079,473 as of 31 December 2016 to ₱57,710,249 as of 31 December 2017. The decrease in the related party transactions is dependent upon the liquidity and financial status of the concerned parties at any given point in time. None of the parties involved is in financial distress and there is no reason to believe that any accounts may be impaired in the immediate or near future. Also, these accounts have no definite call dates and do not bear interest. The purpose of these advances is for operating and investing activities.

Other current assets increased by 13.90% from ₱76,241,273 as of 31 December 2016 to ₱86,835,984 as of 31 December 2017. The increase mainly pertains to input VAT incurred and additional creditable withholding taxes received.

Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement with Udenna Development Corp. (collectively the "Parties"), for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of this transaction, H2O's assets and liabilities were presented separately as "current assets held for sale" and "current liabilities held for sale" amounting to ₱21,574,178 and ₱206,103, respectively.

The available-for-sale investment amounting to ₱3,084,307 pertains to a single payment managed trust fund deposit in an insurance company made in the last quarter of 2009. This fund invests in fixed income securities, money market instruments, and shares listed in the PSE. Although the amount can be withdrawn anytime, management intends to hold it long-term for a specific purpose. The increase of ₱139,004 or 4.72% represents unrealized gain on this investment credited to equity portion of the consolidated statements of financial position for the same amount.

Investment in associates account increased by 2.70% or ₱1,359,641 from ₱50,432,876 as of 31 December 2016 to ₱51,792,517 as of 31 December 2017. This increase pertains to subscribed shares of Sapulville Enterprises Corp. and Sapul Ventures Corp. to various companies and share in net earnings of an associate.

In 2017, some of the Group's investment properties located in Manila and Oriental Mindoro were appraised. ORDC acquired a parcel of land and a condominium unit during the year. Also Buyayao Island and NGTO capitalized its cost of improvement and additional transaction cost related to its investment properties in 2017. These resulted to an increase of 2.94% or ₱35,753,424 from ₱1,214,226,772 in 2016 to ₱1,249,980,196 in 2017.

The deferred tax effects of NOLCO, accrued retirement benefit obligation and rent expense as a result of the application of PAS 17 for the year caused the deferred tax assets account to increase by 26.18% from ₱20,343,817 in 2016 to ₱25,669,700 in 2017.

Other noncurrent asset increase by 66.29% or ₱45,939,892. This pertains to goodwill arises from the Parent Company's purchase of H2O's 7,840,400 shares and construction of OPI's 10MW Hydro Electric Power Plant which represents additional development costs of the power plant.

Accounts payable and other current liabilities increased by 38.23% from ₱661,426,948 as of December 31, 2016 to ₱914,269,628 as of December 31, 2017. Much of this increase could be attributed to OPI's, CWWC's, MAWI's and JLRC's obligation to contractors.

Loans payable increased by 13.56% to ₱1,968,675,656 as of 31 December 2017. The increase of ₱235,142,086 mainly represents additional releases from the loan facility with local banks intended for the construction of Inabasan power plant and Jolly Waves Park & Resort and short-term loan drawings made by CWWC and OPI.

Due to related parties increased by 8.13% or ₱20,389,300 from ₱250,926,832 as of 31 December 2016 to ₱271,316,132 as of 31 December 2017 as the net effect of transactions during the year for additional advances received and payments made.
Income tax payable has increased by 10.68% or ₱1,750,166 as the related current income tax expense also decreased.

For the year 2017, the Group's retirement benefit obligation increased by 12.24% or ₱5,454,877 which represents additional retirement expense.

The increase in the deferred tax liability account by ₱440,465 represents the net tax effects of fair value adjustments in investment properties, property, plant and equipment, interest capitalized in previous years, rent income as a result of PAS 17 and unrealized forex gain.

Deposit for future stock subscription amounting to ₱35,000,000 were unchanged as of 31 December 2017. This amount pertains to converted advances extended by Elgeete Holdings Inc. to Parent Company and will be applied upon the latter's equity call.

The customers' deposits account, which primarily pertain to water meter maintenance, increased by 13.67% from ₱26,637,993 as of end-2016 to ₱30,280,473 at end-2017.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Philippine H2O Ventures, Corp and subsidiaries, Philippine Hydro Electric Ventures, Inc. and a subsidiary, Nation Water Corp. and Jolliville Leisure & Resort Corporation and subsidiaries. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in these subsidiaries.

2016 versus 2015

Total assets increased by 18.88% or ₱766,618,048 from ₱4,061,385,906 as of 31 December 2015 to ₱4,828,003,954 as of 31 December 2016.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱2,882,417,179 as of 31 December 2016. It increased by 26.43% or ₱602,644,487 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant and MAWI's construction of the new water distribution system in Agoo, La Union.

Cash and cash equivalents account decreased by 26.20% or ₱97,732,820 from ₱373,045,395 as of 31 December 2015 to ₱275,312,575 as of 31 December 2016. This is mainly due to payment of obligations which were due and paid in 2016.

Receivables account decreased by 20.94% or ₱42,123,238 from ₱201,182,923 as of 31 December 2015 to ₱159,059,685 as of December 31, 2016. This is due to prompt collections from several customers and recoupment of advances to contractors related to progress billings received.

Inventories amounting to ₱13,640,735 pertain mostly to OPI's fuel and oil. There was a decrease of 16.12% from last year's end-2015 balance of ₱16,262,210 due to lower fuel requirements by the power plant.

Due from related parties decreased by 15.08% from ₱75,461,935 as of 31 December 2015 to ₱64,079,473 as of 31 December 2016. The decrease in the related party transactions is dependent upon the liquidity and financial status of the concerned parties at any given point in time. None of the parties involved is in financial distress and there is no reason to believe that any accounts may be impaired in the immediate or near future. Also, these accounts have no definite call dates and do not bear interest. The purpose of these advances is for operating and investing activities.

Other current assets increased by 21.03% from ₱62,995,139 as of 31 December 2015 to ₱76,241,273 as of 31 December 2016. The increase mainly pertains to OPI's input VAT paid during the year.

The available-for-sale investment amounting to ₱2,945,303 pertains to a single payment managed trust fund deposit in an insurance company made in the last quarter of 2009. This fund invests in fixed income securities, money market instruments, and shares listed in the PSE. Although the amount can be withdrawn anytime, management intends to hold it long-term for a specific purpose. The decrease of ₱10,442 or 0.35% represents unrealized loss on this investment credited to equity portion of the consolidated statements of financial position for the same amount.

Investment in associates account increased by 5.35% or ₱2,563,310 from ₱47,869,566 to ₱50,432,876 as of 31 December 2016. This increase mainly pertains to Sapulville Enterprises Corp. and Sapul Ventures Corp. subscribed shares of various companies.

In 2016, some of the Group's investment properties located in Manila and Oriental Mindoro was appraised. Also, Buyayao Island, KGT and NRC acquired various parcels of land during the year. These resulted to an increase of 30.73% or ₱285,444,767 from ₱928,782,005 in 2015 to ₱1,214,226,772 in 2016.

The deferred tax effects of NOLCO and accrued retirement benefit obligation for the year caused the deferred tax assets account to increase by 43.52% from ₱14,175,220 in 2015 to ₱20,343,817 in 2016.

Construction of OPI's 10MW Hydro Electric Power Plant also caused the noncurrent assets to increase by 17.70% or ₱10,421,190 which represents additional development costs of the power plant.

Accounts payable and other current liabilities increased by 5.38% from ₱627,672,713 as of 31 December 2015 to ₱661,426,948 as of 31 December 2016. Much of this increase could be attributed to OPI's and MAWI's obligation to contractors.

Loans payable increased by 19.60% to ₱1,733,533,570 as of 31 December 2016. The increase of ₱284,064,041 mainly represents additional releases from the loan facility with DBP intended for the construction of Inabasan power plant and MAWI's water utilities and distribution system.

Due to related parties increased by 28.06% or ₱54,985,307 from ₱195,941,525 as of 31 December 2015 to ₱250,926,832 as of 31 December 2016 as additional advances were made from affiliates.

Income tax payable has decreased by 7.37% or ₱1,302,704 as the related current income tax expense also decreased.

For the year 2016, the Group's actuarial valuation reports resulted to an increase in retirement obligation by 14.03% or ₱5,483,802 which represents additional retirement expense and actuarial loss.

The increase in the deferred tax liability account by ₱32,908,282 represents the net tax effects of fair value adjustments in investment properties, property, plant and equipment and interest capitalized in previous years.

Deposit for future stock subscription decreased by 63.16% or ₱60,000,000 as of 31 December 2016.

The customers' deposits account, which primarily pertain to water meter maintenance, increased by 19.36% from ₱22,316,852 as of end-2015 to ₱26,637,993 at end-2016.

Noncontrolling interest pertains to Philippine H2O Ventures, Corp., Philippine Hydro Electric Ventures, Inc., Nation Water Corp. and Buyayao Island Resort Corp. This represents the share of its noncontrolling shareholders in the net assets of said subsidiaries. The change in this account is tied-in to the discussion on the related item shown in the consolidated statements of comprehensive income discussed earlier.

Financial Risk

Please refer to Page 9 of the Consolidated Financial Statements for the description, classification and measurements applied for financial instruments and the financial risk management objectives and policies of the Group.

Key Performance Indicators

			SEPTEMBER	
			2018	2017
PROFITABILITY				
	ROA=	NI+{(interest exp x (1-tax rate)}	393,250,780	77,861,419
Return on Total Assets		Ave. Total Assets	5,853,571,897	4,899,520,982
It measures efficiency of the Company in using its assets to generate net income.			0.0672	0.0159
		Net Income	378,374,695	62,266,613
Return on Equity	ROE=	Ave. Stockholders' Equity	2,302,635,717	2,031,412,745
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			0.1643	0.0307
		Water Revenue	198,907,102	174,428,401
Water Revenue per Subscriber	WRS=	Ave. No. of Water Subscribers	22,317	19,535
Measures how well service and facilities improvements have influence consumer's usage			8,913	8,929
FINANCIAL LEVERAGE				
	Debt Ratio=	Total Liabilities	3,754,279,687	2,908,491,958
Debt Ratio		Total Assets	6,208,953,360	4,971,038,009
It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.			0.6047	0.5851
	Debt to Equity=	Total Liabilities	3,754,279,687	2,908,491,958
Debt to Equity Ratio		Shareholder's Equity	2,454,673,673	2,062,546,051
It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.			1.5294	1.4101
MARKET VALUATION				
		Market value/share	5.06	4.89
Price to Book Ratio	PB ratio=	Book value/share	6.80	5.57

Relates the Group's stock to its book value per share	0.7441	0.8779

The reason for the increase in the Group's profitability is discussed in the results of operations. From the point of view of its water business, which the Group considers to be its major growth driver, water revenues have shown steady improvement, more so beginning 2010 as increased water rates took effect, and is expected to improve even further in the succeeding years as the Company already has in line the addition of new wells and expansion of its coverage area and identification of new target markets.

Following the positive developments in the local stock market, activity in the Company's stock has picked up recently and the prices have gone up to reflect trends in the market

Liquidity and Solvency

The Group's cash balance increased from ₱956,409 as of end of 2017 to ₱403,256,722 as of 30 September 2018. The increase is the net effect of proceeds received from sale of investment in a subsidiary, loan availments made and payments made to creditors. There are sufficient cash and credit to finance operating and investing activities of the Group.

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Company, including any Default or Acceleration of an Obligation

None

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including Contingent Obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons created during the Reporting Period

None

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

On 21 June 2016, the Energy Regulatory Commission (ERC) issued a Decision for the approval of the Power Supply Agreement (PSA) between ORMECO and Ormin Power Inc. (OPI). The ERC only granted the generation rates of ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (postmaximization) from OPI's proposed rate of ₱2.95/kWh under the PSA. The difference in rate is primarily due among others, to ERC's exclusion of pre-operating expenses, contingency, permits/licenses and other development costs in the computation of the total project cost as a component of the capacity fee and the use of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants.

On 17 October 2016, OPI filed an Omnibus Motion for Partial Reconsideration and for the Issuance of a Status Quo Order to the ERC. On 11 January 2017, OPI filed a Supplemental Motion for Partial Reconsideration to submit supporting documents based on OPI's incurred actual expenses.

On 6 June 2017, the Commission issued a Status Quo Ante Order deferring the implementation of the decision dated 21 June 2016 for a period of no more than six (6) months or until the issues are earlier resolved.

On 5 December 2017, ERC issued an Order extending the Status Quo Order prayed by OPI in its Omnibus Motion. The implementation of the Decision dated 21 June 2016 was stayed for another six (6) months or until the resolution of the Omnibus Motion, which comes earlier.

On 5 June 2018, ERC extended the Status Quo Ante Order for another six (6) months or until 5 December 2018 or the resolution of the Omnibus Motion for Partial Reconsideration, whichever comes earlier.

Management strongly believes that the ERC should favorably consider OPI's Motion on the matter of the excluded costs, sufficiently supported by evidence of actual amounts incurred.

Cause for any Material Changes from period to period of the Financial Statements

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

Ormin Power, Inc. is currently constructing its 10 MW Mini Hydro Power Plant facility in San Teodoro, Oriental Mindoro. The project cost is ₱1.6 billion and it is currently being financed through a term loan from the Development Bank of the Philippines. The total principal and interest released amounted to ₱1.121 billion and ₱122.7 million as of 30 September 2018. Expected project completion is on December 2018.

Jolliville Leisure and Resort Corporation is currently constructing and developing its water park and resort located at Sapul, Calapan City, Oriental Mindoro. The estimated cost is ₱358.57 million, about ₱251 million will be financed through bank borrowings while the balance will be funded through internally generated funds

Market Information

JOH's common equity is traded at the Philippine Stock Exchange ("PSE").

The high and low sales prices of the Company's securities for each quarter are indicated in the table below:

Quarter	High	Low
4th quarter 2018	6.78	4.29
3rd quarter 2018	5.74	5.03
2nd quarter 2018	5.97	4.81
1st quarter 2018	6.20	4.81

As of today, 17 January 2019, prior to the release of this statement, the opening, high, low, and closing price is ₱5.42, ₱5.45, ₱5.42, and ₱5.45, respectively.

Holders

The following table sets forth the Company's top twenty shareholders and their corresponding number of shares held as of 31 December 2018:

Shareholder	Shares Held	Percentage
Elgeete Holdings, Inc.	125,783,791	44.68
IGC Securities Inc.	19,293,200	6.85
Myron Ventures Corp.	18,000,000	6.39
Lucky Securities Inc.	14,170,000	5.03
Dopero Corporation	13,000,000	4.62
Febra Resources Corporation	12,503,925	4.44
A-Net Resources Corporation	12,503,925	4.44
Kenly Resources Corporation	12,503,925	4.44
Oltru Holdings Corporation	12,503,925	4.44
Belson Securities Inc.	8,285,000	2.94
Unicapital Securities Inc.	7,038,000	2.50
Rodolfo L. See	5,994,000	2.13
Papa Securities Corporation	3,351,000	1.19
Philstocks Financial Inc.	3,293,225	1.17
Genmaco Corp.	2,709,500	0.96
Tower Securities Inc.	1,424,800	0.51
Phyvita Enterprises Inc.	1,047,200	0.37
Ortrud T. Yao	1,000,001	0.36
Jolly L. Ting	959,999	0.34
AB Capital Securities, Inc.	761,000	0.27

Dividends

Under the Corporation Code and the Company's By-Laws, dividends shall be declared only from surplus profits (representing net accumulated earnings, with capital unimpaired, which is not appropriated for any other purpose) and shall be payable at such time and in such amounts as the Board of Directors of the Company shall determine; provided, however, that no stock dividends shall be issued without the approval of the stockholders representing not less than two thirds (2/3) of all stock then outstanding and entitled to vote at the Company's general meeting or at a special meeting called for the purpose, and no property dividends shall be issued without the prior approval of the SEC. No dividends shall be declared that impair JOH's capital.

The Company is authorized to pay cash, property or stock dividends or a combination thereof, subject to approval by the Company's Board of Directors and Stockholders. Holders of outstanding shares on a dividend record date for such shares are entitled to the full dividend declared without regard to any subsequent transfer of shares.

The Board, in its special meeting held on 4 January 2019, approved the declaration of 66.03% property dividends of JOH with a total amount of One Hundred Eighty Five Million Eight Hundred Sixty Two Thousand Seven Hundred Fifty Pesos (Php185,862,750.00), comprising of 42,225,000 shares of Tubig Pilipinas Corp. ("Tubig Pilipinas") carried at Php2.59 per share and 76,500,000 shares of Philippine Hydro Electric Ventures, Inc. ("Phil. Hydro") carried at Php1.00

per share. Carrying values are computed based on interim financial statements of both subsidiaries as of 30 September 2018. Entitled shareholders will receive 27 shares of Phil. Hydro and 15 shares of Tubig Pilipinas for every 100 shares of JOH.

Fractional shares shall be converted into cash and be released to the shareholders at the same time as the property dividend.

Dividends of subsidiaries were discussed in item 1 of the Management Report.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There is no sale of unregistered or exempt Securities, including recent issuance of Securities constituting an exempt transaction during 2018, 2017, and 2016.

External Audit Fees

Constantino Guadalquiver and Co. ("CGCo"), independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2018, 2017, and 2016, included in this report.

There have been no disagreements between the Company and CGCo over the length of their relationship with regard to any matter involving accounting principles or practices, financial statement disclosures, and auditing scope and procedures.

CGCo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. CGCo will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In connection with the audit of the Company's financial statements, the Audit Committee had, among other activities, (a) evaluated significant issues reported by the external auditor in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (b) ensured that no other work is provided by the external auditor that would impair its independence and conflict with its function as independent accountants; and (c) ensured the compliance of the Company with acceptable auditing and accounting standards and regulations.

The aggregate fees billed for professional services rendered by the Company's external auditors for the audit of its financial statements or for services that are normally provided in connection with statutory and regulatory filings are ₱1,505,000 in 2018, ₱1,233,600 in 2017, ₱1,182,000 in 2016. The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

There are no: (1) other assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements; (2) tax accounting, compliance, advice, planning and any other form of tax services; and (3) other services provided by the external auditor.

The Audit Committee has the final say on the acceptance of proposals for professional services related to attest, tax and others. It solicits proposals from at least two (2) known firms including the present auditor and reviews these on a grading system with weights emphasizing on quality of service, meeting of deadlines and reasonableness of fees. A presentation may be required of each proponent to present their merits and to clarify other issues.

Corporate Governance

The Board of Directors and Management of Jolliville Holdings Corporation (the “Company” or the “Corporation”) commit themselves to the principles and best practices contained in the Company’s manual on corporate governance.

The Company believes that compliance with the principles of good corporate governance begins with the Board of Directors. It shall be the Board’s responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which must be exercised in the best interest of the Corporation, its shareholders and other stakeholders. The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Among the Board’s duties are to fix a process of selection to ensure a competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, to determine the company’s purposes, its vision and mission, and strategies to carry out its objectives, ensures compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, identify key risk areas and key performance indicators and monitor these factors with due diligence. It is also the Board’s duties to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions, to properly discharge Board functions by meeting regularly, constitute an audit, nomination, compensation and remuneration and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities

The Company also recognized code of business conduct and ethics to express the Corporation’s commitment to full compliance of its existing business interests, shareholdings, personal activities, or relationships that may directly or indirectly conflict with the Corporation’s customers, suppliers, competitors, and other third parties, to promote honest and ethical conduct and handling of apparent conflicts of interest between personal professional relationships, and to help foster a culture of honesty and accountability.

The Company has also undertaken the measures below, among others, to fully comply with the adopted leading practices on good corporate governance:

a. Appointment of Compliance Officer to monitor compliance with the Manual on Corporate Governance

b. Adoption of Code of Conduct and Decorum for all directors, officers and employees

c. Sworn Statement on compliance with policies on selective disclosure of material non-public information required annually from each director and officer

d. Sworn Statement that the Company substantially adopted all the provisions of its Manual on Corporate Governance

e. Attendance in seminars on Corporate Governance

f. Recorded minutes of the meetings of the Board of Directors and committees, i.e. Executive, Audit, Board Risk Oversight, RPT, and Corporate Governance

There has not been any deviation from the company's Manual on Corporate Governance.

The Company plans to continue adopting the SEC and other reputable organization's recommendations for improved corporate governance.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

MS. ORTRUD T. YAO
Chief Financial Officer
Jolliville Holdings Corporation
4/F 20 Lansbergh Place
170 Tomas Morato Ave., cor. Sct. Castor St.
Quezon City 1103

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