

## COVER SHEET

S.E.C. Registration Number

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MARK ANTHONY M. RAMOS

636-1170

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Month

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FORM TYPE

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Annual Meeting

N/A
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

### Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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Foreign

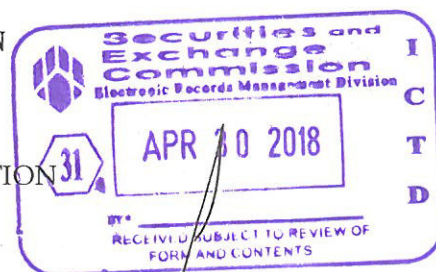
To be accomplished by SEC Personnel concerned

SECURITIES AND EXCHANGE COMMISSION

Form 17- A

PHILIPPINE REALTY AND HOLDINGS CORPORATION

Annual Report Pursuant to Section 17  
of the Securities Regulation Code and Section 141  
of the Corporation Code of the Philippines



1. For the fiscal year ended: 31st December 2017
2. SEC Identification No. : 99905      3. BIR Tax Identification No.: 116-000-188-233
4. Registrant : Philippine Realty and Holdings Corporation
5. Country of Incorporation: Philippines    6. Industry Classification Code: Real Estate Developer
7. Address of principal office: One Balete, 1 Balete Drive corner N. Domingo St.,  
Brgy Kaunlaran Quezon City
- Satellite Office : 2001B, 20<sup>th</sup> Floor PSE Centre East Tower, Exchange Road,  
Ortigas Center Pasig City
8. Registrant's telephone no.: 631-3179
9. The Registrant has not changed its corporate name and fiscal year.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Class	No. of shares of common stock outstanding	Debt Outstanding
Common	4,922,324,908 shares	P=0.00

11. The Registrant's common shares are listed on the Philippine Stock Exchange
12. The Registrant has filed all reports required to be filed by Section 17 of the Securities Regulation Code and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporate Code during the preceding 12 months.  
  
The Registrant has been subject to such filing requirements for the past 90 days.
13. The aggregate market value of voting stocks held by non-affiliates representing 3,053,187,439 of outstanding common shares is P 1,892,976,212 computed on the basis of P0.62 per common share as of close of December 31, 2017.
14. The Registrant has filed all documents and reports required to be filed by Section 17 of the Code.

## PART I

### BUSINESS AND GENERAL INFORMATION

#### Item 1. Business

Philippine Realty and Holdings Corporation was incorporated on July 13, 1981 with an initial capitalization of P2 million. In 1986, the Company's capitalization was increased to P100 million to accommodate the entry of new stockholders. In September 1987, Philrealty became a public corporation. Its present authorized capital stock is P 8 billion, divided into 8 billion shares, of which 4.92 billion shares are outstanding and subscribed.

Philrealty's main real estate activity since it started operations has been the development and sale of residential/office condominium projects and to a limited extent, the lease of commercial and office spaces.

It has developed unique and trend setting projects: *The Alexandra*, the first to offer consumers the combination of high-rise condominium and subdivision living; *Philippine Stock Exchange Centre*, the official headquarters of the Philippine Stock Exchange, Inc. and home of the country's corporate and financial stalwarts; *The Alexis*, a low-rise condominium within an upscale subdivision; the exclusive *La Isla*; and *Casa Miguel*, a 4-storey walk-up residential condominium in San Juan, Metro Manila.

After the completion of the Philippine Stock Exchange Centre in January 1996, Philrealty launched its Andrea North project in the 2.8-hectare former Pepsi Cola property in New Manila, Quezon City. This project is an Alexandra-type upscale and high-rise condominium complex, which consists of five residential towers.

On November 16, 2012 the Company held the Ceremonial Concrete Pouring for its second tower in the Andrea North Complex named the Skyvillas Tower. The Company also completed the construction of its Showroom which showcases the model units of The Skyvillas Tower and an area dedicated for retail shops. Construction of the joint venture project, Icon Plaza at the Bonifacio Global City with Xcell Property Ventures, Inc. commenced in mid 2010 and is 74.28% completed as of year-end.

In 2002, the Company filed with the court a petition for corporate rehabilitation with prayer for suspension of payments. The Company settled its loan obligations with all the five creditor banks through dacion-en-pago, cash payments from the sale of assets and loan restructuring. The Company has completed another major component of the rehabilitation plan which is the completion of construction of the Andrea North Skyline Tower. In February 2011, the Company filed a Motion to terminate rehabilitation proceeding on the account of successful implementation of the Rehabilitation Plan. However, in November 2012 the court denied the Company's motion on the basis that it has still substantial obligations to pay in accordance with the court-approved rehabilitation plan.

As of December 20, 2013, the Company's liabilities to the contractor, Andrea North Skyline buyers and unsecured creditors were already paid, such that, the Company has filed a motion to terminate the rehabilitation proceedings on the account of the successful implementation of the rehabilitation plan, which was recently granted on March 31, 2014. The funds were sourced from the balance of the Company's receivables from its joint venture with Xcell Property Ventures, Inc. over two (2) parcels of land in BGC, which is projected to continue to be amortized over the same 14-month period and to be fully collected by December 2014.

On February 9, 2016, the SEC approved the Company's quasi-reorganization reducing the par value of its shares from P1.00 to P0.50 and the additional paid in capital arising from the

reduction of the par value will be subsequently applied to the Company's accumulated deficit.

On January 4, 2017, the Regional Trial Court Branch 93 of Quezon City has issued a Certificate of Finality to certify that the order issued dated March 18, 2014 has become final and executory

The Company plans to leverage its key understanding of the property market through its Medium-Term Business and Financial plan. The objective of the plan is to serve as a roadmap which will drive PRHC's profitability primarily by operating income from recurring revenue sources and the proposed projects be undertaken. First, major properties owned by the company and GPI, who has undertaken to provide operational and financial support to the Company, will be developed for sale and lease. The company plans to also maximize the utilization of all its existing developments and investment properties. The Company is likewise looking to grow its business through acquisition of revenue generating assets or developments in key cities within and outside Metro Manila. Lastly, aside from internally-generated funds, the company will continue to consider securing necessary and sufficient funding from various financial sources.

### **Significant Subsidiaries**

In line with Management thrust to venture into non-real estate activities, Philrealty has organized/invested in the following subsidiaries and affiliates:

#### ***PRHC Property Managers, Inc. (100% owned)***

PRHC Property Managers, Inc. (PPMI) was incorporated in May 1991 to oversee the administration, operation and monitoring of Philrealty's growing number of real estate properties. In order to be at par with other property managers such as Century Properties, Inc., FPD Saville Davis and Cuervo Far East, PPMI has expanded its property management services to include non-Philrealty projects. The clientele includes: Philippine Stock Exchange Centre, Icon Residences, LTA Condominium, Greenhills Properties' El Pueblo Real de Manila, Nobel Plaza Condominium, Andrea North Skyline Tower, The Pinnacle Condominium, Greenrich Mansion Condominium, Genato Investment, MDB Condominium and Philippine Stock Exchange, Inc.. PPMI ensures that said properties be operated and managed according to the established requirements and standards in the industry. PPMI is also engaged in the sale and leasing of managed buildings as well as other real estate.

#### ***Tektite Insurance Brokers, Inc. (100% owned)***

Tektite Insurance Brokers, Inc. was incorporated in January 1989 as Philrealty Insurance Agency. Due to increasing demand, it was reorganized into an insurance brokerage firm in 1994. Major clients includes: A. Brown & Co., Inc., Philrealty Group, Bostik Phils., RG Meditron and Phil. Stock Exchange Centre Condominium Corporation.

#### ***Universal Travel Corporation (81.53% owned)***

Universal Travel Corporation was incorporated in October 1993 and is engaged in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. UTC caters to Philippine Stock Exchange Centre's tenants.

#### ***Sultan Power Inc. (100% owned)***

Sultan Power, Inc. was incorporated under Philippine laws and registered with the Securities and Exchange Commission (SEC) on March 19, 2015 as holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation. The Company is a wholly-owned subsidiary of PhilRealty, a publicly listed corporation organized and existing under the laws of the Philippines.

The principal products or services of Philrealty, which are derived from domestic sales and their relative contribution to revenue, are as follows:

	2017	2016	2015
Sale of Land and Condominium Units	62.17%	60.02%	76.20%
Equity in Net Earnings of Joint Venture	0.00%	26.41%	0.00%
Management Fees	2.39%	5.31%	7.89%
Commission	0.60%	1.30%	2.66%
Rental	3.72%	3.28%	6.03%
Interest and Other Income	31.12%	3.68%	7.22%
	100.00%	100.00%	100.00%

### **Related Party Transactions**

The Company's related transactions were made in an arm's length basis. There was no special pricing policy between related parties. Further disclosures were made to Item No. 12 and to the Notes to Financial Statements No 25. The Parent Company engages the services of its subsidiary, PRHC Property Managers, Inc. (PPMI) in managing company-owned properties. PPMI, on the other hand, purchased a condominium unit back in 1996 from the Parent Company, which is fully paid as of to date. The Parent Company also secures insurance through subsidiary, Tektite Insurance Brokers, Inc. The Parent Company is given 90-day period within which to settle the premiums, the same period granted to any assured. Also, the Parent Company extends interest-bearing financial assistance to its subsidiary, PPMI for working capital purposes.

### **Major Risk/s of the Parent Company and Subsidiaries**

The major factors affecting the company's business are:

#### **Property development is a highly competitive business environment**

Philippine Realty & Holdings Corporation operates as a provider of dwelling places for the high-end and upper-middle real estate markets in the Philippines. This is a highly competitive segment due to proliferation of high-end real estate developers in the market. Philippine Realty & Holdings Corporation competes with a significant array of real estate developers and developments to attract potential owners of land and residential units, office and retail tenants as well as property management firms. Should Philippine Realty & Holdings Corporation fail to attract buyers for its developments due to the proliferation of competition within its segment, its business and results of operations could be affected.

Philippine Realty & Holdings Corporation continues to maintain its core values of quality, design, attention to detail and innovation. It also tries to continually maintain its personal service to its residents, tenants and unit owners in order to maintain its competitiveness in the high-end and upper-middle real estate markets in the Philippines.

#### **Company is exposed to risks inherent in the Philippines property market as the Company's properties are all in the Philippines**

Philippine Realty & Holdings Corporation derives its revenue and operating profits from property investment and development operations in the Philippines. Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole. In general, the Philippine property market is determined by the strength of the Philippine economy, the

spending capacity of buyers and the availability of other equally priced properties. However, the property market now has also been affected by social trends, changing spending patterns and consumer sentiment in the Philippines, which in turn are likewise influenced by economic, political and social conditions in the Philippines.

Present day economic and political uncertainties in the Philippine may have adverse effects on consumer spending habits, construction costs, availability of labor and materials and other factors affecting the Company. Significant expenditures are associated with investment in real estate. Because Philippine Realty & Holdings Corporation's properties and investments are all in the Philippines, reduced levels of economic growth, adverse changes in the country's political or security situation, or weaker performance of the country's property development market generally could materially adversely affect its profitability.

**Timely development of Philippine Realty & Holdings Corporation's project is dependent on various factors**

Philippine Realty & Holdings Corporation's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully. Philippine Realty & Holdings Corporation may invest significant time and money in a project, which may not be commercially viable. Obtaining governmental approvals and permits may also take substantially more time and resources than anticipated or construction of projects may not be completed on schedule and within budget. In addition, time and the costs involved in completing the development and construction of its projects can be adversely affected by many factors, including shortage of materials, equipment and labor, adverse weather conditions, Peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Where land to be used for a project is occupied by tenants and/or informal settlers, Philippine Realty & Holdings Corporation may have to take steps, and incur additional costs, to remove such occupants and, if required by law, to provide relocation facilities for them. Any of these factors could result in project delays and cost overruns, which could negatively affect Philippine Realty & Holdings Corporation's margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect Philippine Realty & Holdings Corporation's results of operations for that year. Further, the failure by Philippine Realty & Holdings Corporation to complete the construction of a project to its planned specifications or scheduled may result in contractual liabilities to purchasers and lower returns.

If any of Philippine Realty & Holdings Corporation's projects experience construction or infrastructure failures, design flaws, quality control issues and other factors resulting in significant project delays, this could have a negative effect on Philippine Realty & Holdings Corporation's reputation and make it more difficult to attract new customers to its projects, thus impairing Philippine Realty & Holdings Corporation's ability to reduce its capital investment requirements. Philippine Realty & Holdings Corporation cannot provide any assurance that such events will not occur in a manner that would materially and adversely affect its result of operations or financial condition.

Philippine Realty & Holdings Corporation through its project management team, has made it a policy to conduct strict monitoring of project milestones in order to timely address any issues during project planning, design, construction up to the hand over of the units to the owners.

### **Philippine Realty & Holdings Corporation may be unable to successfully manage its growth**

Philippine Realty & Holdings Corporation intends to continue to pursue aggressive growth strategy for its real estate business. Philippine Realty & Holdings Corporation's growth strategy for its land development business may require a reallocation of management resources away from its current daily operations and will also require the Company to manage relationships with greater number of customers, suppliers, contractors, service providers, lenders and other third parties. In the course of implementing its growth strategy, Philippine Realty & Holdings Corporation may experience capital constraints, construction details, operational difficulties at new operational locations or difficulties in operating existing business and training personnel to manage and operate the expanded business. Any inability or failure to adapt effectively to growth, including strains on management and logistics, could result in losses or development costs that are not recovered as quickly as anticipated, if at all. These problems could have a material adverse effect on Philippine Realty & Holdings Corporation's reputation and on its business, results of operations or financial condition.

Philippine Realty & Holdings Corporation carefully selects its projects, ensuring resources are properly identified, quantified and allocated to ensure such projects are successfully completed, on schedule, within budget and based on quality specifications.

### **Competition for the acquisition of land for new projects may adversely Philippine Realty & Holdings Corporation's business**

Philippine Realty & Holdings Corporation's growth and development are dependent on its ability to acquire or enter into agreements to buy and develop additional tracts of land suitable for Philippine Realty & Holdings Corporation's planned real estate projects. The Company may encounter difficulty in negotiating with landowners to sell their land to Philippine Realty & Holdings Corporation. The Company may also experience difficulty in locating parcels of land of suitable size in locations and at prices acceptable to the Company, particularly parcels of land located in areas surrounding Metro Manila and in other urban areas throughout the Philippines. Should Philippine Realty & Holdings Corporation fail to acquire and/or develop suitable land at acceptable prices and with reasonable returns, or at all, its growth prospects could be limited, and its business and results of operations could be adversely affected.

Philippine Realty & Holdings Corporation carefully selects its projects and limits its acquisitions to land that would be used in the short term and medium term. The Company maintains good relationships with brokers and landowners of prospective projects in order to be prioritized in the event of sale.

### **Substantial Sales cancellations involving Philippine Realty & Holdings Corporation projects could adversely affect the business of Philippine Realty & Holdings Corporation**

Philippine Realty & Holdings Corporation's business, financial condition and results of operations could be adversely affected by the material number of cancellations of unit sales in its projects. RA 6552 or the Maceda Law covers the business of Philippine Realty & Holdings Corporation as it applies to all transactions or contracts involving the sale or financing of real estate through installment payments. Under the said law, buyers who have paid at least two (2) years of installments are granted a grace period of one (1) month for every year of paid installments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five (5) years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two (2) years of installments and who default on installment payments are given a 60-day grace period

to pay all unpaid installments before the sale can be cancelled, but without right of refund.

While Philippine Realty & Holdings Corporation has not experience a material number of cancellations to which RA 6552 has applied, there can be no assurance that it will not experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. In Addition, particularly during an economic slowdown or downturn, there can be no assurance that Philippine Realty & Holdings Corporation would be able to re-sell the same property or re-sell it at an acceptable price. Any of the foregoing events would have a material adverse effect on Philippine Realty & Holdings Corporation's business, financial condition and results of operations. Furthermore in the event that Philippine Realty & Holdings Corporation experiences a material number of sales cancellations, investors are cautioned that Philippine Realty & Holdings Corporation's historical revenues would have been overstated because such historical revenue would not have accurately reflected subsequent customer defaults or sales cancellations.

Independent contractors, who may meet Philippine Realty & Holdings Corporation's quality standards or complete projects on time and within budget, may not be readily available to Philippine Realty & Holdings Corporation

Philippine Realty & Holdings Corporation primarily relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fit-out works. There can be no assurance that Philippine Realty & Holdings Corporation will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within Philippine Realty & Holdings Corporation's budget, which could result in costs increases or project delays.

Further, although Philippine Realty & Holdings Corporation personnel actively supervises the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match Philippine Realty & Holdings Corporation requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and Philippine Realty & Holdings Corporation may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on Philippine Realty & Holdings Corporation's business, financial condition and results of operations.

The Company continues to carefully select and expand its network of accredited contractors through the process of prequalification prior to any bidding. The Company likewise strictly monitors the development of each project from the planning, design, construction up to the hand over to unit owners. Furthermore, Philippine Realty & Holdings Corporation requires its contractors to provide a performance bond and surety bond to ensure their satisfactory performance in the projects.

Philippine Realty & Holdings Corporation may be liable for construction defects and other building related claims

The Civil Code makes property developers such as Philippine Realty & Holdings Corporation liable to ensure the structural integrity of the structures they build for a period of 15 years from the date of the completion of the same. Property developers are also liable for hidden defects in the units they sold when such use is the defects render the unit unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would

not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. The law gives the buyer six months from the delivery of the unit to enforce the said warranty.

RA 6541 or the National Building Code further makes Philippine Realty & Holdings Corporation and its officials liable for administrative fines or criminal penalties in case of any violation of its provisions with respect to the design and construction of buildings.

Philippine Realty & Holdings Corporation does not make any assurance that it will not be held liable for damages, the cost of repairs, and/or expense of litigation surrounding possible claims or that claims will not arise out of not subject to effective indemnification agreements with the contractors of Philippine Realty & Holdings Corporation. Philippine Realty & Holdings Corporation cannot ensure that the contractors it will hire will be able to either correct any such defects. A material number of claims arising from structural or construction defects could have a material adverse effect on the reputation, business, financial condition and results of operation of Philippine Realty & Holdings Corporation.

The Company ensures the satisfactory performance of its contractors with careful selection through prequalification prior to any bidding. The Company likewise strictly monitors the development of each project from the planning, design, and construction up to the hand over to unit owners. Furthermore, Philippine Realty & Holdings Corporation requires its contractors to provide a performance bond and surety bond to ensure their satisfactory performance in the projects.

Philippine Realty & Holdings Corporation also protects its investments with an all-risk insurance policy for construction.

#### **Company relies on third party brokers to sell its condominium projects**

Third party brokers who market and sell Philippine Realty & Holdings Corporation projects also act as brokers for other developers in the same markets Philippine Realty & Holdings Corporation operates. Philippine Realty & Holdings Corporation cannot ensure that these brokers will not favor other developers over the interests of Philippine Realty & Holdings Corporation. Philippine Realty & Holdings Corporation's business, financial condition and results of operations and prospects could be adversely by the refusal of these third party brokers to sell and/or lease for Philippine Realty & Holdings Corporation.

Philippine Realty & Holdings Corporation has its own in-house sales team as well as programs to maintain and expand its broker network. Philippine Realty & Holdings Corporation also makes its projects attractive so that brokers will prioritize the Company's projects in marketing and offering to prospective buyers.

#### **Philippine Realty & Holdings Corporation shall, at any given time, consider business combination alternatives**

Although Philippine Realty & Holdings Corporation's loan covenants contain certain restrictions on business combinations, Philippine Realty & Holdings Corporation can opt to engage in certain types of business combinations. Business combinations involve financial and operational risks and could result in significant changes to Philippine Realty & Holdings Corporation's operations, management and financial condition.

Investors nonetheless are assured that Philippine Realty & Holdings Corporation takes into consideration its existing debt obligations and concomitant debt covenants in making any major business investments or acquisitions. Any financial commitments under such business

combinations are evaluated in terms of the inflow of revenues of such projects and their ability to service their own financial requirements once fully operational.

**Change in accounting principle for real estate sales (Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate) will change the Company's revenue recognition for sale of condominium units**

This new interpretation requires that revenue on construction of real estate be recognized only upon completion except when such contract qualifies as construction contract to be accounted for under Philippine Accounting Standard 11, construction contracts, which is based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the International Accounting Standards Board issues the final revenue standard and an evaluation of the requirements of the final revenue standard against Philippine real estate industry practices is completed. Adoption of this interpretation will result to a change in the revenue recognition of the Company on sale of condominium units and accounting for certain pre-selling costs.

The Company continues to assess the impact of this change in principle to its financial results. In addition, it also intends to do more short-turnaround projects to be able to recognize revenues year-on-year even based on completed projects. These short-turnaround projects will allow the Company to have completed projects per year therefore creating a more stable revenue and income stream from development.

**Philippine Realty & Holdings Corporation operates in a regulated environment**

Philippine Realty & Holdings Corporation's development of condominium projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirements to procure a variety of environment and construction-related permits. In addition, projects located on agricultural land must get clearance from DAR so that the land can be reclassified as non-agricultural land and, in certain cases, tenants occupying agricultural land may have to be relocated at the expense of Philippine Realty & Holdings Corporation.

PD 957 and Batas Pambansa Blg. 220 are the principal statutes covering the development and sale of condominium projects for residential or commercial purposes. HLURB is the administrative agency of the government that enforces laws and regulations on:

- Suitability of the site;
- Road access;
- Necessary facilities;
- Open spaces;
- Water supply;
- Sewage disposal system;
- Electricity supply;
- Length and unit sizes; and
- Construction

Completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities are pre-requisites to the approval of the development plans. Prior approval of the relevant Government unit shall also be required for the alterations of the approved plans that affect significant areas of the projects. Project permits and any license to sell may be suspended, cancelled or revoked by the HLURB based on its own findings or upon complaint from an interested party. Philippine Realty & Holdings Corporation cannot ensure

that it will be able to obtain governmental approvals for its projects or that when given; such approvals will not be revoked.

Philippine Realty & Holdings Corporation Is subject to numerous environmental laws and regulations relating to the protection of the environment, human health and human safety. These include laws and regulations governing air emissions, water and wastewater discharges, odor emissions and the management and disposal of, and exposure to, hazardous materials.

Developers of environmentally-sensitive projects or others cases at the discretion of the DENR regional office may be required to submit a detailed Environmental Impact Assessment in order to obtain an ECC to certify that the projects will not have an unacceptable environmental impact. Philippine Realty & Holdings Corporation cannot assure its investors that current or future environmental laws and regulations applicable to Philippine Realty & Holdings Corporation will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. Philippine Realty & Holdings Corporation may be required to pay a fine and incur costs for any violation of an ECC or damage or injury to buyers or any third party due to environmental hazards on land where the projects are located.

While Philippine Realty & Holdings Corporation commits to exert efforts to comply with existing rules, regulations and laws governing their operations, it cannot foresee what environmental or health and safety legislation or regulations will be amended or enacted in the future; how existing or future laws or regulations will be enforced, administered or interpreted; or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to environmental claims.

#### **Philippine Realty & Holdings Corporation employs several significant employees**

Philippine Realty & Holdings Corporation's Boards of Directors and management executives are, and continue to be, vital to its successful operations. In the event of their departure, the loss of their intelligence, ability, experience and connection could prove difficult to replace and can cause a decline in the Company's overall performance. If the Company loses the services of any such significant employee and is unable to subsequently fill the resulting vacancy with equally qualified candidates, its business, operations and financial performance may be adversely affected. Please refer to the section entitled "Employees" located on page 54 of this Prospectus.

#### **Risk Factors Relating To The Philippines**

##### **The Philippine economy and business environment may be disrupted by political or social instability.**

The Philippines has from time to time experienced severe political and social instability, including acts of political violence. In 2001, allegations of corruption against former President Joseph Estrada resulted in protracted televised impeachment proceedings against him. These proceedings were followed by widespread street demonstrations and public withdrawal of support for Estrada by the military that eventually forced Estrada to resign. On July 27, 2003, over 270 military officers and soldiers conducted an unsuccessful coup d'état against Estrada's successor, President Gloria Macapagal-Arroyo, due to allegations of corruption. After the May 2004 elections, President Arroyo was re-elected and persistent accusations of corruption and electoral fraud were made against Arroyo during her second term. On February 24, 2006, another attempted coup d'état led President Arroyo to issue Proclamation 1017, which was criticized as a virtual declaration of martial law. The Supreme Court of the Philippines later declared portions of Proclamation 1017 unconstitutional.

On November 23, 2009, in the southern island of Mindanao's Maguindanao province, approximately 100 armed men allegedly affiliated with the Ampatuan political family murdered 58 persons, including members of the Mangudadatu family (the Ampatuans' political rivals in the province), lawyers, journalists and aides accompanying them, and motorists whose vehicles were behind the Mangudadatus' vehicles. The Maguindanao Massacre is considered as the worst election-related violence in Philippine history and the single worst killing of media workers in the world. As such, President Arroyo declared martial law over Maguindanao and deployed hundred of police and military troops in the area in order to capture the perpetrators of the killings.

On December 12, 2011, the Philippine House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines. The impeachment complaint accused Chief Justice Corona of improperly issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to certain Government officials. On May 29, 2012, Corona was found guilty of Article II of the Articles of Impeachment filed against him pertaining to his failure to disclose to the public his statement of assets, liabilities, and net worth.

Most recently in the 2nd half of 2013, the Priority Development Assistance Fund scam (PDAF scam) was exposed. It is estimated that the Philippine government was defrauded of some ₱10 billion in the course of the scam. Funds were said to have been diverted to the scam's mastermind Janet Lim-Napoles, participating members of Congress and other government officials. To date Napoles, and three senators have been arrested and are currently detained. The current administration continues to pursue anti-corruption investigations.

Any future political or social instability in the country could adversely affect the business operations and financial condition of Philippine Realty and Holdings Corp.

### **Risk Factors Relating To The Common Shares**

#### **The Company's shares are subject to Philippine foreign ownership limitations**

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of the companies engaged in certain activities.

In connection with the ownership of private land, Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. As of the date of this Prospectus, the Company owns land.

Since the Company owns land, at least 60% of the outstanding capital stock of the Company must be owned by Philippine Nationals (as this term is defined under the Foreign Investments Act of the Philippines) in order for the Company to comply with the restrictions on foreign ownership of private land.

Considering the foregoing, foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital stock entitled to vote. Accordingly, the Company cannot allow the issuance or transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

**Any future equity offerings may lead to dilution of a holder's shareholding in the Company and actual or anticipated sales of a substantial number of Common Shares could decrease the market prices of the Common Shares**

Holders of Common Shares at the time of Listing may experience dilution of their shareholding to the extent the Company makes future equity offerings. Further, sales of a substantial number of Common Shares after the consummation of the Listing with the PSE or the anticipation of such sales could decrease the trading price of the Common Shares. In addition, in the event additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders since the amended articles of incorporation of the Company contains a waiver of preemptive rights, the percentage ownership of existing shareholders may be diluted. Such securities may also have rights, preferences and privileges senior to those of the Common Shares.

**Developments in other emerging market countries may adversely affect the Philippine economy and, therefore, the market price of the Common Shares**

In the past, the Philippine economy and the securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other emerging market countries, especially other countries in Southeast Asia, as well as investors' responses to those conditions.

Although economic conditions are different in each country, investors' reactions to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. For example, the 1997 Asian economic crisis triggered market volatility in other emerging market countries' securities markets, including the Philippines. Accordingly, adverse developments in other emerging market countries could lead to a reduction in the demand for, and market price of the Common Shares.

**The following procedures are being undertaken to manage risks involved in the Company and Subsidiaries:**

Instead of undertaking its own property development, the Company has entered into joint ventures with a more financially capable corporation for its properties in the Bonifacio Global City.

Financial and Capital Risk Management are further discussed in Notes 6 and 7 of the attached Audited Financial Statements.

#### **Distribution Method**

Condominium sales are being handled by in house Sales Team to sell the Company's towers in its One Balet Complex in New Manila.

#### **Competition**

Generally, the major players in the high-end residential and office condominium sector are Megaworld Corporation, Ayala Land, Inc., Federal Land, Inc., Century Properties, Inc., Robinsons Land Corporation and Rockwell Land Corporation. The Parent Company's completed projects have been concentrated at the Ortigas Center, but it has extended its operations to New Manila, Quezon City where it is developing a residential condominium complex and to the Bonifacio Global City where it has acquired land and which the Company contributed to its joint ventures with Xcell Property Ventures, Inc. The Company is currently selling units in its two towers Skyline and Skyvillas Towers located at Balet Dr., Cor. N Domingo Street, Quezon City.

### Quezon City/New Manila Market

*The Quezon City market remains to be a very attractive market since most developers have opted to position in the main CBDs of Makati, Ortigas, Eastwood and Rockwell. There are still few players developing but this has rapidly increased in the last few years due to high land values in the CBDs. Evident are the emerging new areas of Ayala technohub and Eton Centris. Still, Quezon City has the largest population and therefore, packs a lot of potential.*

### Marketing Strategy

*Philrealty has constructed a showroom with model units inside the property. The project will offer highly-efficient unit layouts that are larger in size compared to those currently available in the market. The units and common areas will be highly illuminated and ventilated making them energy-efficient and environment-friendly. Potential buyers of other developments offering smaller unit cuts will find great value in this development. Apart from this, the almost-center location of the project will be a product differentiator in itself.*

### Sales Strategy

*Having the model units and marketing office on site will make the product accessible to the buyers. A new Sales team is employed to sell the remaining units of the two towers.*

### Direct Competition

*Currently, the competition within the area would still be the Magnolia Residences by Robinsons Land Corp, and Pinecrest by Crown Asia. Robinsons is offering units from 1 Br to 3 Br constructed on 4 towers of about 35 floors each. Total inventory is about 800 units all in all. Pinecrest has smaller units constructed on 3 mid-rise towers averaging 10 floors each for a total of about 600 units.*

*Other newer developments in the area may also be competing within the project niche; however, the location has a big advantage over the other development in the vicinity, being the preferred site for new investments.*

*Also the new Robinsons Magnolia Mall New Manila opened in mid 2012 which increased the marketability and land values in the surrounding New Manila area.*

### **Sources and Availability of Materials**

The company does not maintain its own design team or construction outfit. Architectural and engineering design consultants are commissioned on a per project basis depending on the nature and magnitude of the task. Construction is bidded out on a competitive basis to a pre-qualified group of contractors. The company maintains its own project management team, but also relies on independent outfits from time to time.

### **Customers**

The Company sells its condominium units to individual personal and corporate buyers. No single client accounts for a recurring significant percentage of sales.

### **Government Regulations**

Condominium development is governed primarily by P.D. 957 as amended (Regulating the Sales of Subdivision Lots and Condominiums), R.A. No. 4726 (Condominium Act) and R.A. No. 7160 (Local Government Code). Projects are subject to zoning laws of the city or municipality

where they are located. Developers are also required to obtain a development permit from the Housing and Land Use Regulatory Board which is also in charge of issuing License to sell and Certificate of Registration. An Environmental Clearance Certificate must also be secured from the Department of Environment and Natural Resources. The Company has complied with all governmental requirements and there is no pending application with any government agency that requires approval.

### Patents and Trademarks

The company has registered with the Intellectual Property Office (IPO) the logo of one of its finest projects La Isla, a residential condominium located at Ortigas Center. It was registered last May 8, 2001 with Registration No. 4-1994-96927. The registration will be effective for twenty (20) years. It also registered the logo and name of Philippine Realty and Holdings Corporation, a developer of trend setting projects like the Philippine Stock Exchange Centre, The Alexandra, La Isla and Casa Miguel as well as the logo and the name Andrea North Tower and Skyline Tower for its project located at New Manila, Quezon. The names of the four (4) towers to be constructed in the complex were also registered namely: Skyview, Skylight, Skyvillas and Skyscape Towers.

### Employees

Philrealty has a total workforce of 49 employees as of December 31, 2017, categorized as follows:

Administrative	12
Operations	12
Managerial	15
Executive	10
Total	49

The Company expects to more or less maintain its number of employees in the next 12 months. There is no existing Collective Bargaining Agreement (CBA) between the Company and its employees. The employees are not on strike, have not been on strike for the past three years and are not threatening to strike. The Company has the following supplemental benefits for its employees: (a) Health Care; (b) Group Life Insurance; (c) Retirement Fund and (d) Profit sharing per Company's By-Laws.

## Item 2. Properties

### (A) Landbanking

	Location	Area in sqm.	Title No.
<b>Land Estate Held for Development</b>			
<b>and/or Capital Appreciation</b>		14,716.21	N-157138/157139/157137
New Manila., Quezon City			

(B) Properties and Equipment

The properties and equipment of Philrealty and its subsidiaries are located at its principal place of business.

(C) Leased Properties

Philrealty has also leased some of its office unit, storage units and parking slots located at Philippine Stock Exchange Centre to individuals or corporations at prevailing rates. The contracts of lease are renewable for periods ranging from one to five years.

**Item 3. Legal Proceedings**

The Company has a lawsuit pending decision by the Supreme Court, as follows:

In 1998, the Company sued Universal Leisure Corporation (ULC) for failing to pay the remaining sales price of condominium units. ULC bought several condominium units under two Contracts to Sell. After paying the down payment, ULC refused to pay the balance due in the principal sums of P32.5 million and P32.4 million. In February 2004, a decision was rendered in favor of the defendant on the account that ULC is an assignee of receivables from DMCI Project Developers, Inc. (DMCI) and Universal Rightfield Property Holdings, Inc. (URPHI). These receivables are allegedly owed by the Company to DMCI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Company, DMCI and URPHI. The Company was ordered to deliver to ULC the titles of the condominium units and return to ULC, as assignee of defendants DMCI and URPHI, the amount of P24.7 million and pay attorney's fees of P600,000. The Company appealed the decision to the Court of Appeals which affirmed the trial court's decision. During 2011, the Company provided an allowance of P15,507,800 for accounts receivable that are deemed not recoverable from ULC. In December 2012, the Company filed a motion for Reconsideration and the same was denied. Thereafter, the Company filed a Petition for Review on Certiorari with the Supreme Court where the matter is still pending as of reporting date.

In addition, the Company is involved in certain claims and pending lawsuits arising in the ordinary course of business which is either pending decision by the courts or under negotiation.

Certain subsidiaries are defendants or parties in various lawsuits and claims involving civil and labor cases. In the opinion of the subsidiaries' management, these lawsuits and claims, if decided adversely, will not involve sums having material effect on the subsidiaries' financial position or results of operations.

Management believes that the final settlement, if any, of the foregoing lawsuits or claims would not adversely affect the Company's financial position or results of operations.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

## Part II

### OPERATIONAL INFORMATION

#### Item 5. Market for Registrant's Common Shares and Related Stockholder Matters

##### Market Information

Principal market for the Registrant's

Common shares : Philippine Stock Exchange

High and Low Sales Prices for each quarter for years 2015, 2016, and 2017 based on  
Philippine Stock Exchange's Daily Quotation Report

	2015		2016		2017	
	High	Low	High	Low	High	Low
1st quarter	0.55	0.49	0.48	0.48	0.59	0.57
2nd quarter	0.44	0.44	0.44	0.44	0.63	0.61
3rd quarter	0.39	0.39	0.41	0.41	0.48	0.47
4th quarter	0.45	0.41	0.40	0.40	0.64	0.61

##### Holdings

As of December 31, 2017 the Company had 2,353 stockholders. The list of the top twenty stockholders of the Company as of December 31, 2017 is as follows:

Name of Stockholder	Citizenship	No. of Shares	Percentage (%)
PCD Nominee Corporation	Filipino	2,439,317,988	49.56%
Greenhills Properties, Inc.	Filipino	1,755,779,066	35.67%
Campos, Lanuza & Co., Inc.	Filipino	275,196,201	5.59%
Belson Securities, Inc.	Filipino	30,580,956	.62%
Socorro C. Ramos	Filipino	21,291,750	.43%
Universal Travel Corp.	Filipino	15,807,000	.32%
Brisot Economic Dev. Corp	Filipino	15,280,621	.31%
Vulcan Industrial & Mining Corp.	Filipino	15,159,434	.31%
Ramon de Leon	Filipino	11,810,854	.24%
Ricardo Leong	Filipino	11,810,854	.24%
Calixto Laureano	Filipino	11,810,854	.24%
Consuelo Madrigal	Filipino	11,500,000	.23%
Gerardo Domenico Antonio Lanuza	Filipino	9,843,366	.20%
Oscar S. Cu ITF Anthony Cu	Filipino	7,390,000	.15%
Meridian Securities	Filipino	6,269,888	.13%
Guoco Sec (Phils) Inc.	Filipino	5,961,532	.12%
Guild Securities	Filipino	5,598,162	.11%
E. Chua Chiao Securities, Inc.	Filipino	5,538,016	.11%
Citisecurities, Inc.	Filipino	5,408,078	.11%
National Bookstore, Inc.	Filipino	5,393,450	.11%
Wellington Chan	Filipino	5,185,801	.11%
Oscar Cu	Filipino	4,550,750	.09%
Total		4,676,484,621	95.00%

#### **Dividends**

No dividend was declared by the Company since its last declaration on October 24, 1995. There are no unappropriated retained earnings to be distributed to stockholders since 1997. In 1996, the Board of Directors approved the appropriation of P250 million of the Company's retained earnings for the purchase of its own capital stock.

#### **Recent sales of unregistered securities**

There were no sales of unregistered securities.

### **Part III FINANCIAL INFORMATION**

#### **Item 6. Management's Discussion and Analysis or Plan of Operation**

Refer to 1-B hereof. There are no material off-balance sheet transactions during the reporting period.

#### **Item 7. 2014 Consolidated Financial Statements of Philippine Realty and Holdings Corporation and its Subsidiaries**

Refer to Exhibit 2 hereof

#### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

The auditing and accounting firm of Maceda Valencia & Co. is the Company's Independent Public Accountants appointed in the 2017 Annual Stockholders Meeting. There was no event where Maceda Valencia & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

#### **Audit and Audit Related Fees**

The professional fees of independent auditors Maceda Valencia & Co., for 2017 and 2016 amounts to P P920,000, exclusive of VAT, respectively. Out of pocket expense is pegged at 15% for 2017 and 2016.

#### **Tax Fees**

We did not engage the services of our auditor, Maceda Valencia & Co. with regard to tax services.

### **PART IV MANAGEMENT AND CERTAIN SECURITY HOLDERS**

#### **Item 9. Directors and Executive Officers of the Registrant**

##### **Gerardo Lanuza, Jr./ 71 – Other Alien/Spanish**

Mr. Lanuza has served as Director of PRHC since 1981 and is the current Chairman of the Board. He has served as such Chairman for the past fifteen years. He also holds the following significant positions in the following companies: Chairman of Universal Travel Corporation, Greenhills Properties, Inc.; Director, Meridian Assurance Corp., Xcell Property Ventures, Inc. He

is also a Member of the Philippine Stock Exchange, Inc.

**Antonio O. Olbes/ 71 - Filipino**

Mr. Olbes has served as Director of PRHC since 1986 and as its Vice-Chairman for nineteen years. His concurrent positions are: Chairman of File Managers, Inc.; Director of Greenhills Properties, Inc., Universal Travel Corporation and Xcell Property Ventures, Inc.

**Atty. Mariano C. Ereso, Jr./83-Filipino** (Resigned effective December 31, 2017)

Atty. Ereso is a Partner, Corporate & Tax Consulting Practice of Ongkiko Kalaw Manhit & Acorda Law Offices since October 1999. He has been the Principal/Head-Tax Consulting of various auditing firms the latest of which Laya Mananghaya & Co., CPAs/KPMG, from October 1995 to September 30, 1999. His expertise in the field of taxation has led him to be the Team Leader of the Presidential Fact Finding Committee for the Improvement of the operations of the Bureau of Internal Revenue and Chairman of the Committee for Review and Codification of Income Tax Regulations.

**Amador C. Bacani/69 – Filipino** (Reappointed by the Board on January 09, 2018 as replacement to Mr. Mariano C. Ereso)

Mr. Bacani, has served as Director of PRHC since 1998. His concurrent positions are: Chairman of PRHC Property Managers, Inc.; Director, Universal Travel Corporation and President, Xcell Property Ventures, Inc.

**Gerardo Domenico Antonio V. Lanuza/34 – Filipino**

Mr. Lanuza was elected as Director on January 15, 2009 and is currently the Vice President of PRHC, Vice President of Campos, Lanuza & Co., Inc. and Director of A Brown Co., Inc.

**Gregory G. Yang/61 – Filipino**

Mr. Yang is currently the Senior Vice President of McDonalds Philippines. He had been a Branch Manager of International Corporate Bank prior to his stint at McDonalds. He was elected as Director last August 20, 2009.

**Andrew C. Ng/33 – Filipino**

Mr. Ng is currently the Vice-President of Alpha Alleanza Manufacturing, Inc. He was formerly Operations Manager of Pinncale Foods, Inc. He was elected as Director last August 20, 2009.

**Alfredo S. Del Rosario/62 – Filipino**

Mr. Del Rosario was elected as Director on August 01, 2016 and is the current President of the Company. Mr. Del Rosario had served as Executive Vice-President, Head of the Asset Management and Remedial Group of Rizal Commercial Banking Corporation of the Philippines.

**Lorenzo V. Tan/57 (Independent Director) - Filipino**

Mr. Lorenzo Tan had served as President and Chief Executive Officer of Rizal Commercial Banking Corporation Philippines from February 1, 2007 to May 6, 2016 and President of Bankers Association of the Philippines.

**Renato Nunez/47 (Independent Director) - Filipino**

Renato Nunez is currently the President of CATS Motors Inc. and formerly Vice President/Chief Operating Officer of Midas Hotel and Casino. He is also a former Director of Blue Chip Gaming and Leisure Corp.

**Alfonso Martin Eizmendi/54 (Independent Director) - Filipino**

Mr. Eizmendi is currently the President and CEO of Yields Financial Corporation and Royal Link Industries Inc. He is also currently a member of Board of Director in Frimar Realty and Frimar USA.

**Jomark Ong Arollado /34 (Independent Director) – Filipino**

Mr. Arollado is currently the Operations Manager of Rapid Forming Corporation and formerly Operations Manager of Silangan Philtrade Corporation.

**Significant Employees**

Any director or officer who may be elected is expected to make significant contributions to the operations and business of the Corporation. Likewise, each employee is expected to do his share in achieving the Company's set goals.

**Family Relationships**

Mr. Gerardo Lanuza, Jr., Chairman of the Board, is the first cousin of Mr. Antonio O. Olbes, and father of Director, Mr. Gerardo Domenico Antonio V. Lanuza. Mr. Gregory Yang is the father-in-law of Mr. Gerardo Domenico Antonio V. Lanuza.

**Involvement in Certain Legal Proceedings**

There are no legal proceedings against the directors and officers of Philippine Realty and Holdings Corporation within the categories described in Annex C Part IV (A) of Rule 12 for the last five years.

**Item 10. Executive Compensation**

	Year	Salary	Bonus	Per Diem	Other Annual Compensation	Total
CFO & five most highly compensated executive officers-	2017	19,071,856.10	1,490,000	144,000	None	20,706,203.44
Gerardo Domenico Antonio	2016	23,341,047.00	None	288,000	None	23,629,047.00
Lanuza (Executive Vice President)	2015	39,324,456.30	None	216,000	None	39,540,456.30
, Vincent Fischer (Chief Finance Officer), Edmund Medrano (Chief	2014	29,311,647.28	2,910,000	144,000	None	32,365,647.28
Subsidiary Management Officer),	2013	15,024,744.81	None	99,000	None	15,123,744.80
Carlos C. Paca (Head - Business Development), Erwin Ciar	2012	10,289,103.10	None	111,000	None	10,400,103.10
(VP/Head of Project and Construction Management)						
All officers & directors as a group	2017	3,693,600.00	307,800	None	None	4,001,400.00
- Other officers include: Susan	2016	4,902,012.74	None	-	None	4,902,012.74
Carag (VP for Property	2015	9,023,245.80	None	72,000	None	9,095,245.80
Management), Richard Nicolas Go	2014	3,064,530.77	530,000	72,000	None	19,460,520.32
(VP and Head - Sales)	2013	17,684,360.43	None	159,000	None	17,843,360.43
	2012	12,457,595.73	None	162,000	None	12,619,595.73

The Executive Officers are elected annually by the Board of Directors, at its first meeting following the annual stockholders' meeting. Every officer, including the President, is subject to removal at any time by the Board of Directors. All officers hold office for one year and until their successors are duly elected and qualified; provided that any officer elected to fill any vacancy shall hold office only for the unexpired term of the office filled.

The compensation of the Company's executive officers is fixed by the Board of Directors. They are covered by contract of employment and as such they are entitled to all the benefits accruing to salaried employees of the Company.

### Compensation of Directors

Directors are entitled to a per diem of P6,000.00 for board meetings attended except for independent directors who received P20,000.00. In addition, the board is entitled to a portion of the 5% of net income before tax profit-sharing incentive for directors, officers and staff.

The directors of the registrant received per diem in the amount of P1,172,000, P1,008,000, P430,000, P506,000 for 2017, 2016, 2015, and 2014, respectively.

### Item 11. Security Ownership of Certain Beneficial Owners and Management

The following persons are known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting security as at December 31, 2016.

Title	Name and Address of Record/Beneficial Owner	Record/ Beneficial Ownership	Citizenship	Number of Shares Owned	% Owned
Common	PCD Nominee Corp. MSE Bldg., Ayala Avenue, Makati	"R"	Filipino/ Non-Filipino	2,439,317,988 shares	49.56%
Common	Greenhills Properties, Inc. E-2003B, PSE Centre Exchange Road, Pasig City	"B"	Filipino	1,755,779,066 shares	35.67%
Common	Campos, Lanuza & Co., Inc E-2003B, PSE Centre Exchange Road, Pasig City	"R"/"B"	Fil./American Spanish/Other Alien	275,196,201 shares	5.59%

Note: Greenhills Properties, Inc. is represented by its President, Gerardo Lanuza, Jr. and Treasurer, Antonio O. Olbes.

Campos, Lanuza & Co., Inc. is represented by its President, Corazon Lanuza and Vice President, Antonio Reyes-Cuerva

PCD Nominee holds 49.56% interest. PCD Nominee is the registered owner of shares beneficially owned by participants in the PCD. Campos, Lanuza & Co., is a participant of PCD owning 5.6 % of the company's voting securities.

Shares held by Directors and Executive Officers as reported by transfer agent as of 31st December 2017:

Title of Class	Name of Beneficial Owner	Amount and Nature of Class	Citizenship	%age Owned
Common	Antonio O. Olbes	500,000 / Indirect 6,388/Direct	Filipino	0.01%
Common	Gerardo Lanuza, Jr.	2,174,024 / Direct; 204,911,203/Indirect	Filipino/Spanish	4.2%
Common	*Mariano C. Ereso, Jr.	10,000 / Direct	Filipino	0.0%
Common	Lorenzo V. Tan	10,000 / Direct	Filipino	0.0%
Common	Gerardo Domenico Antonio V. Lanuza	140,718,366/Direct; 65,083,203/Indirect	Filipino/Spanish	4.18%
Common	Gregory G. Yang	1,831,000 / Direct	Filipino	0.03%
Common	Andrew C. Ng	74,000/Direct 10,000 / Indirect	Filipino	0.0%
Common	Alfredo S. Del Rosario Jr.	10,011,000 / Indirect	Filipino	0.2%
Common	Renato Nunez	10,000 / Direct	Filipino	0.0%
Common	Alfonso Martin E. Eizmendi	10,000 / Direct	Filipino	0.0%
Common	Jomark Ong Arollado	10,000 / Direct	Filipino	0.0%
Common	Directors and Officers As a Group	154,864,778/Direct 270,504,406 / Indirect		8.62%

\* (Resigned effective December 31, 2017)

#### **Voting Trust Holders of 5% or more**

Phil. Realty knows of no persons holding more than 5% of common shares under a voting trust or similar arrangement.

#### **Change in Control**

As of the present, there is no change in control nor is the Company aware of any arrangement that may result in a change in control of the Company since the beginning of the last fiscal year.

#### **Item 12. Certain Relationships and Related Transaction**

These are transactions with our subsidiaries, Universal Travel Corporation and Alexandra, USA wherein the Company extended non-interest bearing loan as additional working capital. In 2008, we provided for allowance for doubtful accounts on our receivable from Alexandra, USA. Also, in the same year we extended interest bearing loan to PRHC Property Managers, Inc. as additional working capital. Advances made by our subsidiary, Tektite Insurance Brokers, Inc. represent advance payment of insurance premium on behalf of the Company.

The Company has not entered into any material transaction nor is it a party to any transaction in which any director, executive officer or significant shareholder of the Company or any member of the immediate family of any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

**Compliance with Corporate Governance (deleted pursuant to SEC Memorandum Circular  
No. 5 Series of 2013)**

**PART V  
EXHIBITS AND SCHEDULES**

**Item 13. Exhibits and Reports on SEC Form 11- C**

*Exhibits*

1. Management's Discussion and Analysis or Plan of Operation
2. 2017 Consolidated Financial Statements of Philippine Realty and Holdings Corporation and its Subsidiaries
3. Subsidiaries of the Registrant

*Reports on SEC Form 17-C*

1.	March 6, 2017	Appointment of Mr. Carlos Miguel Paca as Vice President/Head of Business Development
2.	March 31, 2017	Annual Stockholders' Meeting set on June 30, 2017. Record date May 2, 2017.
3.	April 21, 2017	Approval on the amendment to Article 3 (Principal Business Address) of Articles of Incorporation
4.	May 19, 2017	Approval on the amendment on Corporate Governance Manual
5.	June 5, 2017	Appointment of Mr. Richard Nicolas Ko Go as Vice President/Head of Sales
6.	July 5, 2017	New set of Directors for ensuing year.
7.	July 6, 2017	Resignation of Mr. Edward Ross M. Encarnacion as VP/Head of Shared Services
8.	July 20, 2017	New set of Officers for ensuing year.
9.	July 20, 2017	Acquisition of Meridian Assurance Corporation's Properties in exchange of Shares of Stocks; and Bid to purchase of Baguio City Property called "El Retiro"
10.	July 25, 2017	New set of Committees for ensuing year.
11.	August 18, 2017	Resignation of Mr. Jose Ramon D. Olives as VP/Chief Brand Officer & Compliance Officer.
12.	September 20, 2017	Updated set of Committees for ensuing year.
13.	September 20, 2017	Appointment of Mr. Vincent Fischer as Compliance Officer and Mr. Carlos Miguel T. Paca as Investor Relation Officer.
14.	October 27, 2017	Appointment of Mr. Edmundo C. Medrano as Senior Vice President.
15.	November 10, 2017	Clarification on the designation of Mr. Edmundo C. Medrano as Senior VP/Chief Subsidiary Management Officer
16.	November 22, 2017	Certificate of attendance of key officers and Board of Directors on Corporate Governance Seminar
17.	November 22, 2017	Change in Accounting Method in Accounting for Investment Property
18.	December 15, 2017	Resignation of Atty. Mariano C. Ereso Jr. as member of the Board of Directors

## SIGNATURES

Pursuant to Section 17 of the SRC and Section 141 of the Corporation Code the Registrant has duly caused this report to be signed in behalf of the undersigned, thereunto duly authorized in Quezon City on \_\_\_\_\_, 2018.

### PHILIPPINE REALTY AND HOLDINGS CORPORATION Registrant

Pursuant to the requirements of the SRC, this annual report has been signed by the following persons in the capacities indicated.

  
**ALFREDO S. DEL ROSARIO JR.**  
President  
(Chief Executive Officer)

  
**VINCENT FISCHER**  
(Chief Finance Officer)

  
**MARISSA BONTOGON**  
Controller

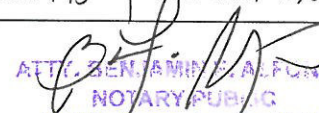
  
**MARK ANTHONY M. RAMOS**  
Accounting Manager

  
**ATTY. REX P. BONIFACIO**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30 APR 2018 day of \_\_\_\_\_, 2018, affiants exhibiting to me their ID, as follows:

Names	ID Number	Date of Issue	Place of Issue
Alfredo S. Del Rosario Jr.			
Vincent Fischer	CC1201328953603	MARCH 23, 2016	QUEZON CITY
Marissa Bontogon	N0297356559	MARCH 18, 2015	QUEZON CITY
Mark Anthony Ramos	N2508008321	SEPTEMBER 23, 2014	QUEZON CITY
Atty. Rex P. Bonifacio	N2513005993	FEBRUARY 11, 2016	MANILA

DOC NO. 35  
PAGE NO. 70  
BOOK NO. 1044  
SERIES OF 20 18

  
**ATTY. BENJAMIN A. ALFONSO**  
NOTARY PUBLIC  
UNTIL December 31, 2018  
PTR NO. 5520234, January 3, 2016, QUEZON CITY  
IBP NO. 019073 12-20-2017 - QUEZON CITY  
ROLL NO. 13288  
ADM. MATTER NO. NP-046-(2017-2018)  
TIN NO. 177-967-619-000  
MCLE III-0024526 - December 12, 2017  
# 34 Asset's St. GSIS Village  
Project 8 Quezon City

**EXHIBIT 1****MANAGEMENT'S DISCUSSION AND ANALYSIS****I. Current Period (2017 and 2016) Operational and Financial Information****Results of Operation**

	Vertical		Horizontal	
	2017	2016	2017	2016
Sale of real estate	62.17%	60.02%	120.35%	32.98%
Other income	37.83%	39.98%	48,970.82%	88.45%
Other expense	0.18%	0.93%	(133.9%)	(124.41%)
Cost of real estate	37.26%	37.53%	111.19%	8.76%
General and administrative expense	25.20%	51.39%	4.31%	11.37%

The sale of real estate pertains to units sold at Skyline Tower and Skyvillas located at Quezon City and Icon Plaza located at Bonifacio Global City. Other income consists of Rental income, Management fees, Commission Income, Interest income, Equity in net gain of associates, and Gain on fair value changes in investment property.

The Group posted net income of **P262.5** million for the year end December 31, 2017 compared to a **P8.4** million net loss in year 2016 due to the net effect of the following:

Sales of real estate increase by **120.35%** in 2017 higher than **32.98%** increase in 2016. The increase is due to aggressive sale and marketing efforts of the Parent Company.

**48,970.82% increase in Other income** - due to the following:

- a. **141.53% in Rental income** – due to additional leases agreement entered by the Parent Company.
- b. **45,686.33% increase in Gain on Sale of Available for sale Investment** – due to installment sale of one of the Parent Company's Investment in stocks.
- c. **3,245.83% increase in Gain on fair value changes in investment property** – due to Parent Company and one of its subsidiary change in accounting policy on investment property valuation.

**133.9% decrease in other expense** - due to the following:

- a. **100% decrease in Equity in Net loss of associates** – due to the share in net income of the Parent Company from the results of operations of its associate.
- b. **33.90% decrease in other expense** - due to loss in sale of investment in stocks of one of the Parent Company's subsidiary.

**111.19% increase in Cost of real estate** - the increase is relatively due to increase in sales of Condominium units by the Parent Company.

**4.31% increase in general and administrative expenses** - due to increase in Marketing and Selling expense of the Parent Company. The Parent Company launched an aggressive Sales campaign and activities that resulted to 120.35% increase in Sales of condominium units.

Our property management subsidiary, PRHC Property Managers, Inc. (PPMI), registered a net income of **P17.11** million, increased by **3,204%** from year 2016 net income of P0.52 million due to change in accounting policy on investment property valuation. In 2017, PPMI have managed a total of 11 buildings located in various cities in Metro Manila.

Tektite Insurance Brokers, Inc. (TIBI) the Group's insurance brokerage firm posted net loss of **P1.2M**. This is a **206%** decrease in net income by **P2.2** million from year 2016 net income of **P1.0** million, due to lesser commission revenue and loss in sale of Investment in stocks recorded by the Company.

Sultan Power Inc. (SPI) contributed net loss to the group amounting to **P3.3** million. SPI is still in the pre-operating and exploration stage as evidence by the lack of revenue for the years 2017 and 2016.

## FINANCIAL POSITION

	VERTICAL		HORIZONTAL	
	2017	2016	2017	2016
Cash and cash equivalents	3.16%	1.62%	152.25%	(63.37%)
Trading Investments	0.58%	0.68%	10.95%	47.61%
Available for-sale investments (AFS)	0.85%	3.78%	(70.89%)	36.64%
Trade and other receivables	23.96%	23.44%	32.27%	5.33%
Real estate inventories	32.41%	48.42%	(13.39%)	37.21%
Real estate held for sale and development	10.27%	5.47%	143.06%	0.00%
Property and equipment	2.90%	2.63%	42.47%	(2.94%)
Investment properties	19.38%	5.71%	339.30%	(7.13%)
Deferred Tax Assets	0.00%	1.23%	(100%)	146.36%
Trade and other payables	9.29%	8.38%	43.48%	16.40%
Unearned Income	0.11%	0.52%	(73.38%)	(58.55%)
Retirement Benefit Obligation	0.69%	4.17%	(78.52%)	133.29%
Loans payable	19.19%	8.34%	197.80%	385.51%
Reserves	4.37%	5.15%	10.02%	(24.44%)

### Balance Sheet items – December 2017 vs. December 2016

The Company's total assets stood at P4.5 billion as of 2017, higher by P1 billion from year 2016. The Company's real estate assets comprise of 62.06% of the total assets of the Company for the year 2017.

The total assets increased by 29.41% because of the net effect of the following:

- a. **152.25% increase in cash and cash equivalents** - due to increased cash collection from Sale of Condominium units and proceeds from additional Loan of the Parent Company.
- b. **10.95% increase in Trading investments** - due to increase in market value of one of the Parent Company's trading stock investment.
- c. **70.89% decrease in Available for sale investments** - due to sale of the available for sale stock investment of Parent Company.

- d. **32.27% increase in Trade and other receivables** - due additional credit sale recorded from sale of SkyVillas and Skyline Condominium projects.
- e. **13.39% decrease in Real estate inventories** - due to increase in Sales of the Condominium units
- f. **42.47% increase in Property and equipment** – due to additional acquisition of Company vehicles.
- g. **339.3% increase in Investment properties** – due to acquisition of properties located in Baguio and Philippine Stock Exchange Inc. units.
- h. **143.06% increase in Real Estate held for development and sale** – due to acquisition of properties located in Baguio.

The total liabilities increased by 87.15% because of the net effect the following:

- a. **43.48% increase in Trade and other payables** – due to increase unpaid billings of the Parent Company related to ongoing completion of SkyVillas condominium project and renovation of One Balete Office ground floor.
  - b. **73.38% decrease in Unearned income** - due to the recognition of percentage completed on sale of Sky Villas and Icon Plaza Units of the Parent Company.
  - c. **78.52% decrease in the retirement benefit obligations** – due to retirement of two of the Parent Company's key officers.
  - d. **197.80% increase in Loans Payable** – due to additional loans acquired by the Parent Company during the year.
- 10.02% increase in Reserves** – due to the decrease in unrealized holding loss on valuation of Available for Sale investment. This is related to the sale of the Available for Sale investment of the Parent Company.

<b>Top Five Performance Indicators</b>	<b>2017</b>	<b>2016</b>
Gross Revenue	<b>P 870,709,300</b>	<b>P 415,462,502</b>
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{2,836,910,449}{292,580,447} = 9.70$	$\frac{2,347,402,165}{417,430,110} = 5.62$
$\frac{\text{Liabilities}}{\text{Debt-to-Equity Ratio= Equity}}$	<b>0.18</b>	<b>0.11</b>
$\frac{\text{Book value per share= SHE + Subs. Rec.}}{\text{\# of shares outstanding}}$	$\frac{3,490,189,421}{4,877,907,002} = .72$	$\frac{3,205,607,290}{4,877,907,002} = .66$
Earnings (loss) Before Interest, Tax, Depreciation and Amortization	<b>P392,061,541</b>	<b>P18,687,268</b>

Gross revenue includes sale of real estate, rent, and commission and management fees. The increase was due to additional sale of Condominium units during the year.

Current ratio of the Group increases to 9.70 in 2017 from 6.82 in 2016 due to the decrease in Trade and other payables, Unearned income, and Loans payable current as of December 31, 2017.

Debt to equity ratio also increase from 0.11 in 2016 to 0.18 in 2017 due to additional Loan payable non-current acquired in 2017.

Book value per share increase from 0.66 in 2016 to 0.72 in 2017 due to increase in the Stockholders equity of the Group.

EBITDA increase from 18.7 million in 2016 to 392 million in 2017 due to additional sales of Condominium units of the Parent Company and change in accounting policy on investment property valuation of the Parent Company and one of its subsidiary.

**EXHIBIT 3****SUBSIDIARIES OF THE REGISTRANT**  
**(as of December 31, 2017)**

<i>Name</i>	<i>% of Ownership</i>
Tektite Insurance Brokers, Inc.	100.00%
PRHC Property Managers, Inc.	100.00%
Sultan Powers Inc.	100.00%
Universal Travel Corporation	81.53%
Le Cheval Holdings, Inc.	45.00%
Alexandra (U.S.A), Inc.	45.00%