

# COVER SHEET

9 9 9 0 5

S.E.C. Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

O N E B A L E T E 1 B A L E T E D R I V E C O R N

D O M I N G O S T B R G Y K A U N L A R A N

Q U E Z O N C I T Y

(Business Address: No. Street Company / Town / Province)

MR. MARK ANTHONY M. RAMOS

Contact Person

Month

Day

2 0 I S

FORM TYPE

DEFINITIVE

631-3179

Company Telephone Number

0 6

Month

0 7

Day

Annual Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned



# Philippine Realty & Holdings Corporation

## NOTICE OF ANNUAL STOCKHOLDERS MEETING

SECURITIES AND EXCHANGE COMMISSION  
MAY 03 2019  
MARKET REGULATION DEPT.  
CY: *Almeida* RVE: *4-9-01* ✓

Notice is hereby given that the Annual Meeting of the Stockholders of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** shall be held at the Andrea North Condominium Clubhouse, One Balete, 1 Balete Drive corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City 1111 on **Friday, June 7, 2019, at 3:00 p.m.**, to consider the following agenda:

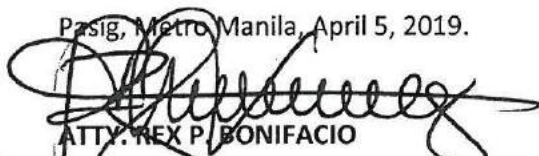
1. Call to order;
2. Certification of notice of meeting and determination of quorum;
3. Approval of the Minutes of the previous Annual Meeting of the Stockholders held on July 23, 2018;
4. Report of the President and approval of the Annual Report and the Audited Financial Statements;
5. Approval and ratification of all acts, contracts, and deeds of the Board of Directors, Board Committees, Management and Officers during their terms of office;
6. Election of Directors for the ensuing year;
7. Appointment of External Auditor;
8. Other business that may properly be brought before the meeting; and
9. Adjournment

Registration will start at 2:30 p.m. Please bring any form of identification, such as passport, driver's license, Voter's ID or any government-issued ID to facilitate registration.

Only stockholders of record as at March 18, 2019 shall be entitled to vote at said meeting.

The minutes of the meetings and resolutions of the Board of Directors, since the last Annual Stockholders' meeting, may be reviewed during office hours at the Office of the Corporate Secretary, Unit E-1503, 15<sup>th</sup> Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

Pasig, Metro Manila, April 5, 2019.

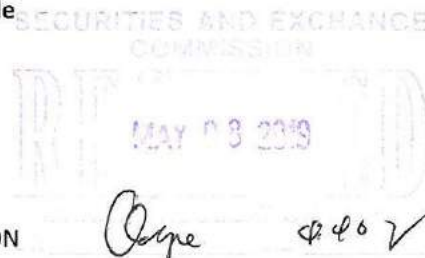
  
ATTY. REX P. BONIFACIO  
Corporate Secretary

SECURITIES & EXCHANGE COMMISSION  
SEC FORM 20-IS

Information Statement Pursuant to Rule 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

PHILIPPINE REALTY AND HOLDINGS CORPORATION



3. Country of Incorporation: Philippines
4. SEC Identification: 99905
5. Tax Identification No.: 000-188-233-000
6. Address of Principal Office: One Balete, 1 Balete Drive Corner N. Domingo St.  
Brgy. Kaunlaran District 4, Quezon City
- Address of Satellite Office: 2001B 20<sup>th</sup> Floor, East Tower, Philippine Stock Exchange  
Centre, Exchange Road, Ortigas Center, Pasig City, 1605
7. Registrant's telephone number, including area code:  
(02) 631-3179
8. Date, time and place of the meeting of the security holders  
June 7, 2019, 3 p.m.  
One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran District 4,  
Quezon City 1111
9. Approximate date on which the Information Statement is first to be sent or given to security  
holders  
May 17, 2019
10. Securities registered pursuant to Sections 4 and 8 of the RSA:
- | Title of each Class | Number of Shares of Common Stock<br>Outstanding or amount of Debt<br>Outstanding |
|---------------------|----------------------------------------------------------------------------------|
| Common              | 4,922,324,908 shares                                                             |
11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?  
Yes ☒ No ☐

## **A. GENERAL INFORMATION**

### **Item 1. Date, Time and Place of Annual Stockholders' Meeting**

The 2019 Annual Meeting of Stockholders ("Meeting" for brevity) of Philippine Realty and Holdings Corporation ("Company" for brevity) will be held on June 7, 2019 at 3 p.m. at the Andrea North Condominium Clubhouse, One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran District 4, Quezon City 1111.

The complete mailing address of the satellite office of the Company is 2001B 20th Floor, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The approximate date on which the Information Statement is first to be sent and given to the security holders shall be May 17, 2019.

### **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**

No corporate matters or action will be submitted in the meeting that may call for the exercise of the Right of Appraisal under Title X of Republic Act No. 11232 or the "Revised Corporation Code of the Philippines" ("Revised Corporation Code").

Any shareholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Revised Corporation Code.

The appraisal right, when available, maybe exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

### **Item 3. Interest of Certain Person in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer of the Company, or nominee for election as director of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken by the registrant at the meeting.



**B. CONTROL AND COMPENSATION INFORMATION****Item 4. Voting Securities and Principal Holders Thereof****a. Number of shares Outstanding as of May 07, 2019**

Common Shares: 4,922,324,908

Number of Votes Entitled: one (1) vote per share

**b. All stockholders of record as of March 18, 2019 are entitled to receive notice and to vote at the annual stockholders' meeting.****c. Manner of Voting**

A stockholder entitled to vote at the Meeting shall have the right to vote in person the number of shares registered in his name in the stock transfer book of the Company as of the record date, for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the whole number of votes cast by him shall not exceed the number of said shares multiplied by the whole number of directors to be elected.

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

- i. 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 of May 07, 2019.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Owned	% Owned
Common	Phil. Depository & Trust Corp. 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati / PCD Nominee		Filipino/ Non-Filipino	2,456,387,573 shares	49.90%
Common		Greenhills Properties, Inc. E-2003B, PSE Centre Exchange Rd., Pasig City / Stockholder	Filipino	1,755,779,066 shares	35.67%
Common	Campos, Lanuza & Co., Inc. E-2003B, PSE Centre Exchange Road, Pasig City / Stockholder	Campos, Lanuza & Co., Inc. E-2003B, PSE Centre Exchange Rd., Pasig City / Stockholder	Filipino/ American/ Spanish/ Other Alien	275,196,201 shares (net of shares under PCD)	5.60%

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

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

PCD Nominee holds 49.90% interest. PCD Nominee is the registered owner of shares beneficially owned by participants in the PCD. Campos, Lanuza & Co., a participant of PCD has a total of 1,583,102,105 shares under PCD equivalent to 32.16% of the Company's voting securities.

**Shares held by Directors and Executive Officers as of May 07, 2019:**

**ii. Security Ownership of Certain Record and Beneficial Owners and Management**

Title of Class	Name of Beneficial Owner	Amount and Nature of Class		Citizenship	%age Owned
		Direct	Indirect		
Common	Gerardo O. Lanuza, Jr.	2,174,024	204,911,203	Spanish	4.20
Common	Antonio O. Olbes	6,388	500,000	Filipino	0.01
Common	Alfredo S. Del Rosario Jr.	20,261,000	-	Filipino	0.41
Common	Gerardo Domenico Antonio V. Lanuza	150,522,366	65,083,203	Filipino	4.38
Common	Gregory G. Yang	1,831,000	-	Filipino	0.03
Common	Andrew C. Ng	74,000	10,000	Filipino	0.00
Common	Amador C. Bacani	229,980	-	Filipino	0.00
Common	Renato G. Nuñez	10,000	-	Filipino	0.00
Common	Lorenzo V. Tan	10,000	-	Filipino	0.00
Common	Jomark O. Arollado	10,000	-	Filipino	0.00
Common	Alfonso Martin E. Eizmendi	10,000	-	Filipino	0.00
	<b>Total</b>	<b>175,138,758</b>	<b>270,504,406</b>		

**iii. Voting Trust Holders of 5% or more**

The Company is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

**iv. 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.

**e. Foreign ownership level as of May 07, 2019**

Security	Total outstanding shares	Shares owned by Foreigners	Percent of Ownership
Common Shares	4,922,324,908	75,992,315	1.54%

**Item 5. Directors and Executive Officers**

The II, Section 1 of the By-Laws provides in part:

Each director is chosen by the stockholders at the annual meeting, or at such subsequent meeting as may then be determined and shall hold office for one year until his successor is duly elected and qualified. (Section 1, By-Laws)

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

**(a) Information required of Directors and Executive Officers**

**i. Directors and Executive Officers**

Pursuant to Section 38 of the new Securities Regulation Code and SEC Memorandum Circular No. 16-02 (Guidelines on the Nomination and Election of Independent Directors), the By-Laws has been amended on October 30, 2003 to provide for the Nomination Committee and Election of Independent Directors under Article II, Sections 5 and 6, which

reads:

**"Section 5. Nomination Committee** - There shall be a Nomination Committee which shall be independent and shall have at least three (3) voting members, one of whom is an independent director. It shall promulgate guidelines or criteria to govern the conduct of the nomination. It shall pre-screen the qualifications and prepare a final list of candidates which shall contain all the information about all the nominees for independent directors.

The Committee shall be constituted at least one month before the date set for the annual stockholders' meeting. The nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting."

Last year, the Company amended the Corporate Governance Manual and subsumed the function of the Nominations Committee to the Corporate Governance Committee to create a Corporate Governance and Nominations Committee.

**"Section 6. Election of Independent Directors** - The election of Independent Directors shall be made in accordance with the by-laws of the Corporation, except as otherwise provided in other parts of these by-laws and subject to pertinent existing laws, rules and regulations of the Commission.

Cumulative voting shall not apply to the election of an independent director. Single balloting for the regular and independent director/s shall be made. In case however of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance and Nomination Committee; otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office."

The Corporate Governance and Nominations Committee was constituted last August 20, 2018 during the organizational meeting of the Board of Directors. As of March 18, 2019, it is composed of Mr. Lorenzo V. Tan, Mr. Renato G. Nuñez and Mr. Alfonso Martin E. Eizmendi, all independent directors.

The following persons, who constitute the final list of candidates presented and approved by the Corporate Governance and Nominations Committee have been nominated to the Board for the ensuing year and have accepted their nominations:

Gerardo O. Lanuza, Jr.  
Antonio O. Olbes  
Alfredo S. Del Rosario, Jr.  
Gerardo Domenico Antonio V. Lanuza  
Gregory G. Yang

Andrew C. Nang  
Amador C. Bacani  
Renato G. Nuñez  
Lorenzo V. Tan  
Jomark O. Arollado  
Alfonso Martin E. Eizmendi

Mr. Alfonso Martin E. Eizmendi, Mr. Renato G. Nuñez, Lorenzo V. Tan, and Jomark O. Arollado were nominated as the four (4) Independent Directors to be elected at the meeting. They were nominated by minority stockholders, Eduardo Lucero, Alfredo Alfonso and Patricia Sandejas, respectively.

Further, all the nominees possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Except for proceedings involving a director or executive officer in his/her official capacity, no one from the directors/executive officers for election at the Meeting has been involved in any legal or administrative proceedings in his/her personal capacity during the past five (5) years up to the present date that would materially affect his/her ability and integrity to serve as a director or executive officer.

A summary of the qualifications of the incumbent directors, nominees for directors for election at the annual stockholders meeting and incumbent officers is set forth in Annex "A"

**ii. Significant Employees**

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

**iii. Family Relationships**

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

**iv. Involvement in Certain Legal Proceedings**

None of the Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

In 1998, the Company sued Universal Leisure Corporation ("ULC") for failing to pay the remaining sales price of condominium units. ULC bought the West Tower penthouse unit and 74 parking slots under two (2) Contracts to Sell. After paying a substantial amount, ULC refused to pay the balance due in the principal sums of ₱32.5 million and ₱32.4 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-PDI") and Universal Rightfield Property Holdings, Inc. ("URPHI"). These receivables are allegedly owed by the Company to DMCI-PDI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Company, DMCI-PDI 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-PDI and URPHI, the amount of ₱24.7 million; otherwise to return to ULC the amounts which have been paid including what have been deemed paid over the condominium units and parking spaces, and pay attorney's fees of ₱600,000. The Company appealed the decision to the Court of Appeals which affirmed the trial court's decision with modification which reduced attorney's fees



to a total of ₱150,000. 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 was resolved in favor of ULC.

In late 2018, the Company started discussions with ULC for an amicable settlement. On 15 March 2019, the Company fully settled and satisfied the judgement of the courts in Civil Case No. 67092, by returning to ULC (for itself and as assignee of URPHI and DMCI-PDI) the amounts that ULC paid and deemed to have paid in favor of RLT in the total amount of ₱231,150,000, covering the purchase of a Penthouse unit located at the 34th Floor, West Tower of the Philippine Stock Exchange Centre ("PSEC") which was formerly called Tektite Towers, containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC. The settlement puts an amicable and mutually-beneficial closure to a 20-year-old legal case. With the agreement that also fully satisfied the judgement of the courts, RLT recovered a Penthouse unit located at the 34th Floor, West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers) and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers). The fair value of the Penthouse unit and the 74 parking slots have been determined recently by an independent property appraisal company accredited with the Securities and Exchange Commission ("SEC") and with the PSE to be higher than the ₱231,150,000 returned by RLT to ULC.

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.

**(b) Certain Relationships and Related Party Transactions**

The Parent Company and its subsidiaries, in their ordinary conduct of business, have engaged in transactions with associates and other related parties principally consisting of advances and reimbursement of expenses. Purchase of services to and from related parties are made on arm's length basis and at current market prices at the time of the transactions.

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.

The Company's employees are required to promptly disclose any business and family related transactions with the Company to ensure that potential conflicts of interests are surfaced and brought to the attention of management.

**(c) Ownership Structure and Parent Company**

As of March 18, 2019, Greenhills Properties Inc. ("GPI") owns 35.67% of the total outstanding voting shares of the Company.

**(d) Resignation of Directors**

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders due to disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**Item 6. Compensation of Directors and Executive Officers**

**(a) Executive Compensation**

	Year	Salary	Bonus	Per Diem	Other Annual Compensation	Total
CEO & five most highly compensated executive officers- Gerardo Domenico Antonio V. Lanuza (EVP), Edmundo C. Medrano (Senior VP, CFO, Treasurer, Compliance Officer, Chief Subsidiary Management Officer), Carlos C. Paca (Head - Business Development), Erwin V. Ciar (VP - Head of Project and Construction Management)	2017 – Actual	₱18.3M	₱1.3M	₱0.14M	None	₱19.7M
	2018 - Actual	30.4M	2.53M	0.14M	None	33.7M
	2019 -Projected	32.5M	2.70M	0.14M	None	35.3M
All officers as a group –	2017 – Actual	₱3.7M	₱0.30M	None	None	₱4.0M
Other officers include:	2018 - Actual	7.0M	0.58M	None	None	7.58M
Adeline Susan C. Carag (VP for Property Management), Richard Nicolas K. Go (VP and Head – Sales) Marissa S. Bontogon (VP and Controller)	2019- Projected	7.5M	0.62M	None	None	8.1M

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.

**(b) Compensation of Directors**

Normally, directors are entitled to a per diem of ₱6,000.00 for board meetings attended except for independent directors who receive ₱20,000.00. 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 ₱1,122,520, ₱1,172,000, and ₱1,008,000 for 2018, 2017, and 2016, respectively.

#### **Item 7. Independent Public Accountants**

- (a) The principal accountant and external auditor of the Company is Maceda Valencia & Co. The same accounting firm is being recommended for re-appointment at the annual stockholders meeting.
- (b) Representatives of Maceda Valencia & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

- (c) **Changes in, and Disagreements with, Accountants on Accounting and Financial Disclosures**

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Maceda Valencia & Co. as external auditor, and Mr. Antonio O. Maceda is the Partner-in-charge for the audit year 2018.

- (d) **Audit and Audit-Related Fees**

The professional fees of independent auditors Maceda Valencia & Co., for 2018 and 2017 amounts to ₱980,000 and ₱920,000, exclusive of VAT, respectively. Out of pocket expense is pegged at 15% for 2018 and 2017.

- (e) **Tax fees**

Tax consultancy services are secured from entities other than the external auditor.

#### **Item 8. Compensation Plans**

No matters or actions with respect to any compensation plan pursuant to which cash or noncash compensation may be paid or distributed will be taken up during the meeting.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

No matters or actions concerning authorization or issuance of securities will be taken up during the meeting.

#### **Item 10. Modification or Exchange of Securities**

The Company will not be presenting any matter or act involving the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class during the meeting.

#### **Item 11. Financial and Other Information**

The audited financial statements as of December 31, 2018, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "B". The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no proposed merger, consolidation, acquisition by sale, or liquidation of the Company that will be presented during the meeting.

**Item 13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the annual stockholders' meeting with respect to acquisition or disposition of any property by the Company requiring stockholders' approval under the Revised Corporation Code.

**Item 14. Restatement of Accounts**

As used herein and in other sections of this Information Statement, unless the context otherwise requires, the Group refers to the Company and its subsidiaries where the Company has control pursuant to SRC Rule 68, Par. 6s (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2018.

Please refer to Note 32 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2018.

**D. OTHER MATTERS**

**Item 15. Action with respect to Reports**

The following matters shall be submitted to the stockholders for approval/ratification:

- (a) Minutes of the annual meeting of the stockholders held on July 23, 2018,
- (b) Report of the board of directors for 2018
- (c) 2018 audited financial statements
- (d) Ratification of all acts of the board of directors and officers from July 2018 to June 2019
- (e) Election of directors for the ensuing year; and
- (f) Appointment of external auditor.

**Item 16. Matters Not Required to be Submitted**

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

**Item 17. Amendment of Charter, Bylaws or Other Documents**

There are no matters or actions to be submitted in the meeting that will not require the vote of common stockholders as of the record date

**Item 18. Other Proposed Action**

- (a) Ratification of the acts of the Board of Directors and Officers

Major acts of the board of directors, board committees and officers to be ratified in the forthcoming meeting of the stockholders.



- i. Ratification of various acts and proceedings of the board of directors, board committees, management/officers and management committees;
- ii. Reclassification of ₱140,287,561 appropriated retained earnings for treasury stock acquisitions to unappropriated retained earnings;
- iii. Acceptance of offer from existing stockholders to subscribe to new shares from the increased capital stock of the Corporation [once the SEC approves the increase in the authorized capital stock of the Corporation from 8.0 Billion shares to 16.0 Billion shares (par value of ₱0.50 per share) and the tax-free exchange of properties for shares has been concluded/completed], amounting to a total of 863,003,026 shares, more or less, that will be equivalent to about 8.53% of the enlarged outstanding shares, by paying 25% of the amount subscribed;
- iv. Appointment of Bernardo Placido and Chan Law Office for the Corporation's application for tax refunds with the Bureau of Internal Revenue ("BIR"), including to represent the Corporation before the BIR for purposes of processing the request for refund of unutilized creditable taxes withheld at source, for the years 2016 and 2017;
- v. Resignation of Vincent Fischer as Chief Financial Officer, Treasurer and Compliance Officer of the Corporation effective July 23, 2018;
- vi. Appointment of Edmundo C. Medrano as Senior Vice President and Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer of the Corporation effective July 23, 2018;
- vii. Application for credit facilities with RCBC Savings Bank or with car dealerships for the financing of motor vehicles to be purchased by the Corporation;
- viii. Application for credit facilities with Union Bank of the Philippines or with car dealerships for the financing of motor vehicles to be purchased by the Corporation and application for corporate credit card account/s;
- ix. Promotion of Marissa S. Bontogon from Assistant Vice President and Controller to Vice President and Controller;
- x. Investment up to 30% of the capital stock of a to-be-incorporated associate company that will be involved in retail, full-service restaurant operations;
- xi. Approval of merit-based salary adjustment for officers and staff of the Corporation, effective September 1, 2018;
- xii. Creation of a Retirement Plan Committee;
- xiii. Approval of the board committee charters that include among others, the duties and responsibilities of the board committees namely, Audit Committee, Board Risk Oversight Committee, Corporate Governance and Nominations Committee, Executive Committee, Related Party Transactions Committee and the Retirement Plan Committee;
- xiv. Approval of Amended Approving and Signing Authorities;
- xv. Adoption of Data Privacy Manual pursuant to R.A. 10173 or the Data Privacy Act;
- xvi. Application for additional, new credit facilities, comprised of a term loan and a credit line among other credit facilities, with the Philippine Bank of Communications ("PBCOM") with management to be granted the latitude to determine the amount of credit facilities to apply for, the security/collateral support to be provided to PBCOM, and to obtain the

best terms and conditions possible on the credit facilities to be obtained but taking into consideration prevailing credit and market conditions;

- xvii. Application for new credit facilities, comprised of a term loan and a credit line among other credit facilities, with the Philippine National Bank ("PNB") with management to be granted the latitude to determine the amount of credit facilities to apply for, the security/collateral support to be provided PNB, and to obtain the best terms and conditions possible on the credit facilities to be obtained but taking into consideration prevailing credit and market conditions, as well as to open and maintain active deposit accounts with PNB;
- xviii. Approval on the terms and conditions that the Corporation can offer/propose to Universal Leisure Corporation ("ULC") for itself, and as assignee of DMCI Project Developers, Inc. ("DMCI-PDI") and Universal Rightfield Property Holdings, Inc. ("URPHI"), for the purpose of amicably coming into an agreement to settle and/or satisfy the judgement of the courts in Civil Case No. 67092;
- xix. Approval/confirmation of approval of the major consultants to be used/engaged for the high-end residential tower ("Aitana") to be constructed on Lot 1 Block 8 at the Bonifacio Global City ("BGC") once the tax-free exchange of various real properties owned by Greenhills Properties Inc. ("GPI") and Meridian Assurance Corporation ("MAC") for the Corporation's common shares has been concluded/completed; and
- xx. Confirmation by the board of directors of the implementation of the amicable settlement executed by and between the Corporation and ULC (for itself and as assignee of DMCI-PDI and URPHI), to settle and/or satisfy the judgement of the courts in Civil Case No. 67092. The agreement essentially involved the recovery by the Corporation of a 2,370 sqm West Tower penthouse unit located at the Tektite Towers as well as 74 parking slots (the "Properties") purchased by ULC in 1998. The Corporation paid ULC a total of ₱231.150 Million for the above-mentioned Properties, which were appraised by an independent property appraisal company accredited with the SEC and the Philippine Stock Exchange ("PSE") to have a total fair value of ₱287.0 Million.

#### **Item 19. Voting Procedures**

In the election of directors, the (11) nominees with the greatest number of votes will be elected directors. If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees. However, if the number of nominees for election as directors exceeds the number of directors to be elected, voting shall be done by ballot, cumulative voting will be followed, and counting of votes shall be done by three (3) election inspectors to be appointed by the stockholders present at the meeting.

For corporate matters that will be submitted for approval and for such other matters as may properly come before the Meeting, a vote of the majority of the shares present at the Meeting is necessary for their approval. Voting shall be done viva voce or by the raising of hands and the votes for or against the matter shall be tallied by the Secretary.

The company undertakes to provide, free of charge, the Annual Report on SEC Form 17-A, should the stockholder request for one. The written request should be forwarded to Atty. Rex P. Bonifacio, Corporate Secretary, Philippine Realty and Holdings Corporation, 5th Floor East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits.

The Company also undertakes to distribute SEC Form 17-Q ending March 31, 2019 during the Annual Stockholders' Meeting.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, and based on available records, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Pasig on April 30, 2019

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**

Issuer



ATTY. REX P. BONIFACIO  
Corporate Secretary

## ANNEX "A"

### DIRECTORS AND KEY OFFICERS (as of December 31, 2018)

The write-ups below include positions held as of December 31, 2018 and in the past five years, and personal data as of December 31, 2018, of directors and executive officers.

#### Board of Directors

Gerardo O. Lanuza, Jr.	Chairman
Antonio O. Olbes	Vice-Chairman
Alfredo S. Del Rosario, Jr.	Member
Gerardo Domenico Antonio V. Lanuza	Member
Gregory G. Yang	Member
Andrew C. Nang	Member
Amador C. Bacani	Member
Renato G. Nuñez	Independent Director
Lorenzo V. Tan	Independent Director
Jomark O. Arollado	Independent Director
Alfonso Martin E. Eizmendi	Independent Director

#### Gerardo Lanuza, Jr. / 72 – Other Alien/Spanish

Chairman of the Board of Philippine Realty and Holdings Corporation, Meridian Assurance Corporation, Universal Travel Corporation and Chairman and President of Greenhills Properties Inc. He sits as a Director in the following corporations: Gerzon Management Corporation, Broadford Property Holdings Inc., Merdom Corporation, Al Husn Manila, Inc., Domera Trading Corporation, Chiamil Trading Corporation, Nicora Trading Corporation, Xcell Property Ventures Inc., Julnad Assets Holdings Inc., Mernic Assets Holdings Inc., La Bodequita del Medio Inc., Merlan Holdings Inc., Peridot Asset Holdings Inc., Penzance Properties Holdings Corporation, Ju-Lan Assets Holdings Co. Inc., and Stonehaven Realty Services Inc. He is the nominee of Campos Lanuza & Co. Inc. to the Philippine Stock Exchange. He also serves as Treasurer of Lanuza Asset Holding Co. He was formerly Chairman of International Exchange Bank ("IBank"), Vice Chairman of Philippine Racing Club Inc., Vice President and Director of Makati Stock Exchange, Inc. and Director of Vulcan Industrial & Mining Corporation, Golden Arrow Mining Co., Inc., Apex Mining Co. Inc., Concrete Aggregates Corp., Philippine Overseas Drilling and Oil Development Corp., Surigao Consolidated Mining Co., Inc. and A Brown Company, Inc. He is a member of the Pasay-Makati Realtors Board, Inc. and Chamber of Real Estate and Builders Association, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Mechanical Engineering in 1969.

#### Antonio O. Olbes / 72 – Filipino

Vice-Chairman of the Philippine Realty and Holdings Corporation since 1968. He had previously served as Chairman and President of Meridian Assurance Corp. from 1994-2008, and President of Raco Trading Phils., Inc. He was formerly a manager at Sycip, Gorres, Velayo & Co., and was Executive Vice President, in charge of trading, at Francisco de Asia and Co. He held a number of directorships, which include seats in the following groups: PRHC Property Managers, Inc., Greenhills Properties Inc. (Treasurer), Universal Travel Corporation (Vice-Chairman), ICON Tower Residences, Green Vista Development Corporation, SEBLO Business Holdings Corporation, and Excell Properties. He has also been named Honorary Consul General (in the Philippines) for the Republic of Nicaragua. He earned his Bachelor of Arts degree in Economics at Holy Cross College, Massachusetts, USA, and his master's degree in Business Administration from Bobson College, Massachusetts, USA. He completed his Advanced Management Programme at Oxford University, United Kingdom, in July 1995.



**Alfredo S. Del Rosario /63 – Filipino**

President and Chief Executive Officer of Philippine Realty and Holdings Corporation since August 1, 2016. Currently, Mr. Del Rosario is also member of Board of Director of PRHC Property Management, Inc., Universal Travel, Inc., Icon Residence Condominium Corporation, Sultan Power, Inc., Rizal MicroBank, and Camera Club of the Philippines Center, Inc. Prior to joining PhilRealty, he worked for Rizal Commercial Banking Corporation ("RCBC") as Executive Vice President, heading several groups of the bank, including Commercial Banking, Overseas Filipino Banking, and Asset Management and Remedial. Before joining RCBC, he also headed the Trust and Investment Division and Information Technology Division of AB Capital and Investment Corporation as a Senior Vice President. He also held various positions in AsianBank, Bank of America NT & SA Manila, Philippine Airlines, and Ayala Investments & Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Management in 1976. He has taken up units towards an MBA degree at the Ateneo Graduate School and subjects leading to a Juris Doctor degree at the Ateneo Law School.

**Gerardo Domenico Antonio V. Lanuza /35 – Filipino**

Executive Vice President and Chief Operating Officer of Philippine Realty and Holdings Corporation since 2014 and became Vice President for Special Projects in 2010. He is a director at various companies such as Greenhills Properties Inc., British United Automotive Corp., A Brown Co. Inc., Klassik Motors Corp., and Campos, Lanuza & Co. Inc., where he also serves as the Vice President for Sales. He earned his Bachelor of Science degree in Legal Management at the De La Salle University, Manila in 2006.

**Gregory G. Yang /62 – Filipino**

Senior Vice President and General Manager of the operating company, McGeorge Food Industries (local licensee of McDonald's), since 1995. He opened the first McDonald's in 1981, having trained in Hong Kong and USA for one year and earning a degree in hamburgerology from McDonald's Hamburger University. His previous work experience includes serving as Assistant Manager of the International Bank Corporation, from 1978 to 1980, and Account Officer at the Makati Leasing and Financing Corporation from 1976 to 1978. He graduated from University of the Philippines in 1976 with a BS Business Administration degree.

**Andrew C. Ng /35 – Filipino**

Vice-President of Alpha Alleanza Manufacturing, Inc. Philippines since 2009. He was formerly the Assistant Operations Manager Trainee of Pinnacle Foods, Inc., Philippines, serving from 2005 to 2009, and was a Management Trainee at Procter & Gamble Philippines in 2004. He earned his Bachelor of Science degree in Industrial Engineering at De La Salle University, Manila in 2005.

**Amador C. Bacani /70 – Filipino**

Formerly the President of Philippine Realty and Holdings Corporation from 2002 to 2014. He also worked in the same Company as Executive Vice President from 1995 to 2002. He is currently the President of Xcell Property Ventures, Inc. (a joint venture partner of the Company). Previously, he was First Vice President and Head of Consumer Banking Group of Rizal Commercial Banking Corporation, and served as First Vice President & Head of Branches Operations Support Division as well. He held several other high-level positions in Campos, Lanuza & Co. Inc., Decision Systems Corporation, Security Bank and Trust Company, Allied Banking Corporation, Asian Merchant Finance Inc., Bank of the Philippine Islands, Citibank, N.A. (Manila), and Procter & Gamble Phils., Inc. He graduated with a Bachelor of Science degree in Mechanical Engineering, *Summa Cum Laude*, from De La Salle College in 1969, and earned his Master of Science in Industrial Administration degree at the Carnegie-Mellon, USA, in 1972.

**Renato G. Nuñez /49 (Independent Director) - Filipino**

Independent Director of Philippine Realty and Holdings Corporation since 2015. He currently sits as President of CATS Motors, Inc., Techglobal Data Center, Inc., Techzone Philippines, Inc., LIA Philfoods, Inc., and Everland Estate Development Corp. Moreover, he is also a current Director of All British Cars, Inc., Cambie Property, Inc. Coventry Motors Corp., and Total Consolidated Asset Management, Inc. Previously, he served as Vice President of Leisure & Resorts World Corp., as well as Midas Hotel & Casino. He was once the Managing Director of Blue Chip Gaming & Leisure Corp., Vice President and Director of AB Leisure Global, Inc., President of Arwen Gaming & Leisure Specialist, Inc., Vice President for Finance of Binondo Leisure and Resort Corp., and Vice President of AB Leisure Exponent, Inc. He graduated in BS Industrial Management Engineering, Minor in Mechanical Engineering, at De La Salle University in 1991.

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

Independent Director of Philippine Realty and Holdings Corporation since 2016. Currently, he plays a significant role in various Companies such as serving as Vice-Chairman of The Outstanding Young Men ("TOYM") Foundation, Managing Partner of Primeiro Partners Inc., and Independent Director of EEI Corporation, as well as Sunlife Grepa Financial Inc., House of Investment, Malayan Insurance and IPeople. Previously, he served as President and CEO of the Rizal Commercial Banking Corporation, Sunlife of Canada (Phils) Inc., the Philippine National Bank, and United Coconut Planters Bank. He was also once the Group Managing Director of Guoco Holdings (Philippines), Inc., Director of Citibank NA Singapore, Vice President of Citicorp Real Estate, Inc. in Los Angeles, California, USA, Associate of the Division Credit Office of Citicorp Real Estate, Inc. in New York, and Management Associate of the Asia Pacific Group in Citibank, NA, New York. In addition, he was the former President of the Bankers Association of the Philippines ("BAP"), and the Chairman of the Asian Bankers Association. Other association include being President of the Asia Pacific Bankers Club and Chairman of Megalink Inc. He graduated from J.L. Kellogg Graduate School of Management, Northwestern University, with a master's degree in Management in 1987. He earned his Bachelor of Science degree in Commerce, Major in Accounting at De La Salle University Manila. He is a Certified Public Accountant in Pennsylvania, USA, and in the Philippines. In 1999, he was a recipient of The Outstanding Young Men ("TOYM") Award in the field of Banking.

**Jomark Ong Arollado /35 (Independent Director) – Filipino**

Served as Plant Manager and Strategic Business Unit ("SBU") Head of Rapid Forming Corporation since 2013. Previously, he was also a Plant Manager of Silangan Philtrade Corporation, serving from 2011 to 2012. His first professional stint at Rapid Forming Corporation was in 2006 as the SBU head. Prior, he has worked as the ISO Document Controller at SGV & Co. in 2004. He graduated with a Bachelor of Science degree in Industrial Engineering at Dela Salle University Manila in 2005.

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

President and CEO of Royal Link Industries Inc., Yields Financial Corporation, Park Cent Tower Realty Corp., and WGP Villa Realty Corp. Aside from Philippine Realty and Holdings Corp., he is also a Director of Meridian Assurance Corp. Secret 6 Inc., CleanPro, The Icon Plaza Condominium Corp. Frimar Realty and Frimar USA. He was formerly the Vice-Chairman of Vi@je Corp. from 2000 to 2001, and Chairman of Blue Star Insurance Brokerage from 1998 to 2001. He graduated from De La Salle University in 1986 with bachelor's degree in Political Science.

**Key Executive Officers**

Alfredo S. Del Rosario Jr.\*

Gerardo Domenico Antonio V. Lanuza\*

Edmundo C. Medrano

Erwin V. Ciar

Adeline Susan C. Carag

President and Chief Executive Officer

EVP and Chief Operating Officer

SVP and Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer

VP and Head, Project Construction and Management

VP and Head, Property Management Services

Carlos Miguel T. Paca

VP and Head, Business Development and Investment  
Relations Officer

Richard Nicolas K. Go

VP and Head, Sales

Marissa S. Bontogon

VP and Controller

Rex P. Bonifacio

Corporate Secretary

\* Members of the Board

**Edmundo C. Medrano /65 – Filipino**

Senior Vice President and Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer of Philippine Realty and Holdings Corporation. He was elected in 2018 as an Independent Director of Credit Information Corporation and Chairman of its Audit Committee. He is currently a member of the Board of Directors of Casa Miguel Condominium Corporation, Universal Travel Corporation and Andrea North Condominium Corporation. He previously held the positions of Executive Vice President at Philtrust Bank; Vice Chairman, President and Chief Operating Officer at Producers Savings Bank Corporation; Senior Vice President at Asiatrust Development Bank; Senior Vice President at AB Capital and Investment Corporation and Head of Investment Banking and concurrently General Manager of AB Leasing and Finance Corporation; and First Vice President at AsianBank Corporation. He took his Masters of Business Management at the Asian Institute of Management from 1974 to 1976. He graduated from De La Salle College with a Degree of Bachelor of Science in Commerce major in Accounting in 1974, *Cum Laude*, and Bachelor of Arts major in Economics in 1974, *Cum Laude*.

**Erwin V. Ciar /44 – Filipino**

Vice President and Head, Project Construction and Management of Philippine Realty and Holdings Corporation since September 2014. Concurrently, he is also Member of Board of Directors and Treasurer of PRHC Property Managers Inc. Mr. Ciar has extensive work experience for twenty-three years in the fields of project and construction management, construction supervision and contract management. He was the Vice Director PCMD for Bitexco Group of Companies from 2008 to 2014. He graduated at Pamantasan ng Lungsod ng Maynila in 1996 with a Bachelor of Science in Civil Engineering.

**Adeline Susan C. Carag /61 – Filipino**

Ms. Carag is currently Vice President and Head, Property Management Services of Philippine Realty and Holdings Corporation. She is also currently the President of PRHC Property Managers Inc. She graduated from Eulogio "Amang" Rodriguez Institute of Science and Technology ("EARIST") in 1978 with a degree of Bachelor of Science in Chemical Engineering and Bachelor of Science in Industrial Education.

**Carlos Miguel T. Paca /44 – Filipino**

Mr. Paca concurrently holds the positions of Vice President Head, Business Development and Investor Relations Officer of Philippine Realty and Holdings Corporation. He also holds the position as Member of the Board of Directors of Philippine Stock Exchange Centre Condominium Corporation, Icon Residence Condominium Corporation, Hola Comerciantes, Inc., and Meridian Assurance Corp. He graduated at De La Salle University with a degree of Bachelor of Science, Industrial Engineering with Minor in Mechanical Engineering in 1995.

**Richard Nicolas K. Go /36 – Filipino**

Mr. Go is currently the Vice President and Head of Sales of Philippine Realty and Holdings Corporation. He previously worked as Sales Manager at Arthaland Corporation. He graduated from De La Salle University College of Saint Benilde in 2004 with a degree of Hotel, Restaurant, and Institution Management.

**Marissa S. Bontogon /46 – Filipino**

Vice President and Controller of Philippine Realty and Holdings Corporation. She is a Certified Public Accountant and Certified Financial Consultant. She received her Bachelor of Science degree in Accountancy from De La Salle University in 1992.

**Atty. Rex P. Bonifacio /46 – Filipino**

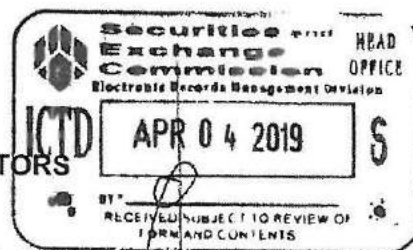
Atty. Bonifacio is the current Corporate Secretary of Philippine Realty and Holdings Corporation. Concurrently, he is also the Corporate Secretary of Philippine Stock Exchange Centre Condominium Corporation and a Partner at Pastelero Law Office. He finished his Pre law at San Sebastian College Recoletos Manila in 1992 with a degree of AB Political Science, ***Cum Laude***. In 1996, he completed his Bachelor of Laws degree in San Sebastian College of Law.



**ANNEX A-1**

**CERTIFICATION OF INDEPENDENT DIRECTOR**

# CERTIFICATION OF INDEPENDENT DIRECTORS



I, Jomark Ong Arollado, Filipino, of legal age and a resident of 68 Roosevelt St. North Greenhills, San Juan, NCR, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since June 30, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/ Relationship	Period of Service
Rapid Forming Corporation	Operations Manager	2013 – present
Silangan Philtrade Corporation	Operations Manager	2011 – 2012
Rapid Forming Corporation	Strategic Business Unit Head	2006 – 2010
SGV & Co.	ISO Document Controller	2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

Offense Charged/Investigated	Tribunal or Agency Involved	Status
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

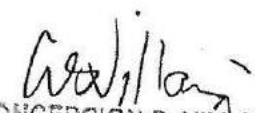
Done, this \_\_\_\_\_ day of 03 APR 2019, at QUEZON CITY.

  
**JOMARK ONG AROLLADO**  
Affiant

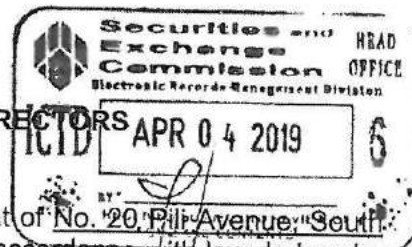
03 APR 2019

SUBSCRIBE AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_  
at QUEZON CITY, affiant personally appeared before me and exhibited to me his  
\_\_\_\_\_ issued at \_\_\_\_\_ valid until \_\_\_\_\_.

Doc. No. 423;  
Page No. 85;  
Book No. 104;  
Series of 104.

  
**ATTY. CONCEPCION P. VILLARERA**  
Notary Public for Quezon City  
Until December 31, 2019  
PTR No. 7322042 - 1-03-2010/ QC  
IBP No. AR14460591 - 12-17-2018/ QC  
Roll No. 30457 - 08-09-80  
ACLE 5-0012536 - 12-21-2015  
Adm. Matter No. NP 270 (2018-2019)

# CERTIFICATION OF INDEPENDENT DIRECTORS



I, Lorenzo V. Tan, Filipino, of legal age and a resident of No. 20, Pili Avenue, South Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since July 13, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Rizal Commercial Banking Corporation Philippines	President and Chief Executive Officer	2007 - 2016
Bankers Association of the Philippines	President	2013 - 2016
Asian Bankers Association	Chairman	2012 - 2014
Sun Life of Canada (Phils.) Inc.	President and Chief Executive Officer	2005 - 2007
Philippine National Bank	President and Chief Executive Officer	2002 - 2005
Megalink Incorporated	Chairman	2003 - 2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)


<b>Name of Director/Officer/Substantial Shareholder</b>	<b>Company</b>	<b>Nature of Relationship</b>
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

<b>Offense Charged/Investigated</b>	<b>Tribunal or Agency Involved</b>	<b>Status</b>
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

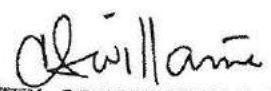
Done, this \_\_\_\_\_ day of 04 APR 2019, at QUEZON CITY.

  
**LORENZO A. TAN**  
Affiant

04 APR 2019

SUBSCRIBE AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_  
at QUEZON CITY, affiant personally appeared before me and exhibited to me his  
\_\_\_\_\_ issued at \_\_\_\_\_ valid until \_\_\_\_\_.

Doc. No. 165;  
Page No. 35;  
Book No. 35;  
Series of 2019

  
**ATTY. CONCEPCION P. VILLAREÑA**  
Notary Public for Quezon City  
Until December 31, 2019  
PTR No. 7323642 - 1-03-2019/OC  
IBP No. AR14460591 - 12-17-2018/OC  
Roll No. 30457 - 05-09-80  
MCLE 5-0012536 - 12-21-2019  
Adm. Matter No. NP 270 - 01-10-2019



# CERTIFICATION OF INDEPENDENT DIRECTORS



I, Alfonso Martin E. Eizmendi, Filipino, of legal age and a resident of 104 Mango Drive Ayala Alabang Village, Alabang Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since June 30, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/ Relationship	Period of Service
Royal Link Industries Inc.	President / CEO	present
Yields Financial Corporation	President / CEO	2003 - present
Park Cent Towers Realty Corp.	President / CEO	present
WGP Villa6 Realty Corp.	President / CEO	present
Meridian Assurance Corp.	Director	present
Secret 6 Inc.	Director	present
CleanPro	Director	present
The Icon Plaza Condominium Corp	Director	present
Frimar Realty	Director	present
Frimar, USA	Director	present
Vi@je Corp.	Vice Chairman	2000 - 2001
Blue Star Insurance Brokerage	Chairman	1998 - 2001

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

Offense Charged/Investigated	Tribunal or Agency Involved	Status
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this \_\_\_\_\_ day of \_\_\_\_\_ **03 APR 2019** at \_\_\_\_\_

**ALFONSO MARTIN E. EIZMENDI**  
Affiant

**03 APR 2019**  
SUBSCRIBE AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_  
at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his  
\_\_\_\_\_ issued at \_\_\_\_\_ valid until \_\_\_\_\_.

Doc. No. 1272  
Page No. 1 of 25  
Book No. \_\_\_\_\_  
Series of 104  
2019

*Cecilia Villareña*  
ATTY. CONCEPCION P. VILLAREÑA  
Notary Public for Quezon City  
Until December 31, 2019  
PTR No. 7321642 - 1-03-2009/00  
JBP No. AR14460591 - 12-17-2010/00  
Roll No. 30457 - 05-09-00  
MCLE 5-0012526 - 12-21-2015  
Adm. Matter No. NP 270 (2018-2019)

# CERTIFICATION OF INDEPENDENT DIRECTORS



I, Renato G. Nuñez, Filipino, of legal age and a resident of #1 Queensville Court Whiteplains, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Realty & Holdings Corporation and have been its independent director since August 18, 2015.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/ Relationship	Period of Service
All British Cars, Inc.	Director	2017 – Present
Cambie Property, Inc.	Director	2017 – Present
Coventry Motors Corporation	Director	2017 – Present
CATS Motors, Inc.	President	2015 - Present
Techglobal Data Center, Inc.	President	2012 – Present
Total Consolidated Asset Management, Inc.	Director	2010 - Present
Techzone Philippines, Inc.	President	2010 – Present
Tootsie's Tagaytay Restaurant, Inc.	President	2008 – Present
First Cagayan Converge Data Center	COO / Board Treasurer	2008 – Present
Lia Philfoods, Inc.	President	2008 – Present
Everland Estate Dev't. Corp.	President	2002 – Present
Javi Philfoods, Inc.	President	2005 – 2015
Leisure & Resorts World Corp.	VP/Director	2001 – 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Realty & Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (of covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceedings (as the case may be):

Offense Charged/Investigated	Tribunal or Agency Involved	Status
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular no. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Philippine Realty and Holdings Corporation of any changes in the abovementioned information within five days from its occurrence.

03 APR 2019

QUEZON CITY

Done, this \_\_\_\_\_ day of \_\_\_\_\_, at \_\_\_\_\_.

RENATO G. NUÑEZ  
Affiant

SUBSCRIBE AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019 at \_\_\_\_\_, affiant personally appeared before me and exhibited to me his Passport No. EC1637993 issued at DFA NCR East valid until July 14, 2019.

Doc. No. 421 :  
Page No. 25 :  
Book No. 104 :  
Series of WH :

*Atty. P. Villareña*  
Atty. P. VILLAREÑA  
Notary Public for Quezon City  
Until December 31, 2019  
PTR No. 7523642 - 1-03-2019/ QC  
ISP No. AR14466591 - 12-17-2018/ QC  
Roll No. 30457 - 05-09-30  
MCLE 5-0012536 - 12-21-2018  
Adm. Matter No. NR 270 (2018-2019)

## ANNEX "B"

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Philippine Realty and Holdings Corporation (interchangeably referred to as the "Company" or the "Parent Company") continues to improve on its operations and financial performance, exhibiting improvements in profitability and maintaining very healthy liquidity and solvency position.

#### A. REVIEW OF 2018 OPERATIONS VS 2017

##### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2018 VS. DECEMBER 31, 2017

1. **Consolidated net income after tax.** Philippine Realty and Holdings Corporation posted net income after tax of **₱390 Million** for the 12 months ended December 31, 2018 compared to **₱263 Million** net income after tax for the same period last year, or an increase in the Company's consolidated net income after tax of **₱127 Million** or a by a hefty 48% increase. The improvement in the Company's profitability is explained below.

##### a. Income

- 1) **Sales of real estate.** Sales of real estate increased by **₱223 Million** or by 28% for the 12 months ended December 31, 2018 compared to the sales of real estate for the same period last year. Sales of real estate pertains to units sold at SkyLine and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City. The increase in sales in 2018 is due to the aggressive sales and marketing efforts of the Parent Company.
- 2) **Rent.** Rental income increased **₱55 Million** or by 117% due to the increase in leasable spaces and additional lease agreements entered into by the Parent Company.
- 3) **Management fees.** This item was also higher by 12% due to additional engagements obtained by one of the Company's subsidiaries.
- 4) **Gain on sale of property and equipment.** Gain on sale of property and equipment increased by **₱4 Million** due to the sale of an Office unit by one of the Parent Company's subsidiaries.
- 5) **Other income.** Other income for the twelve months ended December 31, 2018 increased by **₱302 Million** or by 70% compared to the twelve months ended December 31, 2017. Other income consists of Gain on fair value changes in investment property, which increased by **₱157 Million** or a 44% increase due to the increase in the fair value of Investment properties consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the Philippine Stock Exchange Centre (also known as "Tektite Towers") and at the Icon Plaza located in Bonifacio Global City ("BGC").

##### b. Costs and Expenses

- 1) **Cost of service and unit sold.** For the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017, Cost of service and unit sold increased by 23%, but this is due to the proportionate increase in Sales of real estate registered in 2018.

In terms of percentage to Sales of real estate, Cost of service and unit sold decreased



in 2018 at 60%, whereas it was at 65% of Sales of real estate for the same period in 2017.

- 2) **General and administrative expenses.** General and administrative expenses increased by ₱188 Million or by 59%, but the higher level of expenses was accounted for by the ₱108 Million increase in Marketing, commission and sales expenses.

**c. Subsidiaries**

The contributions of the Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. ("PPMI").** The Company's property management subsidiary, registered a Net income of ₱2.8 Million for the twelve months ended December 31, 2018. It is lower by ₱14 Million compared to the Net income registered by PPMI for the same period last year.
- 2) **Tektite Insurance Brokers, Inc. ("TIBI").** The Group's insurance brokerage firm, posted a net loss of ₱3 Million for the for twelve months ended December 31, 2018 which is higher by ₱2 Million compared to the ₱1 Million net loss registered for the same period last year.

**II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2018 VS. DECEMBER 31, 2017**

1. **Total assets.** The Company's Total assets stood at ₱5 Billion as of December 31, 2018, higher by ₱559 Million compared to the ₱4.5 Billion level of Total assets as of December 31, 2017.

The Company's Real estate assets accounted for 62% of the Total assets of the Company as of December 31, 2018.

Real estate inventories decreased by ₱474 Million from December 31, 2017 to December 31, 2018, or by 25%, due to the hugely successful effort of the Parent company to sell its SkyLine and SkyVillas inventory of condominium units.

The decrease in Real estate inventories is somehow compensated for by the ₱203 Million increase in Net trade and other receivables that increased by 19% from December 31, 2017 to December 31, 2018, as a result of selling terms granted to some of the Company's buyers.

Investment properties increased by ₱828 Million or from ₱865 Million in 2017 to ₱1.693 Billion in 2018 due to largely to: i) acquisition by the Parent Company of condominium units and parking slots at Tektite Towers below market prices as part of a deliberate strategy of the Parent Company to acquire properties for lease to increase its recurring income; ii) acquisition by the Parent Company of condominium units and parking slots from Xcell Property Ventures Inc. ("Xcell") at sub-market prices as part of the settlement by Xcell of its payables to the Parent Company; and iii) recognition of gain on fair value adjustments on the Company's Investment properties.

2. **Total liabilities.** Total liabilities increased by ₱170 Million largely due to accrual of Parent Company's liability to Universal Leisure Corporation (for itself and as assignee of URPHI and DMCI-PDI) as a result of an amicable settlement to fully settle and satisfy the judgement of the courts in Civil Case No. 67092, by returning to Universal Leisure Corporation ("ULC") the amounts that ULC paid and deemed to have paid in favor of the Company in the total amount of ₱231.150 Million, covering the cancellation of sale of a Penthouse unit located at the 34<sup>th</sup> Floor, West Tower of the Tektite Towers containing a floor area of 2,370 sq.m.

and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Tektite Towers.

3. **Total Equity.** Total equity was recorded at ₱3.5 Billion as of December 31, 2018 compared to ₱3.0 Billion as of December 31, 2017.

Total equity increased by ₱389 Million from December 31, 2017 to December 31, 2018.

Retained earnings increased by ₱464 Million during the same period. The net income for the period and the reclassification of ₱140.3 Million from Appropriated retained earnings for buy-back of shares to Unappropriated retained earnings caused the 303% increase in Unappropriated retained earnings in December 2018.

### III. PERFORMANCE INDICATORS

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2018 Audited	31 December 2017 Audited
Current ratio <sup>1</sup>	4.15:1	11.13:1
Debt-to-equity ratio <sup>2</sup>	0.45:1	0.45:1
Asset-to-equity ratio <sup>3</sup>	1.45:1	1.45:1
Book value per share <sup>4</sup>	₱0.74	₱0.66
Earnings per share <sup>5</sup>	₱0.08	₱0.05

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

The table above reflects the continuing improvement of the Company in terms of liquidity, solvency and profitability.

1. **Current ratio.** The Company's Current ratio decreased by 63% from December 2017 to December 2018 mainly due to a combined increase in current liabilities and decrease in current assets. However, the current ratio of 4.15:1 as of 31 December 2018 is still extremely healthy.
2. **Debt-to-equity ratio.** Similarly, the Company's Debt-to-equity ratio has remained very conservative for the periods under review as the Company's financial leverage stayed steady at 0.45:1.
3. **Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also showed steadiness over time as it is stood unchanged at 1.45:1 from December 2017 to December 2018.

The steady performance of Debt-to-equity ratios and Asset-to-equity ratios of the Company for the periods under review clearly demonstrate that the Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

4. **Book value per share.** The performance of the Company's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.66 per share as of

end-December 2017 and to ₱0.74 per share as of 31 December 2018 or an improvement of 12%.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2018.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** Due largely to the Parent Company's improving earnings performance, the Company's Earnings per share improved by 60% in 2018 from ₱0.05 per share to ₱0.08 per share.

#### IV. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

1. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

2. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous

basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at Fair Value through Profit and Loss ("FVPL"), financial assets at Fair Value through Other Comprehensive Income ("FVOCI") and advances to subsidiaries and associates. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank investment limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

3. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

4. **Price risk.** Price risk is the risk that the fair value of the financial investments particularly debt and equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

5. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.

The Company manages liquidity risk by maintaining adequate reserves, establishing banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## **B. REVIEW OF 2017 OPERATIONS VS 2016**

### **I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2017 VS. DECEMBER 31, 2016**

Philippine Realty and Holdings Corporation (the "Company" or the "Parent Company") posted net income after tax of ₱262.5 million for the twelve months ended December 31, 2017 compared to only ₱8.4 million net income after tax for the same period last year. The improvement in the Company's profitability is explained below.

1. **Sales of real estate.** Sales of real estate increased by 120.35% for the twelve months ended December 31, 2017 compared to the sales of real estate for the same period last year. Sales of real estate pertains to units sold at SkyLine and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City. The increase in sales in 2017 is due to the aggressive sales and marketing efforts of the Parent Company.
2. **Other income.** Other income for the twelve months ended December 31, 2017 increased by 48,970% compared to the twelve months ended December 31, 2016. Other income consists of Rental income, Management fees, Commission income, Interest income, and Equity in net gain (loss) of associates. The increase is accounted for by the following:
  - a. Rental income increased by 141.35% due to additional lease agreements entered into by the Parent Company.
  - b. Gain on Sale of Available of Available for Sale Investment grew by 45,686% due to sale Parent Company's investment in stocks.
  - c. Gain on Sale of Available for Sale Investments was also higher by 3,245% due to change in Accounting Policy on Investment Property valuation of the group.
3. **Cost of service and unit sold.** For the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016, Cost of service and unit sold increased by 111%, but this is due to the proportionate increase in Sales of real estate registered in 2017.

In terms of percentage to Sales of real estate, Cost of service and unit sold improved in 2017 at 65%, whereas it was at 73% of Sales of real estate for the same period in 2016.
4. **General and administrative expenses.** General and administrative expenses increased by ₱13 Million or by 4.31%, but the higher level of expenses was accounted for by the P 56.6 Million increase in Marketing, commission and sales expenses.
2. **Subsidiaries.** The Company's subsidiaries contributed positively to revenues and net income.
  - a. **PRHC Property Managers, Inc. ("PPMI"),** the Company's property management subsidiary, registered a Net income of ₱17.11Million for the twelve months ended December 31, 2017. It is higher by ₱16.57 Million compared to the Net income registered by PPMI for the same period last year.

### **II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2017 VS. DECEMBER 31, 2016**

The Company's Total assets stood at ₱4.5 Billion as of December 31, 2017, higher by ₱1 billion compared to the level of Total assets as of December 31, 2016.



1. **Total assets.** The Company's Real estate assets accounted for 62.06% of the Total assets of the Company as of December 31, 2017.

- a. Cash and cash equivalents increased by 152% due to cash inflows from Sales of Condominium units and additional loan.
- b. Real estate inventories decreased by ₱224 Million from December 31, 2016 to December 31, 2017, or by 13%, due to the hugely successful effort of the Parent company to sell its SkyLine and SkyVillas inventories of condominium units.

The decrease in Real estate inventories is somehow compensated for by the ₱673 Million increase in Net Trade and other receivables, or an increase by 219%, from December 31, 2016 to December 31, 2017.

2. **Total liabilities.** Total liabilities increased by ₱644 Million largely due to increase Company's Loans payable by ₱569 Million.
3. **Total Equity.** Total equity was recorded at ₱3 Billion as of December 31, 2017 compared to ₱2.7 Billion as of December 31, 2016.

Total equity increased by ₱371 Million from December 31, 2016 to December 31, 2017, and Retained earnings increased by ₱264 Million.

### III. PERFORMANCE INDICATORS

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2017 Audited	31 December 2016 Audited
Current ratio <sup>1</sup>	9.70:1	5.62:1
Debt-to-equity ratio <sup>2</sup>	0.18:1	0.11:1
Asset-to-equity ratio <sup>3</sup>	1.44:1	1.27:1
Book value per share <sup>4</sup>	P0.72	P0.66

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

The table above reflects the continuing improvement of the Company in terms of liquidity, solvency and profitability.

1. **Current ratio.** The Company's Current ratio has been improving over time. They are at very healthy and comfortable levels peaking at almost 73% as of December 31, 2017.
2. **Debt-to-equity ratio.** Similarly, the Company's Debt-to-equity ratio has remained very conservative for the periods under review. In December 2016, the Company's financial leverage ratio was at 0.11:1. It decreased a little bit to 0.18:1 as of end-December 2017.
3. **Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also increased from 1.27:1 as of end-December 2016 to 1.44 as of December 31, 2017.

The increasing Debt-to-equity ratios and Asset-to-equity ratios of the Company for the

periods under review clearly demonstrate that the Company's real estate business is currently being financed by loans and that only shows that the Company has good credit rating from financing institutions.

4. **Book value per share.** The performance of the Company's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.66 per share as of end-December 2016 and to ₱0.72 per share as of December 31, 2017.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2017.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

## C. REVIEW OF 2016 OPERATIONS VS 2015

### I. REVIEW OF CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDING DECEMBER 31, 2016 VS. DECEMBER 31, 2015

Philippine Realty and Holdings Corporation (the "Company" or the "Parent Company") posted net loss of ₱8.39 million for the twelve months ended December 31, 2016 compared to ₱156.30 million net loss for the same period last year. The improvement in the Company's performance is explained below.

1. **Sales of real estate.** Sales of real estate increased by 33 % for the twelve months ended December 31, 2016 compared to the sales of real estate for the same period last year. Sales of real estate pertains to units sold at SkyLine and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City. The increase in sales in 2016 is due to the aggressive sales and marketing efforts of the Parent Company.
2. **Other income.** Other income for the twelve months ended December 31, 2016 increased by 88.45% compared to the twelve months ended December 31, 2015. Other income consists of Rental income, Management fees, Commission income, Interest income, Gain on sale of Real Estate property, and Equity in net gain (loss) of associates. The increase is accounted for by the following:
  - a. Gain on sale of land invested in a joint arrangement increased by ₱157 million due sale of Parent's Company Real Estate property.
  - b. Management fees was also higher by 13.71 % due to additional engagements obtained by one of the Company's subsidiaries.
3. **Cost of service and unit sold.** For the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015, Cost of service and unit sold increased by 8.4%, but this is due to the proportionate increase in Sales of real estate registered in 2016.
4. **General and administrative expenses.** General and administrative expenses increased by ₱79 Million or by 35.11%, but the higher level of expenses was accounted for by the ₱72 Million increase in Provision for retirement benefits.
5. **Subsidiaries.** The Company's subsidiaries contributed positively to revenues and net income.
  - a. **PRHC Property Managers, Inc. (PPMI)**, the Company's property management subsidiary, registered a Net income of ₱0.5 Million for the twelve months ended December 31, 2016. It is higher by ₱0.7 Million compared to the Net income registered by PPMI for the same period last year.
  - b. **Tektite Insurance Brokers, Inc. (TIBI)**, the Group's insurance brokerage firm, posted a net income of ₱1 million for the for twelve months ended December 31, 2016. It is lower by ₱0.4 Million compared to the same period last year.

### II. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING DECEMBER 31, 2016 VS. DECEMBER 31, 2015

The Company's Total assets stood at ₱3.4 Billion as of December 31, 2016, higher by ₱356 Million compared to the level of Total assets as of 31 December 2015.

1. **Total assets.** The Company's Real estate assets accounted for 53.89% of the Total assets of the Company as of December 31, 2016.

Real estate inventories increased by ₱453 Million from December 31, 2015 to December 31, 2016, or by 37%, due to additional units for sale in SkyVillas units.

2. **Total liabilities.** Total liabilities increased by ₱328 Million largely due to increase in Trade payable, Retention payable, and Loans payable.
3. **Total Equity.** Total equity was recorded at ₱2.71 Billion as of December 31, 2016 compared to ₱2.68 Billion as of December 31, 2015.

Total equity increased by ₱27 Million from December 31, 2015 to December 31, 2016.

### III. PERFORMANCE INDICATORS

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2016 Audited	31 December 2015 Audited
Current ratio <sup>1</sup>	6.82:1	10.06:1
Debt-to-equity ratio <sup>2</sup>	0.11:1	0.01:1
Asset-to-equity ratio <sup>3</sup>	1.27:1	1.15:1
Book value per share <sup>4</sup>	P0.66	P0.66

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt / consolidated stockholders' equity*

<sup>3</sup> *Total assets / Total stockholders' equity*

<sup>4</sup> *Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding*

The table above reflects the continuing improvement of the Company in terms of liquidity, solvency and profitability.

1. **Current ratio.** The Company's Current ratio decreased by 32% due increase in current liabilities as of December 31, 2016.
2. **Debt-to-equity ratio.** Similarly, the Company's Debt-to-equity ratio got worse in December 2016 by an increase of 1,000% due to additional loans in 2016.
3. **Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also as of December 31, 2016 increased by 10%.

The increasing Debt-to-equity ratios and Asset-to-equity ratios of the Company for the periods under review clearly demonstrate that the Company's real estate business is currently being financed large amount of debt.

4. **Book value per share.** The performance of the Company's Book value per share has remained steady at ₱0.66 per share as of December 31, 2016.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2016.

As of this report, there is no other known event that will trigger direct or contingent financial

obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

#### IV. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

6. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

7. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

8. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

9. **Price risk.** Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

10. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.



## V. MARKET PRICE AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

### A. Principal Market where the Registrant's common equity is traded

#### Market Information

Principal market for the Registrant's Common shares: Philippine Stock Exchange

High and Low Sales Prices for each quarter for years 2016, 2017, and 2018 based on Philippine Stock Exchange's Daily Quotation Report:

	2017		2018		2019	
	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	0.59	0.57	0.56	0.52	0.46	0.43
2 <sup>nd</sup> Quarter	0.63	0.61	0.485	0.465		
3 <sup>rd</sup> Quarter	0.48	0.47	0.435	0.42		
4 <sup>th</sup> Quarter	0.64	0.61	0.43	0.42		

The market capitalization of the Company as of end-2018, based on the closing price of ₱2,091,988,086.

The price information as of the close of the latest practicable trading date May 07, 2019 is ₱0.45.

### B. Holders

As of May 07, 2019, the Company had 2,338 stockholders. The list of the top twenty (20) stockholders of the Company as of May 07, 2019 is as follows:

Name of Stockholder	Citizenship	No. of Shares	Percentage (%)
PCD Nominee Corporation	Filipino	2,456,387,573	49.90%
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	0.62%
Socorro C. Ramos	Filipino	21,291,750	0.43%
Brisot Economic Dev. Corp	Filipino	15,280,621	0.31%
Vulcan Industrial & Mining Corp.	Filipino	15,159,434	0.31%
Ramon de Leon	Filipino	11,810,854	0.24%
Ricardo Leong	Filipino	11,810,854	0.24%
Calixto Laureano	Filipino	11,810,854	0.24%
Consuelo Madrigal	Filipino	11,500,000	0.23%
Gerardo Domenico Antonio Lanuza	Filipino	9,843,366	0.20%
Oscar S. Cu ITF Anthony Cu	Filipino	7,390,000	0.15%
Meridian Securities	Filipino	6,269,888	0.13%
Guoco Sec (Phils) Inc.	Filipino	5,961,532	0.12%
Guild Securities	Filipino	5,598,162	0.11%
E. Chua Chiaco Securities, Inc.	Filipino	5,538,016	0.11%
Citisecurities, Inc.	Filipino	5,408,078	0.11%
National Bookstore, Inc.	Filipino	5,393,450	0.11%
Wellington Chan	Filipino	5,185,801	0.11%
Oscar Cu	Filipino	4,550,750	0.09%
Cualoping Securities	Filipino	4,335,974	0.09%
<b>Total</b>		<b>4,682,083,180</b>	<b>95.11%</b>

**C. 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 ₱250 million of the Company's retained earnings for the purchase of its own capital stock. In 2018, the Board approved the reclassification of ₱140 million Appropriated Retained Earnings to Unappropriated Retained Earnings.

**D. Recent sales of unregistered securities**

For year 2018, the Company has no sales of unregistered securities.

**E. Corporate Governance**

The Company, its directors, officers and employees complied with the leading practices and principles on good corporate governance as embodied in the Company's Manual on Corporate Governance ("Manual"). The Company accomplished the PSE Corporate Governance Guidelines for Listed Companies: Disclosure Survey for 2016. On August 28, 2012, the Company's Board of Directors approved the Audit Committee Charter in compliance with SEC Memorandum Circular No. 4, Series of 2012. Pursuant thereto, the Company created an Internal Audit Unit and has engaged the services of an Accountant for the Internal Auditor post.

The Company has complied with all leading practices of good governance. An evaluation system has been established to measure the level of compliance with the Manual by Directors and top-level management. The Company has undertaken minor revisions in its internal control system and adopted a strict implementation of the provisions of its Manual including the adoption of appropriate penalties for non-compliance. Since the last Annual Meeting, there has been no deviation from the Company's Manual that would require a report or disclosure.

Last May 2017, the Company revised the Corporate Governance Manual in accordance with the SEC Memorandum Circular No. 19 which contained the Code of Corporate Governance for Publicly-Listed Companies.

## ANNEX "C"

### NATURE AND SCOPE OF BUSINESS

Philippine Realty and Holdings Corporation was incorporated on July 13, 1981 with an initial capitalization of ₱2 million. In 1986, the Company's capitalization was increased to ₱100 Million to accommodate the entry of new stockholders. In September 1987, the Company became a public corporation. Its present authorized capital stock is ₱8 Billion, divided into 8 billion shares, of which 4.92 billion shares are outstanding and subscribed.

The Company'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, the Company 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 the Company'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, the Company 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. Its clients include: Philippine Stock Exchange Centre Condominium Corporation, Icon Residences, Icon Plaza, Casa Miguel, Skyline Tower, Nobel Plaza Condominium, LTA Condominium, Greenhills Properties Inc.'s El Pueblo Real de Manila, The Pinnacle Condominium and Greenrich Mansion Condominium. PPMI ensures that the properties are 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. ("TIBI") was incorporated in January 1989 as Philrealty Insurance Agency. Due to increasing demand, it was reorganized to become an insurance brokerage firm in 1994. Major clients include: Philrealty Group of Companies, RG Meditron, Philippine Stock Exchange Centre Condominium Corporation, Icon Residences, Icon Plaza and Develop Dimension Inc.

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

Universal Travel Corporation ("UTC") was incorporated in October 1993 and was 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 catered to Philippine Stock Exchange Centre's tenants. In August 2018, the Company announced that it has ceased its travel agency business operations on a voluntary basis due to continuing losses and increasing capital deficiency. The terminated employees of UTC were all paid their separation benefits and all creditors were also paid prior to the temporary cessation of its business operations. This move is part of the business rationalization process presently being undertaken by Philrealty wherein the Issuer seeks to explore new investment/business opportunities while at the same time lightening up on existing unrelated or unprofitable investments.

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

Sultan Power, Inc. ("SPI") was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced its operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation ("Recon-X"). SPI subscribed to 51% of the total and issued and outstanding shares of Recon-X. Recon-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling and converting solid waste and plastics into fuel (gasoline, diesel and kerosene) using patented technology which was duly-certified by the Intellectual Property Office of the Philippines ("IPP") for "Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel", certified by the Department of Science and Technology ("DOST") and by the Department of Energy ("DOE"). Recon-

X is still in pre-operating stage.

### **Product/Services**

#### **A. Sale of Condominium units**

The Company develops and sells high end Condominium units located in One Balete drive Corner n Domingo Street, Quezon City and 5<sup>th</sup> Avenue Bonifacio Global City, Taguig City. In Quezon City, the Parent Company developed Two Towers, namely Andrea North Skyline Tower and Andrea North SkyVillas Tower. In addition, The Parent Company entered into two joint-venture arrangements with Xcell Property Ventures Inc., for the development of Icon Residences (twin-tower residential condominium) and Icon Plaza (Residential/commercial condominium units). The Parent Company has several units for sale and for lease in Icon Plaza.

#### **B. Leasing**

Philrealty has leased some of its office unit, storage units and parking slots located at Philippine Stock Exchange Centre located in PSE Centre Exchange Road Ortigas Center Pasig City, Icon Plaza Building located at 5<sup>th</sup> Avenue Bonifacio Global City, Taguig City, and Skyline Premiere and Skyvillas Tower located at One Balete drive Corner N. Domingo Street, Quezon City to individuals or corporations at prevailing rates. The contracts of lease are renewable for periods ranging from six months to five years.

The Parent Company has also leased two Parcels of land with total area of 3,200 square meters wherein one of the lands has an existing improvement with a total gross floor area of 1,172.27 square meters located at 5<sup>th</sup> Avenue Bonifacio Global City, Taguig City.

Moreover, Philrealty entered into a six years lease agreement with a lessee to lease the ground floor of One Balete Building, with a total area of 500 square meter. One Balete Building is located at One Balete drive Corner n Domingo Street, Quezon City.

#### **C. Property Management**

The property management subsidiary, PRHC Property Managers, Inc. ("PPMI") oversees the administration, operation and monitoring of real estate assets of Philrealty and other Companies.

#### **D. Insurance Brokerage**

Tektite Insurance Brokers, Inc. ("TIBI") operates as insurance brokerage firm for Philrealty and other Companies.



**ANNEX "D"**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0	9	9	9	0	5				
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Company Name

P	H	I	L	I	P	P	I	N	E		R	E	A	L	T	Y		A	N	D		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)

O	N	E		B	A	L	E	T	E	,		1		B	A	L	E	T	E		D	R	I	V	E				
C	O	R	N	E	R		N	.		D	O	M	I	N	G	O		S	T	R	E	E	T						
B	R	G	Y	.		K	A	U	N	L	A	R	A	N		D	I	S	T	R	I	C	T		4	,			
Q	U	E	Z	O	N		C	I	T	Y																			

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

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Secondary License Type, if Applicable

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**COMPANY INFORMATION**

Company's Email Address

edmund.medrano@philrealty.com.ph

Company's Telephone Number/s

636-1170

Mobile Number

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No. of Stockholders

2,339

Annual Meeting  
Month/Day

--	--	--	--	--	--	--	--	--	--

Fiscal Year  
Month/Day

December 31

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**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Edmund Medrano

Email Address

edmund.medrano@philrealty.com.ph

Telephone Number/s

--	--	--	--	--	--	--	--	--	--

Mobile Number

--	--	--	--	--	--	--	--	--	--

Contact Person's Address

Andrea North Complex, 1 Balete Drive cor. N. Domingo Street New Manila, 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 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.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018, 2017 and 2016**



# Philippine Realty & Holdings Corporation

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** (the "Company") and **SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

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

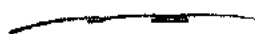
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Maceda Valencia and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**GERARDO O. LANUZA, JR.**  
Chairman of the Board

  
**ALFREDO S. DEL ROSARIO, JR.**  
Chief Executive Officer and President

  
**EDMUNDO C. MEDRANO**  
Senior Vice President and Chief Financial Officer, Treasurer,  
Compliance Officer and Chief Subsidiary Management Officer

Signed this 4th day of April 2019.



# Philippine Realty & Holdings Corporation

SUBSCRIBED AND SWORN TO before me this APR 11 day 2019, affiants exhibiting to me his validly-issued Taxpayer's Identification Numbers as follows:

Name	Tax Identification No.	Issued by
Gerardo O. Lanuza, Jr.	121-199-566	Bureau of Internal Revenue
Alfredo S. Del Rosario, Jr.	108-160-980	Bureau of Internal Revenue
Edmundo C. Medrano	134-515-229	Bureau of Internal Revenue

Doc. No. 06 ;  
Page No. 2 ;  
Book No. N ;  
Series of 2019. -

**NOTARY PUBLIC**  
**ATTY. RUBEN M. AZANES, JR.**  
**NOTARY PUBLIC**  
**UNTIL DECEMBER 31, 2023**  
PTR NO. 7324188, 01-04-2019, Quezon City  
BSP NO. AN4532307811CY-1/7/19 QC Chapter  
Roll of Attorney's No. 46427  
Admin Matter No. 153  
MCLE-V-0024616  
TIN: 140-394-386-000

## REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation and Subsidiaries  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

### *Opinion*

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its cash flows for the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

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



### Valuation of Real Estate Inventories

#### *The Risk*

Real estate inventories constitute a material component in the Group's consolidated statement of financial position. Real estate inventories amounted to P1.43 billion representing 28% of the total assets as at December 31, 2018. Real estate inventories include properties under construction, newly built properties that are held for sale in the ordinary course of business and land held for development. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories are influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

#### *Our Response*

Based on a sample selected according to qualitative and quantitative factors, our audit procedures included the following:

- Evaluation of recognized costs for selected projects in terms of eligibility for capitalization and allocation on the basis of the respective financial forecast;
- Identification of deviations between financial forecasts and the respective project accounts together with a critical assessment of these deviations through discussions with project managers, and reconciliation of actual costs with construction cost statements; and
- Analysis of realizable values by inspecting the most recent sales contracts and comparing expected future costs, costs already capitalized and expected sales proceeds from remaining properties.

### Allowance for Impairment Losses on Trade and Other Receivables

#### *The Risk*

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2018, trade and other receivables has a total carrying amount of P1.27 billion contributing 25% of the Group's total assets. Out of the total trade and other receivables, P258.93 million are already past due for more than a year but considered not impaired.

#### *Our Response*

Our audit procedures included the following:

- Testing the Group's controls over the receivables collection processes.
- Testing the adequacy of the Group's provisions against trade receivables by assessing management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this industry.
- We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

### Adoption of PFRS 9, *Financial Instruments*

#### *The Risk*

On January 1, 2018, the Group adopted Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the Expected Credit Loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining what comprises default; determining assumptions to be used in the ECL model such as the expected life of the trade and other receivables and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating the ECL.

The effect of the adoption of the PFRS 9 ECL model was disclosed in Note 34 to the consolidated financial statements.

#### *Our Response*

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

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

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

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

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jose T. Valencia.

**MACEDA VALENCIA & CO.**

  
**JOSE T. VALENCIA**

Partner

CPA License No. 32659

PTR No. 7394089

Issued on January 31, 2019 at Makati City

SEC Accreditation No. (individual) as general auditor 1535-AR-1 Category A,

Effective until January 30, 2022

SEC Accreditation No. (firm) as general auditors 0196-FR-2;

Effective until March 29, 2020

TIN 119-894-676

BIR Accreditation No. 08-001987-008-2018

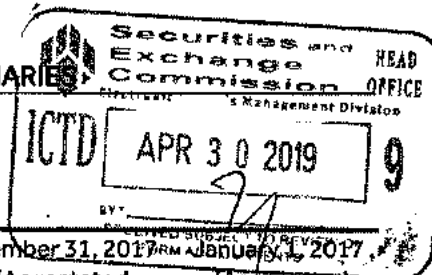
Issued on April 6, 2018; effective until April 5, 2021

BOA/PRC Reg. No. 4748, effective until June 26, 2021

April 4, 2019

Makati City

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017 AND JANUARY 1, 2017**



		December 31, 2018	December 31, 2017 (As restated - Note 8)	January 1, 2017 (As restated - Note 8)
	<i>Note</i>			
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	3	P78,462,791	P140,866,864	P55,843,067
Financial assets at fair value through profit or loss (FVPL)	4	6,750,000	26,006,562	23,439,020
Trade and other receivables - current portion	7	1,006,530,211	981,209,865	307,809,090
Real estate inventories	8	1,431,248,954	1,905,209,318	1,858,974,888
Prepayments and other assets - net	9	305,369,994	204,163,452	159,434,610
<b>Total Current Assets</b>		<b>2,828,361,950</b>	<b>3,257,456,061</b>	<b>2,405,500,675</b>
<b>Non-current Assets</b>				
Financial assets at fair value through other comprehensive income (FVOCI)	5	41,333,478	-	-
Available-for-sale (AFS) financial assets	5	-	38,000,567	130,555,203
Held-to-maturity (HTM) financial assets	6	-	1,000,000	1,000,000
Trade and other receivables - non current portion	7	265,669,488	88,313,370	500,769,478
Investments in and advances to associates - net	10	76,673,455	84,878,451	81,750,944
Investment properties - net	12	1,693,172,141	865,348,710	196,982,999
Property and equipment - net	13	118,444,300	129,293,232	90,750,569
Deferred tax assets - net	28	-	-	42,495,050
<b>Total Non-current Assets</b>		<b>2,195,292,862</b>	<b>1,206,834,330</b>	<b>1,044,304,243</b>
		<b>P5,023,654,812</b>	<b>P4,464,290,391</b>	<b>P3,449,804,918</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables - current portion	14	P408,874,330	P195,320,065	P262,280,120
Unearned income	15	899,787	4,797,416	18,018,915
Loans payable	16	271,896,088	92,462,966	137,131,075
<b>Total Current Liabilities</b>		<b>681,670,205</b>	<b>292,580,447</b>	<b>417,430,110</b>
<b>Non-current Liabilities</b>				
Trade and other payables - net of current portion	14	176,447,232	154,427,282	26,822,814
Loans payable - net of current portion	16	388,782,961	764,358,197	150,584,964
Retirement benefit obligation	18	25,399,477	30,911,040	143,908,920
Deferred tax liabilities - net	28	242,606,874	75,250,972	-
Other non-current liabilities	22	38,015,065	65,063,582	-
<b>Total Non-current Liabilities</b>		<b>871,251,609</b>	<b>1,090,011,073</b>	<b>321,316,698</b>
		<b>1,552,921,814</b>	<b>1,382,591,520</b>	<b>738,746,808</b>

*Forward*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017 AND JANUARY 1, 2017**

	<i>Note</i>	December 31, 2018	December 31, 2017 (As restated - Note 8)	January 1, 2017 (As restated - Note 8)
<b>Equity Attributable to Equity Holders of the Parent Company</b>				
Capital stock	29,30	P2,344,198,495	P2,344,198,495	P2,257,878,523
Additional paid-in capital	29,30	557,014,317	557,014,317	557,014,317
Reserves	31	66,940,178	195,307,585	177,517,992
Retained earnings (deficit)		617,459,124	153,038,847	(111,274,009)
Treasury stock	29	(109,712,439)	(160,904,214)	(163,383,895)
		3,475,899,675	3,088,655,030	2,717,752,928
<b>Equity Attributable to Non-Controlling Interest</b>				
	32	(5,166,677)	(6,956,159)	(6,694,818)
		3,470,732,998	3,081,698,871	2,711,058,110
		<b>P5,023,654,812</b>	<b>P4,464,290,391</b>	<b>P3,449,804,918</b>

*See Notes to the Consolidated Financial Statements.*



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	<i>Note</i>	2018	2017	2016
<b>INCOME</b>				
Sales of real estate		P1,009,230,247	P785,934,606	P356,678,738
Rent	22	102,120,869	47,053,723	19,481,398
Management fees	20	34,047,671	30,159,048	31,581,353
Commission	21	6,676,026	7,561,923	7,721,013
Gain on sale of property and equipment		3,952,737	238,988	-
Interest	23	3,574,804	11,515,074	11,105,288
Gain on sale of AFS financial assets		-	19,205,993	41,947
Equity in net income of an associate	10	-	3,127,507	-
Gain on sale of land invested in a joint arrangement	11	-	-	156,916,474
Other income	24	661,531,938	359,288,714	10,738,406
		<b>1,821,134,292</b>	<b>1,264,085,576</b>	<b>594,264,617</b>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	8	594,013,963	471,047,441	223,046,461
Cost of services	25	70,491,179	70,322,494	51,444,181
General and administrative expenses	26	506,541,946	318,574,003	305,415,883
Finance cost	16	8,474,222	9,547,530	7,435,094
Equity in net loss of an associate	10	8,204,998	-	2,082,666
Other expenses	27	63,633,979	2,293,579	3,469,949
		<b>1,251,360,287</b>	<b>871,785,047</b>	<b>592,894,234</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>569,774,005</b>	<b>392,300,529</b>	<b>1,370,383</b>
<b>INCOME TAX EXPENSE</b>	28	<b>178,840,222</b>	<b>129,790,383</b>	<b>9,758,491</b>
<b>NET INCOME (LOSS)</b>		<b>P390,933,783</b>	<b>P262,510,146</b>	<b>(P8,388,108)</b>
<b>Attributable to:</b>				
Equity holders of the parent		P392,632,613	P264,361,753	(P3,902,319)
Non-controlling interest	32	(1,698,830)	(1,851,607)	(4,485,789)
		<b>P390,933,783</b>	<b>P262,510,146</b>	<b>(P8,388,108)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Unrealized holding gain on available-for-sale financial assets	5	-	26,929,544	36,350,074
Transfer of loss on sale of available-for-sale investments to profit or loss		-	(48,897)	(41,947)
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit obligation, net of tax	31	8,137,444	(7,549,685)	(541,767)
Unrealized holding loss on financial assets at FVOCI	5,31	(15,449,604)	-	-
		<b>(7,312,160)</b>	<b>19,330,962</b>	<b>35,766,360</b>
<b>Total Comprehensive Income</b>		<b>P383,621,623</b>	<b>P281,841,108</b>	<b>P27,378,252</b>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	33	<b>P0.08</b>	<b>P0.05</b>	<b>(P0.00)</b>

See Notes to the Consolidated Financial Statements.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	Equity Attributable to Equity Holders of the Parent Company						Non- controlling Interest (Note 32)	Total Equity
	Capital Stock (Notes 29 and 30)	Additional Paid-in Capital (Notes 29 and 30)	Reserves (Note 31)	Retained Earnings (Deficit)	Treasury Stock (Note 29)	Total		
Balance at January 1, 2016	P4,515,726,645	P114,751	P142,656,538	(P1,808,992,212)	(P163,383,895)	P2,686,121,827	(P2,691,969)	P2,683,429,858
Comprehensive income (loss)								
Net loss for the year	-	-	-	(3,902,319)	-	(3,902,319)	(4,485,789)	(8,388,108)
Other comprehensive income for the year	-	-	34,861,454	671,966	-	35,533,420	232,940	35,766,360
Total comprehensive income (loss) for the year	-	-	34,861,454	(3,230,353)	-	31,631,101	(4,252,849)	27,378,252
Transactions with owners								
Reduction of par value of capital stock	(2,257,848,122)	556,899,566	-	1,700,948,556	-	-	-	-
Share in capital stock of minority interest	-	-	-	-	-	-	250,000	250,000
Total transactions with owners	(2,257,848,122)	556,899,566	-	1,700,948,556	-	-	250,000	250,000
Balance at December 31, 2016	2,257,878,523	557,014,317	177,517,992	(111,274,009)	(163,383,895)	2,717,752,928	(6,694,818)	2,711,058,110
Comprehensive income (loss)								
Net income (loss) for the year	-	-	-	264,361,753	-	264,361,753	(1,851,607)	262,510,146
Other comprehensive income (loss) for the year	-	-	17,789,593	(48,897)	-	17,740,696	1,590,266	19,330,962
Total comprehensive income (loss) for the year	-	-	17,789,593	264,312,856	-	282,102,449	(261,341)	281,841,108
Transactions with owners								
Collections of subscriptions receivable	86,319,972	-	-	-	-	86,319,972	-	86,319,972
Reissuance of shares	-	-	-	-	2,479,681	2,479,681	-	2,479,681
Total transactions with owners	86,319,972	-	-	-	2,479,681	88,799,653	-	88,799,653
Balance at December 31, 2017	2,344,198,495	557,014,317	195,307,585	153,038,847	(160,904,214)	3,088,655,030	(6,956,159)	3,081,698,871
Comprehensive income (loss)								
Net income (loss) for the year	-	-	-	392,632,613	-	392,632,613	(1,698,830)	390,933,783
Other comprehensive loss for the year	-	-	(7,312,160)	-	-	(7,312,160)	-	(7,312,160)
Total comprehensive income (loss) for the year	-	-	(7,312,160)	392,632,613	-	385,320,453	(1,698,830)	383,621,623
Effect of reclassification of financial assets at FVPL to financial assets at FVOCI	-	-	17,308,122	(17,308,122)	-	-	-	-
Disposal of financial assets at FVOCI	-	-	1,924,192	-	-	1,924,192	3,488,312	5,412,504
Reissuance of shares	-	-	-	(51,191,775)	51,191,775	-	-	-
Reversal of appropriation	-	-	(140,287,561)	140,287,561	-	-	-	-
Balance at December 31, 2018	P2,344,198,495	P557,014,317	P66,940,178	P617,459,124	P109,712,439	P3,475,899,675	P(5,166,677)	P3,470,732,998

See Notes to the Consolidated Financial Statements.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	<i>Note</i>	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P569,774,005	P392,300,529	P1,370,383
Adjustments for:				
Impairment loss on trade and other receivables	26	26,262,781	1,576,440	1,257,943
Impairment loss on other assets	26	16,637,343	-	-
Depreciation and amortization	25,26	13,478,898	26,316,175	24,995,539
Provision for retirement benefits	18	11,008,355	9,885,206	82,398,786
Finance costs	16	8,474,222	9,547,530	7,435,094
Equity in net loss (income) of an associate	10	8,204,997	(3,127,507)	2,082,666
Gain on fair value adjustment of investment properties	24	(511,432,937)	(354,123,354)	-
Reversal of various liabilities	24	(109,006,274)	(1,058,516)	(1,354,928)
Gain on sale of property and equipment – net	24,27	(3,644,424)	(238,988)	-
Interest income	23	(3,574,804)	(11,515,074)	(11,105,288)
Unrealized foreign exchange loss (gain) – net	24	(1,809,732)	161,501	(109,258)
Dividend income	24	(626,337)	(400,915)	(306,679)
Gain on sale of land invested in a joint arrangement	11	-	-	(156,916,474)
Holding gain on trading investments	24	-	-	(7,559,983)
Gain on sale of AFS financial assets		-	(19,205,994)	(41,947)
Operating income (loss) before working capital changes		23,746,093	50,117,033	(57,854,146)
Decrease (increase) in:				
Trade and other receivables		(425,662,730)	(251,671,949)	(74,709,538)
Prepayments and other assets		(132,871,065)	(43,299,511)	28,252,613
Real estate inventories		473,960,364	(46,234,430)	(452,955,447)
Increase (decrease) in:				
Trade and other payables		346,390,221	125,727,619	42,212,283
Unearned income		(3,897,629)	(13,221,499)	(25,447,424)
Other non-current liabilities		(27,048,517)	-	-
Cash generated from (used in) operations		254,616,737	(178,582,736)	(540,501,660)
Interest received		3,574,804	11,515,074	11,105,288
Dividends received		626,337	400,915	306,679
Contributions to retirement fund	18	(4,500,000)	(800,000)	(665,579)
Retirement benefit paid	18	(395,000)	(132,868,347)	-
Net cash provided by (used in) operating activities		253,922,878	(300,335,094)	(529,755,272)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of AFS financial assets	5	21,952,385	118,817,906	-
Proceeds from disposal of property and equipment		9,902,823	1,493,191	915,550
Proceeds from sale of HTM investments		1,000,000	-	-
Additions to investment properties	12	(135,765,653)	(329,274,552)	-
Additions to property and equipment	13	(8,800,170)	(52,432,611)	(8,060,924)
Proceeds from sale of land invested in a joint arrangement		-	-	218,299,727
Decrease in AFS financial assets		-	-	1,077,871
Net cash provided by (used in) investing activities		(111,710,615)	(261,396,066)	212,232,224

Forward

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

	<i>Note</i>	2018	2017	2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans	16	P9,287,000	P827,554,118	P246,098,000
Finance cost paid		(8,474,222)	(8,670,139)	(7,549,824)
Payments of loans payable	16	(205,429,114)	(258,448,994)	(17,641,958)
Collection of subscriptions receivable	29	-	86,319,972	-
Net cash from (used in) financing activities		(204,616,336)	646,754,957	220,906,218
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		(62,404,073)	85,023,797	(96,616,830)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		140,866,864	55,843,067	152,459,897
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		P78,462,791	P140,866,864	P55,843,067

*See Notes to the Consolidated Financial Statements.*

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

Philippine Realty and Holdings Corporation (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981 with a corporate life of fifty (50) years. The principal activities of the Parent Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Parent Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

The Parent Company is 35.67% owned by Greenhills Properties, Inc. (GPI), a corporation incorporated under the laws of the Philippines. The remaining shares are owned by various individuals and institutional stockholders.

The financial position and results of operations of the Parent Company and its subsidiaries (collectively referred to as the "Group") are consolidated in these financial statements (see Note 39).

During the Stockholders meeting last July 23, 2018, the Stockholders approved the amendment of Article VII of the Parent Company's Articles of Incorporation to increase the Parent Company's Authorized Capital Stock from 8,000,000,000 common shares with a par value of PhP0.50 per share to 16,000,000,000 common shares with a par value of PhP0.50 per share. The Parent Company's application with the SEC for the approval of the increase in authorized capital is still pending as of the reporting date.

Upon approval by the SEC of the increase in authorized capital, GPI plans to contribute two vacant lots in Bonifacio Global City (BGC) in exchange for the Parent Company's shares of stock. Meridian Assurance Corporation (MAC), an associate, on the other hand plans to contribute various condominium units and parking slots located at the Philippine Stock Exchange Centre (PSEC) in Pasig City and at the Icon Plaza in Taguig City also in exchange for the Parent Company's shares of stock.

The Parent Company's registered office is at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

**Status of Operations**

On March 18, 2014, as recommended by the Rehabilitation Receiver for the successful implementation of the court-approved Rehabilitation Plan, the Parent Company's Motion to Terminate Rehabilitation Proceeding on Account of the Successful Implementation of the Rehabilitation Plan was granted. Accordingly, the Stay Order issued in this case was lifted. As a result, the Parent Company was able to resume normal business operations without the supervision of a court approved receiver. 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.

On February 9, 2016, the SEC approved the Parent 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 was applied to the Parent Company's accumulated deficit (see Note 30).

The Parent Company earned total comprehensive income of P393.3 million in 2018, P265.1 million in 2017 and P65.7 million in 2016. The Parent 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 the Parent Company's profitability primarily by generating operating income from recurring revenue sources and the proposed projects to be undertaken. First, major properties owned by the Parent Company and GPI, who has undertaken to provide operational and financial support to the Parent Company, will be developed for sale and lease. The Parent Company plans to also maximize the utilization of all its existing developments and investment properties. The Parent 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-

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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generated funds, the Parent Company will continue to consider securing necessary and sufficient funding from various financial sources.

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**2. Basis of Preparation**

**Statement of Compliance**

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The accompanying consolidated financial statements as at and for the year ended December 31, 2018 were approved and authorized for issuance by the Board of Directors (BOD) on April 4, 2019.

**Basis of Measurement**

The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Investment properties	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

**Functional and Presentation Currency**

The consolidated financial statements are presented in Philippine peso, which is the presentation and functional currency of the Group. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

**Use of Estimates and Judgments**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 35.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Cash and Cash Equivalents**

This account consists of:

	2018	2017
Cash in banks	P68,368,920	P114,017,663
Cash on hand	42,000	103,576
Cash equivalents	10,051,871	26,745,625
	<b>P78,462,791</b>	<b>P140,866,864</b>

Cash in banks earn average annual interest ranging from 1.0% to 1.25% in 2018 and 2017. Cash equivalents represent short-term money market placements with maturities up to three months and earn annual interest at the prevailing short-term investment rates.

Loss on money market investment amounted to P0.89 million as at December 31, 2018 (see Note 27).

Interest income recognized amounted to P2.40 million, P0.51 million and P0.12 million as at December 31, 2018, 2017 and 2016, respectively (see Note 23).

**4. Financial Assets at FVPL**

The movements of financial assets at FVPL are summarized as follows:

	Note	2018	2017
Balance, January 1		P26,006,562	P23,439,020
Reclassification to financial assets at FVOCI			
Cost	5	(1,948,440)	-
Accumulated unrealized holding gain	5	(17,308,122)	-
Fair value adjustments		-	2,567,542
Balance, December 31		<b>P6,750,000</b>	<b>P26,006,562</b>

These financial assets are equity securities of various listed companies. The fair values of these securities are based on quoted market prices.

This account is composed of the following securities at fair value:

	2018	2017
Property company	P6,750,000	P6,750,000
Holding firms	-	19,256,562
	<b>P6,750,000</b>	<b>P26,006,562</b>

Dividend income recognized in profit or loss amounted to P400,915 and P306,679 in 2017 and 2016, respectively (see Note 24).

**5. Financial Assets at FVOCI and AFS Financial Assets**

As disclosed in Note 34, the Group adopted PFRS 9, *Financial Instruments* effective January 1, 2018 and opted not to restate comparative information. The Group's investments classified as "Available-for-sale financial assets" as at December 31, 2017 were reclassified as "Financial assets at fair value through other comprehensive income" as at December 31, 2018 to conform with the new classification categories under PFRS 9.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2018, financial assets at FVTPL consist of investments in:

	<i>Note</i>	<b>2018</b>
At cost:		
Listed shares of stock		<b>P58,332,806</b>
Golf and country club shares		<b>3,350,000</b>
		<b>61,682,806</b>
Accumulated unrealized holding loss	<i>31,32</i>	<b>(20,349,328)</b>
		<b>P41,333,478</b>

As at December 31, 2017, available-for-sale financial assets consist of investments in:

	<i>Note</i>	<b>2017</b>
At cost:		
Listed shares of stock		<b>P61,766,112</b>
Trust funds		<b>504,805</b>
Golf and country club shares		<b>3,350,000</b>
		<b>65,620,917</b>
Accumulated unrealized holding loss	<i>31,32</i>	<b>(27,620,350)</b>
		<b>P38,000,567</b>

The movements in the financial assets at FVOCI and AFS financial assets are summarized as follows:

	<i>Note</i>	<b>2018</b>	<b>2017</b>
January 1		<b>P38,000,567</b>	<b>P130,555,203</b>
Disposals		<b>(474,047)</b>	<b>(119,435,283)</b>
		<b>37,526,520</b>	<b>11,119,920</b>
Fair value adjustments	<i>31,32</i>	<b>(15,449,604)</b>	<b>26,929,544</b>
Reclassification from financial assets at FVPL			
Cost	<i>4</i>	<b>1,948,440</b>	<b>-</b>
Accumulated unrealized holding gain	<i>4</i>	<b>17,308,122</b>	<b>-</b>
Transfer to consolidated statements of total comprehensive income on sale of AFS investments		<b>-</b>	<b>(48,897)</b>
December 31		<b>P41,333,478</b>	<b>P38,000,567</b>

The movements in the accumulated unrealized holding loss are summarized as follows:

	<i>Note</i>	<b>2018</b>	<b>2017</b>
January 1		<b>(P27,620,350)</b>	<b>(P54,549,894)</b>
Fair value adjustments	<i>31,32</i>	<b>(15,449,604)</b>	<b>26,929,544</b>
Reclassification from financial assets at FVPL	<i>4</i>	<b>17,308,122</b>	<b>-</b>
Disposal	<i>31,32</i>	<b>5,412,504</b>	<b>-</b>
		<b>(P20,349,328)</b>	<b>(P27,620,350)</b>

Investments in shares of stock consist of investment in various listed equity securities and golf and country club shares that management intends to continually hold for opportunity for return through dividend income and membership purposes, respectively. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Group's reserves.

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The above investments in equity instruments are not held for trading and the Group irrevocably elected to present subsequent changes in fair values in OCI.

Unrealized holding gain (loss) recognized in other comprehensive income from financial assets at FVOCI/AFS financial assets amounted to (P15.4) million in 2018, P25.3 million in 2017 and P36.1 million in 2016 (see Note 31).

Proceeds from disposal of investments amounted to P1,924,192 and P118,817,906 in 2018 and 2017, respectively.

Dividend income recognized in profit or loss amounted to P626,337 in 2018 (see Note 24).

**6. Held-to-Maturity (HTM) Financial Assets**

As disclosed in Note 34, the Group adopted PFRS 9, *Financial Instruments* effective January 1, 2018 and opted not to restate comparative information. The Group's investments classified as "HTM Investments" as at December 31, 2017 were reclassified as "Financial assets at amortized cost" as at January 1, 2018 to conform with the new classification categories under PFRS 9.

This account consists of P1.0 million unsecured subordinated note issued by a universal bank with interest rate of 5.375% and has a term of 10 years. In 2018, the Group disposed the investment at its face value.

**7. Trade and Other Receivables**

This account is composed of:

	2018	2017
Trade:		
Sale of real estate	P1,052,682,768	P725,975,729
Lease	22,533,032	26,626,894
Management fees	5,954,270	6,168,145
Commission	4,983,724	4,829,540
Premiums receivable	4,400,104	3,654,748
Advances	44,116,719	60,612,247
Other receivables	163,458,986	279,464,772
	<b>1,298,129,603</b>	<b>1,107,332,075</b>
Less: allowance for impairment loss	<b>25,929,904</b>	<b>37,808,840</b>
	<b>P1,272,199,699</b>	<b>P1,069,523,235</b>

Trade receivables from sale of real estate include amounts due from buyers of the Parent Company's condominium projects, generally over a period of three (3) or four (4) years. The condominium certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Trade receivables due after one year amounted P265.67 million in 2018 and P88.31 million in 2017. Trade receivables carry yield-to-maturity interest rates of 5.64% in 2018, 2017 and 2016. Interest income recognized amounted to P1,020,842, P879,085 and P746,775 as at December 31, 2018, 2017 and 2016, respectively (see Note 23).

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Certain trade receivables with total carrying value of P11.9 million and P13.4 million as at December 31, 2018 and 2017 are pledged to a local bank as collateral to the Parent Company's loans payable (see Note 16).

Other receivables as at December 31, 2018 and 2017 include the outstanding receivables from Xcell Property Ventures, Inc. (Xcell) amounting to P15.8 million and P265 million, respectively (see Note 11). This also includes P98.4 million receivable in relation to the parcels of land sold in 2014. Cash amounting to P18.8 million deposited under the name of the joint venture which was released as part of the settlement agreement in 2018 was also included under this account (see Note 19). The rest of the balances are receivables from lessees and concessionaires.

Receivables amounting to P25.9 million and P37.8 million as of December 31, 2018 and 2017, respectively, were impaired and fully provided for. The allowance for doubtful accounts for trade receivables has been determined as follows:

	2018	2017
Collectively impaired	P25,929,904	P22,301,040
Individually impaired	-	15,507,800
<b>Total</b>	<b>P25,929,904</b>	<b>P37,808,840</b>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2018, the exposure at default amounts to P670.98 million. The expected credit loss rate is 3.86% that resulted in the ECL of P25.9 million as at December 31, 2018 (see Note 37).

Movements in allowance for impairment losses on receivables in 2018 and 2017 are as follows:

	Note	2018	2017
Balance at beginning of year		P37,808,840	P37,747,557
Provisions for the year	26	26,262,781	61,283
Reversal of provisions		(38,141,717)	-
<b>Balance at end of year</b>		<b>P25,929,904</b>	<b>P37,808,840</b>

Receivables amounting to nil and P1,576,440 were directly written-off in 2018 and 2017, respectively.

## **8. Real Estate Inventories**

This account consists of:

	2018	2017	2016
In progress:			
Andrea North Skyvillas Tower	P631,496,290	P1,102,134,283	P1,347,240,380
Andrea North Estate	55,536,289	67,094,101	31,963,304
BGC Project	54,522,805	-	-
Others	37,712,881	16,973,867	14,245,924
	<b>779,268,265</b>	<b>1,186,202,251</b>	<b>1,393,449,608</b>

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	2018	2017	2016
Completed units:			
Andrea North Skyline Tower	219,779,747	228,314,325	239,185,202
The Icon Plaza	19,846,249	25,251,249	30,791,051
Casa Miguel	6,895,314	6,895,314	6,895,314
	246,521,310	260,460,888	276,871,567
Land held for development:			
Baguio	269,892,466	269,892,466	-
New Manila, Quezon City	135,566,913	188,653,713	188,653,713
	405,459,379	458,546,179	188,653,713
	P1,431,248,954	P1,905,209,318	P1,858,974,888

BGC Project and Others represent the cost of the master plan design of the new towers in BGC and Andrea North project, respectively.

In July 2011, the Parent Company had a joint arrangement with Xcell for the development of a residential/commercial condominium on the Parent Company's Fort Bonifacio lot to be called "The Icon Plaza." The Parent Company contributed lot 9-4 to the joint arrangement and in return will receive twenty percent (20%) of the aggregated area of all the completed and saleable units of the project, plus 35% of the joint arrangement's pre-tax profits from the project. The Parent Company's share on the saleable area of The Icon Plaza under joint arrangement with Xcell is recorded as real estate inventories. The percentage of completion of The Icon Plaza is 100% as at December 31, 2018.

In 2018, although not yet approved by the Board of Accountancy, the Parent Company adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*. Based on this interpretation, real estate inventories include land which the BOD has previously approved to be developed into residential development for sale. This was previously presented as real estate held for development under non-current assets. Before the adoption of PIC Q&A 2018-11, the classification was based on the Parent Company's timing to start the development of the property. This was reclassified under inventories in the consolidated statements of financial position.

The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statements of financial position as follows:

	As previously reported (January 1, 2017)	Adjustments	As restated (January 1, 2017)
Real estate inventories	P1,670,321,175	P188,653,713	P1,858,974,888
Real estate held for development	188,653,713	(188,653,713)	-
	P1,858,974,888	-	P1,858,974,888

	As previously reported (December 31, 2017)	Adjustments	As restated (December 31, 2017)
Real estate inventories	P1,446,663,139	P458,546,179	P1,905,209,318
Real estate held for development	458,546,179	(458,546,179)	-
	P1,905,209,318	-	P1,905,209,318

Certain real estate inventories are mortgaged as collaterals to loans (see Note 16).

The cost of real estate inventories recognized as cost of sales amounted to P594,013,963, P471,047,441 and P223,046,461 in 2018, 2017 and 2016, respectively.

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**9. Prepayments and Other Assets**

This account consists of:

	2018	2017
Creditable withholding tax	P147,661,182	P135,871,413
Prepaid taxes	92,068,646	49,361,717
Prepaid expenses	41,023,462	-
Deferred input VAT	13,350,832	-
Utilities deposit	2,995,508	2,343,794
Input tax – net	115,589	645,114
Other assets	8,154,775	15,941,414
	<b>P305,369,994</b>	<b>P204,163,452</b>

Creditable withholding tax is the tax withheld by the customers from their payment to the Group and which tax is creditable against the income tax payable of the Group.

Prepaid taxes are unutilized creditable withholding taxes, a portion of which was filed for refund with the Bureau of Internal Revenue.

Prepaid expenses consist of advance payment for rent, real property tax, insurance premium and membership dues.

Deposits pertain to refundable deposits paid to utility companies. These also include security deposits paid in relation to an office lease agreement.

Other assets include advances made the Parent Company to a certain project amounting to P5.43 million and P4.43 million in 2018 and 2017, respectively, relating to master plan design.

**10. Investments in and Advances to Associates**

Details of the ownership interest in associates as at December 31 are as follows:

	2018	2017
Le Cheval Holdings, Inc. (LCHI)	45%	45%
Alexandra (USA), Inc. (AUI)	45%	45%
Meridian Assurance Corporation	30%	30%

Details of investment in and advances to associates are as follows:

	2018	2017
<b>Meridian Assurance Corporation</b>		
Investment - acquisition cost	<b>P88,875,080</b>	<b>P88,875,080</b>
Accumulated equity in net loss:		
Balance at beginning of year	(4,140,235)	(7,276,418)
Equity in net income (loss) for the year	(8,195,521)	3,136,183
Balance at end of year	<b>(12,335,756)</b>	<b>(4,140,235)</b>
	<b>P76,539,324</b>	<b>P84,734,845</b>

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	2018	2017
<b>Le Cheval Holdings, Inc.</b>		
Investment - acquisition cost	P11,250	P11,250
Allowance for impairment loss	(11,250)	(11,250)
	-	-
Accumulated equity in net income:		
Balance at beginning of year	143,606	152,282
Equity in net loss for the year	(9,477)	(8,676)
Balance at end of year	134,129	143,606
	P134,129	P143,606
<b>Alexandra (USA), Inc.</b>		
Investment - acquisition cost	P14,184,150	P14,184,150
Allowance for impairment loss	(14,184,150)	(14,184,150)
	-	-
Advances to AUI	132,417,765	132,417,765
Allowance for unrecoverable advances	(132,417,765)	(132,417,765)
	-	-
	P76,673,455	P84,878,451

The Parent Company's management performed an assessment for impairment on its investment in and advances to associates. The imminent liquidation of Alexandra USA, Inc. (AUI) indicates the possible impairment in the value of investment in this entity. In 2011, the Parent Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI. The advances was likewise provided with 100% allowance.

The Parent Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associates are as follows:

	2018	2017
<b>Meridian Assurance Corporation (MAC)</b>		
Total assets	P310,595,681	P362,135,175
Total liabilities	58,830,690	82,184,648
Net assets	251,764,991	279,950,527
Income	10,627,527	83,309,791
Cost and expenses	(37,945,930)	72,855,848
Net income (loss)	(P27,318,403)	P10,453,943
<b>Le Cheval Holdings, Inc. (LCHI)</b>		
Total assets	P45,362	P45,362
Total liabilities	122,293	101,235
Net liabilities	(76,931)	(55,873)
Income	-	378
Cost and expenses	(21,058)	(19,657)
Net loss	(P21,058)	(P19,279)

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The following are the principal activities of the Group's Associates:

Meridian Assurance Corporation

MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental. Further, MAC's objective includes purchase or otherwise deal with any property or interest therein, real or personal, as may be permitted by law.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, MAC wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, MAC still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved MAC's application as a servicing company and issued a servicing license. As a servicing insurance company, MAC's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services. Upon divestment of the insurance business, MAC plans to engage in the business of asset management.

The registered office of MAC is at the 7/F, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. Aside from its head office in Metro Manila, it maintains offices in the cities of Cebu and Davao.

Le Cheval Holdings, Inc.

LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock with PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.

AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjieng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando. No information was obtained in the financial status and operations of AUI since 2012.

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**11. Land Invested in Joint Arrangements**

Xcell Property Ventures, Inc. (Xcell)

In 2014, the Parent Company and Xcell entered into a final arrangement that will be the final settlement for both parties since Icon Residences and Andrea North Skyline were 100% completed and the objectives of the agreement were already achieved. The land invested in the joint arrangement was transferred to Xcell during the year and the Parent Company's final settlement from the project amounted to a total of P891 million. The Parent Company recognized an income from the joint arrangement amounting to P84.67 million in 2014. Interest income on receivables arising from the joint arrangement amounting to P10,005,694 was recognized in 2017 and 2016 (see Note 23). The Parent Company did not recognize interest income in 2018 as agreed with Xcell.

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**Tagaytay Joint Arrangement**

A parcel of land with an area of 39,975 square meters located in Iruhin West, Tagaytay City was purchased at a cost of P60.4 million exclusively for the development in relation to the arrangement. In 2016, the Parent Company sold the land for a total consideration of P218.30 million with a gain of P156.92 million.

**12. Investment Properties**

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	<i>Note</i>	2018	2017
Balance, beginning		P865,348,710	P300,473,610
Cost of investment property returned	19	180,624,841	-
Additions		135,765,653	329,274,552
Gain on change in fair value	24	511,432,937	354,123,354
Accumulated depreciation prior to change to fair value method		-	(118,522,806)
Balance, ending		P1,693,172,141	P865,348,710

Xcell assigned certain Icon Plaza properties to the Parent Company as payment for the outstanding balance related to the joint venture agreement (see Note 7).

An independent valuation of the Group's investment properties was performed by appraisers as of November 7, 2018 and March 6, 2017 to determine their fair value. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

Details of investment properties are as follows:

	2018	2017
Condominium units and parking spaces		
PSE Tower I	P971,197,140	P765,798,892
PSE Tower II	437,103,810	159,863,785
Icon Plaza	219,648,230	-
	1,627,949,180	925,662,677
Accumulated depreciation	-	(118,522,806)
	1,627,949,180	807,139,871
Baguio - residential properties	65,222,961	58,208,839
	P1,693,172,141	P865,348,710

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Prior to the change in accounting policy in 2017 from cost model to fair value model, depreciation and amortization expenses recognized in the consolidated statements of total comprehensive income are as follows:

	<i>Note</i>	2017	2016
Cost of services	25	P10,949,120	P12,533,633
General and administrative expenses	26	4,083,075	1,918,168
		<b>P15,032,195</b>	<b>P14,451,801</b>

Rental income from the investment properties amounted to P102.1 million in 2018, P47.1 million in 2017 and P19.5 million in 2016. Real property taxes attributable to investment properties amounted to P6,078,246 in 2018, P5,032,094 in 2017 and P3,082,791 in 2016, these are included as part of taxes and licenses in cost of services. Other direct operating expenses arising from investment properties that generate rental income represent depreciation of condominium units which amounted to nil in 2018, P10,949,120 in 2017 and P12,533,633 in 2016.

Certain investment properties are mortgaged as collateral to loans (see Note 16).

### 13. Property and Equipment

The details of the carrying amounts of property and equipment, the gross carrying amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	For the Years Ended December 31, 2018 and 2017				
	Condominium Units, Building and Building Improvements	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Leasehold and Office Improvements	Total
<b>Cost</b>					
January 1, 2017	P100,965,997	P23,077,167	P27,548,842	P2,303,560	P153,895,566
Additions	20,006,752	1,245,750	31,180,109	-	52,432,611
Disposals	-	(55,804)	(2,900,697)	-	(2,956,501)
December 31, 2017	120,972,749	24,267,113	55,828,254	2,303,560	203,371,676
Additions	-	1,769,541	7,030,629	-	8,800,170
Disposals	(5,476,051)	(709,685)	(6,317,429)	(1,082,379)	(13,585,544)
December 31, 2018	<b>115,496,698</b>	<b>25,326,969</b>	<b>56,541,454</b>	<b>1,221,181</b>	<b>198,586,302</b>
January 1, 2017	P23,850,494	P19,518,619	P18,162,722	P1,613,162	P63,144,997
Provision	3,898,409	1,060,519	7,306,932	45,450	12,311,310
Disposals	-	(42,628)	(1,335,235)	-	(1,377,863)
December 31, 2017	27,748,903	20,536,510	24,134,419	1,658,612	74,078,444
Provision	3,307,059	2,186,363	7,886,360	30,921	13,410,703
Disposals	(2,860,577)	(620,360)	(3,269,730)	(596,478)	(7,347,145)
December 31, 2018	<b>28,195,385</b>	<b>22,102,513</b>	<b>28,751,049</b>	<b>1,093,055</b>	<b>80,142,002</b>
At December 31, 2017	P93,223,846	P3,730,603	P31,693,835	P644,948	P129,293,232
At December 31, 2018	<b>P87,301,313</b>	<b>P3,224,456</b>	<b>P27,790,405</b>	<b>P128,126</b>	<b>P118,444,300</b>

Certain transportation equipment of the Group with total carrying value of P6.36 million as at December 31, 2018 are pledged as security under chattel mortgage (see Note 16).

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**14. Trade and Other Payables**

This account consists of:

	<i>Note</i>	2018	2017
Payable to ULC	19	P231,150,000	P -
Trade payables		119,833,572	22,419,294
Retention fee payable		90,701,060	122,952,888
Customers' deposits		53,797,689	17,777,667
Accrued expenses		36,783,698	36,672,173
Refundable deposits	22	16,589,745	13,038,228
Due to government agencies		7,049,380	6,058,563
Output value added tax – net		443,583	97,533,421
Others		28,972,835	33,295,113
		<b>P585,321,562</b>	<b>P349,747,347</b>

Non-current portion of trade and other payables amounted to P176,447,232 and P154,427,282 as at December 31, 2018 and 2017, respectively.

Accrued expenses consist of unpaid liabilities on outside services, insurance, supplies and other miscellaneous expenses.

Retention fee payable pertains to retention fees withheld from the contractors of ongoing and completed projects.

Customers' deposits consist of downpayments representing less than 25% of the contract price of the condominium unit sold received from each customer which are deductible from the total contract price.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and Philhealth.

Others consist of refunds payable, commissions payable and unearned rent income.

**15. Unearned Income**

The Parent Company has an on-going project called the Andrea North Skyvillas Tower ("Skyvillas"). Skyvillas started construction in 2011 and is 99.96% and 99.56% complete as at December 31, 2018 and 2017, respectively.

Details of unearned income are as follows:

	2018	2017
<b>Skyvillas Tower</b>		
Total sales value of completed units	P2,249,382,467	P1,090,321,800
Percentage uncompleted	.04%	0.44%
	<b>P899,787</b>	<b>4,797,416</b>

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**16. Loans Payable**

The movements in the loans payable is summarized as follows:

	2018	2017
Balance at beginning of year	P856,821,163	P287,716,039
Availments of loan	9,287,000	827,554,118
Payments of principal	(205,429,114)	(258,448,994)
Balance at end of year	P660,679,049	P856,821,163

Interest on loans payable amounted to P8,474,222, P9,547,530, and P7,435,094 as at December 31, 2018, 2017 and 2016, respectively. Interest on loans payable capitalized as part of real estate inventories amounted to P39,396,279 in 2018.

The account is composed of the following:

	2018	2017
Payable within one year:		
Philippine Bank of Communications	P111,111,111	P83,333,333
Maybank Philippines, Inc.	154,309,213	4,051,829
Union Bank of the Philippines	3,762,535	3,215,328
RCBC Savings Bank	2,713,229	1,862,476
	271,896,088	92,462,966
Payable after one year:		
Philippine Bank of Communications	304,355,555	416,666,667
Maybank Philippines, Inc.	14,561,586	168,842,100
Greenhills Properties, Inc.	-	107,845,898
Meridian Assurance Corporation	50,000,000	50,000,000
Union Bank of the Philippines	11,368,274	13,291,879
RCBC Savings Bank	8,497,546	7,711,653
	388,782,961	764,358,197
	P660,679,049	P856,821,163

Maybank Philippines, Inc. (Maybank)

In 2015, the Parent Company availed loans from Maybank with total principal amount of P75.51 million. These loans bear 6% interest and are secured by certain accounts receivable of the Parent Company with total carrying amount of P11.9 million and P13.4 million as at December 31, 2018 and 2017 (see Note 7).

In 2016, the Parent Company entered into a loan and hold-out agreement with Maybank. In April 2016, Maybank approved a P150 million credit line under which the Parent Company drewdown P80 million in April 2016 and P70 million in May 2016. These loans are payable three (3) years from date of drawdown. These loans bear 3.75% interest rate, payable monthly in arrears and secured by hold-out rights in favor of Maybank over the time deposit covering the total amount of P150 million maintained by GPI in Maybank Ortigas Branch.



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**Meridian Assurance Corporation (MAC)**

On July 29, 2016 and August 5, 2016, the Parent Company entered into a real estate mortgage with Meridian Assurance Corporation. Loans from Meridian Assurance Corporation bear no interest and are secured by mortgages on certain investment properties of the Parent Company. The mortgaged properties have a total net book value of P83.67 million as at December 31, 2018 and 2017. No payment is expected to be made in 2018 and accordingly, loan was classified as noncurrent liability in the consolidated statements of financial position.

**Greenhills Properties, Inc. (GPI)**

On May 31, 2016, the Parent Company availed a P45 million loan from Greenhills Properties, Inc. which bears 4% interest rate and is payable on May 25, 2017. The loan was fully paid on February 23, 2017.

In 2017, the Parent Company availed additional loan amounting to P195 million payable between three (3) to five (5) years at a fixed interest rate of 8%, which shall be paid quarterly. In 2018, the Parent Company settled its full obligation to GPI amounting to P195 million plus accrued interest of P7.52 million. Of the total amount, P25 million was settled in cash, P154.44 million was settled through application of full payment, on the three (3) units sold to GPI and the remaining balance amounting P23.08 million was settled through application of payment on the 25% of the contract price of six (6) units sold to GPI in 2017.

**Union Bank of the Philippines (UBP)**

In July 2016, the Parent Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment over sixty (60) months. These loans are secured by certain transportation equipment of the Group (see Note 13).

**RCBC Savings Bank (RCBC)**

In July 2017, the Parent Company availed car loans from RCBC Savings Bank which bear 8.72% interest and are payable in installment over sixty (60) months. These loans are secured by certain transportation equipment of the Group (see Note 13).

**Philippine Bank of Communications (PBCom)**

In 2017, the Parent Company entered into a bridge funding agreement with PBCom. PBCom approved a P500 million credit line under which the Parent Company drewdown P500 million in September 2017. These loans are payable within five (5) years from date of drawdown. These loans bear 6% interest rate, payable quarterly in arrears and secured by certain condominium units and other properties mortgaged in favor of PBCom with total carrying amount of P271.6 million as at December 31, 2018 and 2017.

**17. Related Party Transactions**

The details of related party transactions and balances are as follows:

<b>As at and for the year ended December 31, 2018:</b>	<b>Transactions</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>
<i>Sale of real estate inventories</i>			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment; and payable monthly in two (2) years.  See Note 16.
Principal Shareholder			
Greenhills Properties, Inc.			
Sale of real estate inventories	<b>P26,440,748</b>		
Collections during the year	<b>(122,590,634)</b>	<b>P165,312,421</b>	

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As at and for the year ended December 31, 2018:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of service</i>			Sales of services are negotiated with related parties on a cost-plus basis.
Principal Shareholder Greenhills Properties, Inc.			The receivables are due 30 days after every end of the month.
Management services	1,106,057	-	The receivables are unsecured and bear no interest.
Collections during the year	(1,106,057)		
<i>Advances</i>			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Alexandra (USA), Inc., Associate	-	132,417,765	
Le Cheval Holdings, Inc., Associate	21,058	102,293	
Meridian Assurance Corp. Associate	-	(643)	
Less: Allowance for impairment loss	-	(132,417,765)	
Balance, net	21,058	101,650	
<i>Loans payable</i>			
Principal Shareholder Greenhills Properties, Inc.			
Payments during the year	107,845,898	-	See Note 16.
Associate Meridian Assurance Corporation			
Payments during the year	-	50,000,000	See Note 16.
<i>Key management personnel</i>			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Short-term benefits			
Salaries and other short-term employee benefits	39,800,315		
Termination benefits			
Provision for retirement benefits/PVO	5,638,264		
As at and for the year ended December 31, 2017:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of real estate inventories</i>			Sales of condominium units to related parties are based on the price list in force and terms that would be available to third parties. The receivables are secured; and payable monthly in two (2) years.
Principal Shareholder Greenhills Properties, Inc.			
Sale of real estate inventories	P348,616,409		
Collections during the year	(87,154,102)	P261,462,307	
<i>Sale of service</i>			Sales of services are negotiated with related parties on a cost-plus basis.
Principal Shareholder Greenhills Properties, Inc.			The receivables are due 30 days after every end of the month.
Management services	1,106,057	-	The receivables are unsecured and bear no interest.
Brokering services	847,738		
Collections	(1,953,795)		

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As at and for the year ended December 31, 2017:	Transactions	Outstanding balance	Terms and conditions
<i>Advances (Associates)</i>			
Alexandra (USA), Inc.	-	132,417,765	Advances are unsecured, non-interest bearing and settled in cash.
Le Cheval Holdings, Inc.	19,657	81,235	
Meridian Assurance Corporation	-	(643)	
Less: Allowance for impairment loss	-	(132,417,765)	
Balance, net	19,657	80,592	
<i>Loans payable</i>			
Principal Shareholder			
Greenhills Properties, Inc.			
Availment of loan	195,000,000		
Payments during the year	132,154,102	107,845,898	See Note 16.
Associate			
Meridian Assurance Corp.			
Availment of loan	-		
Payments during the year	-	50,000,000	See Note 16.
<i>Key management personnel</i>			
Short-term benefits			
Salaries and other short-term employee benefits	47,010,465	P -	Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Termination benefits			
Provision for retirement benefits/PVO	13,819,273	12,250,682	

*Management Services*

The Group provides general management services and financial management and supervision over the janitorial and security services for the efficient administration of the properties of GPI, the ultimate parent company, and third parties, collectively referred herein as property owners. In consideration for said services, the Group charges the property owners a fixed monthly amount, with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both the Group and the property owners.

*Advances to (from) related parties*

The Parent Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest bearing advances with no fixed term with the option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. Outstanding receivables amounted to P132.42 million in 2018 and 2017 which is fully provided with an allowance for impairment loss and is included as part of advances to associates as disclosed in Note 10.

The Group has provided total allowance for unrecoverable advances amounting to P132.42 million as at December 31, 2018 and 2017.

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**18. Retirement Benefit Plans**

The Parent Company and TIBI operate funded, non-contributory defined benefit retirement plans covering substantially all of their regular employees. The plans are administered by local banks as trustee and provide for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

PPMI has an unfunded, noncontributory defined benefit retirement plan.

Through their defined benefit retirement plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- *Inflation risk* - Some of the Group retirement obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 26, 2019 for the year ended December 31, 2018. The present values of the defined benefit obligations, the related current service costs and past service costs were measured using the Projected Unit Credit Method.

Key assumptions used for the Parent Company:

	Valuation at	
	2018	2017
Discount rate	7.38%	5.77%
Future salary increase	4.00%	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2018	2017
Discount rate	7.53%	5.70%
Future salary increase	6.00%	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2018	2017
Discount rate	5.80%	5.00%
Future salary increase	5.00%	3.00%

Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

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The reconciliation of the present value of the defined benefit obligation (PVO) and the fair value of the plan assets to the recognized liability presented as accrued retirement liability in the consolidated statements of financial position is as follows:

	2018	2017
Present value of defined benefit obligation	P56,239,182	P56,460,438
Fair value of plan assets	30,839,705	25,549,398
Recognized liability	P25,399,477	P30,911,040

The movements in the present value of defined benefit obligation are shown below:

	2018	2017
Liability at beginning of year	P56,460,438	P168,178,855
Current service cost	9,524,942	7,632,425
Interest cost	3,233,966	2,798,894
Benefits paid	(395,000)	(132,868,347)
Remeasurement losses (gains)		
Changes based on experience	382,752	12,073,707
Changes in demographic assumptions	(3,622,874)	(39,445)
Changes in financial assumptions	(9,345,042)	(1,315,651)
Liability at end of year	P56,239,182	P56,460,438

The movements in the plan assets are shown below:

	2018	2017
Fair value of plan assets at beginning of year	P25,549,398	P24,269,935
Interest income	1,750,553	546,113
Contributions of the employers to the plans	4,500,000	800,000
Remeasurement loss		
Return on plan assets, excluding amounts included in interest income	(960,246)	(66,650)
Fair value of plan assets at end of year	P30,839,705	P25,549,398

The Group expects to contribute P11,141,563 to the retirement fund in 2019.

The major category of plan assets as a percentage of the fair value of total plan assets as of December 31, 2018 and 2017 are as follows:

	2018	2017
Cash and cash equivalents	P22,204,588	P22,738,964
Equity instruments	8,635,117	2,810,434
	P30,839,705	P25,549,398

The retirement expense recognized in profit or loss consists of:

	2018	2017	2016
Current service cost	P9,524,942	P7,632,425	P10,865,711
Net interest on defined benefit liability	1,483,413	2,252,781	2,728,054
Past service cost	-	-	68,805,021
	P11,008,355	P9,885,206	P82,398,786

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The retirement expense is recognized as part of employees' benefits under operating expenses in the consolidated statements of total comprehensive income.

The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	1.00% (1.00%)	(P4,526,473) 5,300,463
Future salary increase	1.00% (1.00%)	5,620,384 (4,849,656)

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the consolidated statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2018, the weighted average duration of defined benefit obligation is 20.31 years (2017: 24.43 years).

## **19. Provisions and Contingencies**

### **Parent Company**

In 1998, the Parent Company sued Universal Leisure Corporation (ULC) for failing to pay the remaining sales price of condominium units. ULC bought the penthouse unit located in the 34<sup>th</sup> floor of the West Tower of the Philippine Stock Exchange Centre and 74 parking slots located at the Podium 3 Parking Level of the West Tower 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 Parent Company to DMCI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Parent Company, DMCI and URPHI. The Parent Company was ordered to either (i) 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 or; (ii) to return to ULC the amounts which have been paid including what have been deemed paid over the penthouse unit and the parking spaces, and pay attorney's fees of P600,000. The Parent Company appealed the decision to the Court of Appeals which affirmed the trial court's decision with modification that reduced the attorney's fees from a total of P600,000 to P150,000. During 2011, the Parent Company provided an allowance of P15,507,800 for accounts receivable that are deemed not recoverable from ULC. In December 2012, the Parent Company filed a motion for Reconsideration and the same was denied. Thereafter, the Parent Company filed a Petition for Review on Certiorari with the Supreme Court where the matter resulted to amicable settlement and termination of legal proceedings.

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In October 2018, the Parent Company initiated discussions on amicable settlement with ULC offering the return of the amounts paid and deemed paid for the penthouse unit and the 74 parking slots in exchange for getting back the said properties. The parties were able to execute a settlement agreement on February 19, 2019, wherein the Parent Company will pay ULC a total amount of P231,000,000, covering the return of the amounts paid/deemed paid by ULC (for itself and as assignee of DMCI and URPHI) for the penthouse unit located in the 34<sup>th</sup> floor, West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers) containing a floor area of 2,370 square meters and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Philippine Stock Exchange Centre which shall all be returned to the Parent Company, plus total legal fees of P150,000 (see Note 14).

With the settlement, ULC allowed the Parent Company to withdraw P18,808,073 from the joint account set-up for the discontinued joint venture project by and among the Parent Company, DMCI and URPHI (see Note 7). DMCI and URPHI contributed the funds in the joint venture account. The Parent Company had to reverse the sale transactions it previously booked and reinstated the investment properties returned at their cost of P180.62 million (see Note 12) and had to recognize a net loss on the settlement of P62.07 million (see Note 27).

The Parent Company is also a party to legal claims that arise in the ordinary course of business, the outcome of which is not presently determinable. The Parent Company and its legal counsel, however, believe that final settlement, if any, will not be material to the Parent Company's financial results.

**Subsidiaries**

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 Group's financial position or results of operations.

Accordingly, no provision has been made in the accounts for these lawsuits and claims.

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**20. Management Fees**

The Group provides general management services and financial management and supervision over the janitorial and security services through PPML. In consideration for the said services, the Group charges the property owners a fixed monthly amount with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPML and the property owners. The Group is entitled to fixed reimbursement of actual cost of the on-site staff. The total income from management fees amounted to P34.0 million, P30.1 million and P31.6 million in 2018, 2017 and 2016, respectively.

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**21. Commission**

The Group's commission income was derived from the following activities:

	2018	2017	2016
Insurance brokerage	P6,583,300	P5,690,633	P7,112,097
Property management	-	1,299,460	-
Others	92,726	571,830	608,916
	P6,676,026	P7,561,923	P7,721,013



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**22. Leases**

*The Group as lessor*

The Group leases various condominium units to various lessees.

The rental income earned by the Group during 2018, 2017 and 2016 amounted to P102.12 million, P47.05 million and P19.48 million, respectively. The lease contracts between the Company and its lessees have a term of one year which are renewable annually.

Deferred rental income classified under other non-current liabilities amounting to P38.0 million and P64.8 million as of December 31, 2018 and 2017, respectively, pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P16,589,745 in 2018 and P13,038,228 in 2017, and is included as part of trade and other payables as disclosed in Note 14.

*The Group as lessee*

The Group leases various office space and storage facilities from associates and third parties. Total rent expense charged to operations amounted to P663,572, P516,937 and P765,544 in 2018, 2017 and 2016, respectively (see Note 25).

**23. Interest Income**

The Group's interest income was derived from the following:

	<i>Note</i>	2018	2017	2016
Cash and cash equivalents	3	P2,401,445	P512,426	P117,319
Trade receivables	7	1,020,842	879,085	746,775
Joint arrangement	11	-	10,005,694	10,005,694
Others		152,517	117,869	235,500
		<b>P3,574,804</b>	<b>P11,515,074</b>	<b>P11,105,288</b>

Interest income from joint arrangement pertains to the agreed amount of interest due to the late remittance of the quarterly payments as mentioned in Note 11.

**24. Other Income**

The account consists of:

	<i>Note</i>	2018	2017	2016
Gain on fair value adjustment of investment properties	12	P511,432,937	P354,123,354	P -
Reversal of various payables and accruals		109,006,274	1,058,516	1,354,928
Reversal of allowance for impairment losses on receivables	7	38,141,717	-	-
Unrealized foreign exchange gain		1,809,732	48,897	109,258

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	<i>Note</i>	2018	2017	2016
Dividend income	4,5	P626,337	P400,915	P306,679
Holding gain on trading investments		-	-	7,559,983
Miscellaneous		514,941	3,657,032	1,407,558
		<b>P661,531,938</b>	<b>P359,288,714</b>	<b>P10,738,406</b>

**25. Cost of Services**

The account consists of:

	<i>Note</i>	2018	2017	2016
Salaries, wages and other benefits		P27,803,914	P21,737,674	P19,413,715
Outside services		11,065,543	2,697,552	1,513,575
Condominium dues		9,247,509	14,291,435	3,009,642
Taxes and licenses		6,172,262	5,520,127	3,082,791
Utilities		2,892,057	2,254,456	2,301,922
Insurance and bond premiums		2,270,615	1,939,127	495,237
Employees welfare		1,944,651	1,921,456	1,960,440
Supplies and materials		1,463,359	927,596	897,461
SSS, Pag-ibig and other contributions		1,298,923	1,086,044	1,104,419
Repairs and maintenance		1,226,447	2,072,631	1,133,336
Commission		864,270	1,186,819	462,666
Rental	22	663,572	516,937	765,544
Depreciation and amortization				
Property and equipment	13	68,195	584,210	136,494
Investment properties	12	-	10,949,120	12,533,633
Transportation and travel		25,648	34,800	19,127
Others		3,484,214	2,602,510	2,614,179
		<b>P70,491,179</b>	<b>P70,322,494</b>	<b>P51,444,181</b>

**26. General and Administrative Expenses**

The account consists of:

	<i>Note</i>	2018	2017	2016
Marketing expense		P194,616,920	P86,524,655	P29,898,450
Salaries, wages, and benefits		61,310,140	57,915,644	64,998,883
Taxes and licenses		40,926,242	12,769,446	19,643,808
Transportation and travel		35,247,324	42,400,956	15,304,143
Professional fees		27,994,929	25,749,694	18,021,845
Provision for impairment loss on trade receivables	7	26,262,781	61,283	-
Representation and entertainment		17,738,010	25,800,335	82,944
Impairment loss on other assets		16,637,343	-	-
Depreciation and amortization				
Property and equipment	13	13,410,703	10,699,770	9,745,297
Investment properties	12	-	4,083,075	1,918,168
Condominium dues		11,826,094	3,012,019	5,804,952

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	<i>Note</i>	2018	2017	2016
SSS, Pag-ibig, Medicare and other benefits		P11,202,768	P5,583,071	P5,132,801
Insurance and bond premiums		11,108,663	8,389,155	5,927,490
Provision for retirement benefits	18	11,008,355	9,885,206	82,398,786
Outside services		6,974,218	6,366,142	29,764,095
Utilities		2,459,768	2,421,130	2,705,158
Postage and communication		1,920,092	1,713,373	2,050,488
Corporate social responsibility		869,372	763,005	1,115,318
Repairs and maintenance		144,552	132,698	175,230
Supplies and materials		141,468	196,821	275,798
Write-off of trade receivables	7	-	1,576,440	1,257,943
Membership dues		-	2,600	173,804
Miscellaneous		14,742,204	12,527,485	9,020,482
		<b>P506,541,946</b>	<b>P318,574,003</b>	<b>P305,415,883</b>

Miscellaneous expenses include PSE fees, trainings and seminars, donations and contributions, and various petty expenses.

**27. Other Expenses**

The account consists of:

	<i>Note</i>	2018	2017	2016
Loss on settlement of lawsuit	19	P62,066,927	P -	P -
Loss on money market investment	3	886,578	-	-
Bank charges		372,073	707,777	123,949
Loss on disposal of property and equipment		308,313	-	-
Others		89	1,585,802	3,346,000
		<b>P63,633,980</b>	<b>P2,293,579</b>	<b>P3,469,949</b>

Others pertain to various individually insignificant expenses.

**28. Income Taxes**

The components of income tax expense (benefit) are as follows:

	2018	2017	2016
Current	P15,037,882	P8,808,783	P34,772,027
Deferred	163,802,340	120,981,600	(25,013,536)
	<b>P178,840,222</b>	<b>P129,790,383</b>	<b>P9,758,491</b>

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The reconciliation of the provision for income tax expense computed at the statutory rate to the provision shown in the consolidated statements of total comprehensive income is as follows:

	2018	2017	2016
Income before income tax	P569,774,005	P392,300,529	P1,370,383
Income tax expense	170,932,203	117,690,159	411,115
Additions to (reductions in) income tax resulting from the tax effects of:			
Non-deductible expenses	24,771,866	4,707,481	507,973
Impairment loss on trade and other receivables and advances to associates	7,500,598	-	278,893
Limit on interest expense	126,329	58,425	-
Movement on unrecognized deferred tax assets	(12,570,995)	19,340,628	11,397,386
Reversal of accruals and payables	(11,153,755)	-	(441,681)
Interest income subjected to final tax	(329,723)	(153,728)	(35,196)
Gain on changes in fair value of investment property of a subsidiary	(248,400)	(5,200,248)	-
Dividend income	(187,901)	(120,274)	(92,004)
Gain on sale of shares of stocks	-	(5,761,798)	-
Unrealized gain on trading investments	-	(770,262)	(2,267,995)
	P178,840,222	P129,790,383	P9,758,491

The Group is subject to either the 30% regular income tax or 2% minimum corporate income tax (MCIT), whichever is higher. The excess MCIT over the regular income tax shall be carried forward and applied against the regular income tax due for the next three consecutive taxable years.

The details of the Parent Company's MCIT are as follows:

Year Incurred	Expiry date	Amount	Applied/Expired	Balance
2018	2021	P13,057,870	P -	P13,057,870
2017	2020	7,751,632	-	7,751,632
2016	2019	6,979,694	-	6,979,694
2015	2018	2,114,819	(2,114,819)	-
		P29,904,015	(P2,114,819)	P27,789,196

The details of the Group's NOLCO are as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2018	2021	P1,261,869	P -	P -	P1,261,869
2017	2020	38,457,992	-	-	38,457,992
2016	2019	27,238,477	-	-	27,238,477
2015	2018	104,807,694	(85,895,939)	(18,911,755)	-
		P171,766,033	(P85,895,939)	(P18,911,755)	P66,958,338

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The components of the net deferred income tax assets and liabilities recognized by the Group are as follows:

	2018		2017	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Deferred tax assets:				
Deferred rent income	P38,051,067	P11,415,320	P64,863,260	P19,458,978
Provision for retirement benefits	23,765,513	7,129,654	65,172,510	19,551,753
Impairment loss on receivables	600,407	180,122	328,300	98,490
	62,416,987	18,725,096	130,364,070	39,109,221
Deferred tax liabilities:				
Gain on fair value adjustment of investment properties	847,394,133	254,218,240	336,789,193	101,036,758
Accrued rent receivable	21,833,700	6,550,110	8,337,490	2,501,247
Unrealized foreign exchange gain	1,878,733	563,620	-	-
Revaluation surplus	-	-	36,073,960	10,822,188
	871,106,566	261,331,970	381,200,643	114,360,193
	(P808,689,579)	(P242,606,874)	(P250,836,573)	(P75,250,972)

The recognized deferred tax assets were from the Parent Company and PPML.

The Group's unrecognized deferred tax assets pertain to the following:

	2018		2017	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Allowance for impairment loss on advances to associates	P170,204,107	P51,061,232	P166,223,470	P49,867,041
Net operating loss carry-over	66,958,338	20,087,501	170,453,265	51,135,980
Allowance for impairment loss on receivables	21,082,642	6,324,792	37,240,467	11,172,140
Allowance for impairment loss on investments in subsidiaries and associates	19,918,196	5,975,459	19,918,193	5,975,458
Accrued retirement benefit expense	-	-	1,813,347	544,004
MCIT	27,789,196	27,789,196	9,866,450	9,866,450
	P305,952,479	P111,238,180	P405,515,192	P128,561,073

The deferred tax assets have not been recognized in respect of the above items because it is not probable that sufficient future profit will be available against which the Company can utilize the benefits there from.

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**29. Capital Stock**

	<i>Note</i>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Authorized</b>				
8,000,000,000 common shares at P0.50 par value in 2018, 2017 and 2016	30	<b>P4,000,000,000</b>	<b>P4,000,000,000</b>	<b>P4,000,000,000</b>
<b>Issued and outstanding</b>				
3,688,869,745 shares in 2018, 2017 and 2016	30	<b>1,844,434,873</b>	<b>1,844,434,873</b>	<b>1,844,434,873</b>
<b>Subscribed</b>				
1,314,711,262 shares in 2018, 2017 and 2016;		<b>657,355,632</b>	<b>657,355,632</b>	<b>657,355,632</b>
Subscriptions receivable	30	<b>(157,592,010)</b>	<b>(157,592,010)</b>	<b>(243,911,982)</b>
		<b>499,763,622</b>	<b>499,763,622</b>	<b>413,443,650</b>
		<b>2,344,198,495</b>	<b>2,344,198,495</b>	<b>2,257,878,523</b>
<b>Additional paid-in capital</b>				
Balance at beginning of year		<b>557,014,317</b>	<b>557,014,317</b>	<b>114,751</b>
Movements during the year	30	<b>-</b>	<b>-</b>	<b>800,841,947</b>
Subscription receivable	30	<b>-</b>	<b>-</b>	<b>(243,942,381)</b>
Balance at end of year		<b>557,014,317</b>	<b>557,014,317</b>	<b>557,014,317</b>
		<b>P2,901,212,812</b>	<b>P2,901,212,812</b>	<b>P2,814,892,840</b>
<b>Treasury stock</b>		<b>P109,712,439</b>	<b>P160,904,214</b>	<b>P163,383,895</b>

**30. Quasi-Reorganization/Reduction in Par Value**

On November 21, 2014, the shareholders of the Parent Company approved the following:

Quasi-reorganization consists of the following:

- Reduction of par value of the Parent Company's common shares from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share.
- Decrease in the authorized capital stock of the Parent Company from Eight Billion Pesos (P8,000,000,000) to Four Billion Pesos (P4,000,000,000), divided into Eight Billion (8,000,000,000) Common Shares.
- Resulting surplus from the reduction of par value to be credited to additional paid-in capital amounting to P1,700,948,556 as of December 31, 2014.
- Offset of the Parent Company's deficit as of December 31, 2014 against additional paid in capital.

The above was approved by the SEC on February 9, 2016.

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**31. Reserves**

This account consists of:

	<i>Note</i>	2018	2017	2016
Appropriated retained earnings for:				
Treasury stock acquisitions				
Balance at beginning of year		P250,000,000	P250,000,000	P250,000,000
Movements during the year		(140,287,561)	-	-
Balance at end of year		P109,712,439	P250,000,000	P250,000,000
Revaluation on FVOCI				
Balance at beginning of year		(24,132,038)	(49,471,316)	(85,588,450)
Effect of adoption of PFRS 9	5	17,308,122	-	-
Disposal		1,924,192	-	-
Movements during the year		(15,449,604)	25,339,278	36,117,134
Balance at end of year		(20,349,328)	(24,132,038)	(49,471,316)
Remeasurement loss on retirement benefit obligation				
Balance at beginning of year		(30,798,439)	(23,248,754)	(22,706,987)
Movements during the year - gross		11,624,918	(10,785,264)	(773,954)
Movements during the year - tax		(3,487,474)	3,235,579	232,187
Balance at end of year		(22,660,995)	(30,798,439)	(23,248,754)
Others		238,062	238,062	238,062
		P66,940,178	P195,307,585	P177,517,992

The Parent Company's appropriated retained earnings amounting to P250,000,000 was allocated for the Parent Company's treasury stock acquisitions. On May 29, 2018, the Board of Directors approved the release of P140,287,561 from the appropriated retained earnings since the Parent Company will only restrict retained earnings equivalent to the cost of the treasury shares being held.

**32. Non-controlling interest**

	2018	2017
UTC		
January 1	P2,172,512	P2,408,393
Share in net loss	(130,595)	(235,881)
December 31	2,041,917	2,172,512
Share in reserves		
Unrealized holding gain (loss) on valuation of FVOCI		
January 1	(3,488,312)	(5,078,578)
Disposal	3,488,312	-
Unrealized holding loss	-	1,590,266
December 31	-	(3,488,312)
	P2,041,917	(P1,315,800)

*Forward*



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	2018	2017
<b>Recon-X Energy Corporation</b>		
January 1	(P5,640,359)	(P4,024,633)
Share in net loss	(1,568,235)	(1,615,726)
December 31	(7,208,594)	(5,640,359)
	(P5,166,677)	(P6,956,159)

**33. Earnings (Loss) Per Share**

	2018	2017	2016
Net income (loss) attributable to equity holders of Parent Company	P392,632,613	P264,361,753	(P3,902,319)
Weighted average no. of common shares issued and outstanding	4,877,907,002	4,877,907,002	4,877,907,002
Income (loss) per share	P0.08	P0.05	(P0.00)

The weighted average number of common shares was computed as follows:

	2018	2017	2016
Issued and outstanding shares	3,688,869,745	3,688,869,745	3,688,839,345
Subscribed shares	1,314,711,262	1,314,711,262	1,314,741,662
Treasury shares	(125,674,005)	(125,674,005)	(125,674,005)
Average number of shares	4,877,907,002	4,877,907,002	4,877,907,002

The Group has no potential dilutive shares as at December 31, 2018, 2017 and 2016.

**34. Significant Accounting Policies**

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new standards and amended PFRS which became effective January 1, 2018.

The nature and impact of each new standard and amendment are described below:

- **PFRS 9, *Financial Instruments*.** PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

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The nature of these adjustments are described below:

**(a) Classification and measurement**

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, trade and other receivables and advances to associates previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning January 1, 2018.

- Equity investments in listed and non-listed companies previously classified as Available-for-sale (AFS) financial assets are now classified and measured as financial assets designated at fair value through OCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future (see Notes 4 and 5).

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

PAS 39 Categories	Balances	PFRS 9 Measurement Categories		
		Fair value through profit or loss	Amortized cost	Fair value through OCI
Loans and receivables				
Cash and cash equivalents	P140,866,864	P -	P140,866,864	P -
Trade and other receivables	1,069,523,235	-	1,060,848,146	-
Advances to associates	80,592	-	80,592	-
Available-for-sale financial assets	38,000,567	-	-	38,000,567
Financial assets at FVPL	26,006,562	26,006,562	-	-
	P1,274,477,820	P26,006,562	P1,201,795,602	P38,000,567

**(b) Impairment**

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group uses historical loss rates as input to assess credit risk characteristics. The Group determines the appropriate receivables groupings based on shared credit risk characteristics such as revenue type, collateral or type of customer. The historical loss rates are adjusted to reflect the expected future changes in the portfolio condition and performance based on economic conditions and indicators such as inflation and interest rates that are available as at the reporting date.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are ninety (90) days past due. However, in certain cases, the Group may also consider a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any credit enhancements, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law and cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the external independent ratings to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

- PFRS 15, *Revenue from Contracts with Customers*. PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue and related Interpretations* and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

- a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: *PFRS 15 - Accounting for Cancellation of Real Estate Sales* was also deferred until December 31, 2020.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The adoption of PFRS 15 did not have a material impact on the Group's consolidated statements of total comprehensive income and consolidated statements of cash flows.

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

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

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

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

*Amended Standard Effective January 1, 2018 but Not Applicable to the Group*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payments Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

*New and Amended Standards and Interpretation Not Yet Adopted*

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2018 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements. The Group will adopt the following new and amended standards and interpretations on the respective effective dates:

*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*. Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest (SPPI) on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

The Group is currently assessing the impact of adopting this interpretation.

- **PFRS 16, *Leases*.** PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting this standard.

- **Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*.** The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of Group.



- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*. The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting this interpretation.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are relevant to the Group because dividends declared by the Group to non-corporate shareholders give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting this amendment.

*Effective beginning on or after January 1, 2020*

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

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

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

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

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

*Deferred Effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

*New Standard Not Applicable to the Group*

- PFRS 17, *Insurance Contracts*

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements except accounting policies for financial assets and liabilities, and revenue and cost recognition.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company, the subsidiaries, up to December 31 each year. Details of the subsidiaries are shown in Note 39.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated.

***Subsidiaries***

Subsidiaries are all entities over which the Group has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired i.e. discount on acquisition is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

Acquisition-related costs are expensed as incurred.

*Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*Associates and joint ventures*

An associate is an entity over which the Parent Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. The investment is initially recognized at cost. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment losses. The consolidated statements of total comprehensive income reflect the share of the results of the operations of the investee companies. The Parent Company's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Parent Company and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

**Business Combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate

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classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

**Segment Information**

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 39 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

For management purposes, the Group is currently organized into five business segments. These divisions are the basis on which the Group reports its primary segment formation.

The Group's principal business segments are as follows:

- a. Sale of Real Estate and Leasing
- b. Property Management
- c. Insurance Brokerage
- d. Holding Company
- e. Travel Services

The Group's resources producing revenues are all located in the Philippines. Therefore, geographical segment information is not presented.

**Cash and Cash Equivalents**

Cash includes cash on hand and in banks and is stated at its face value. Cash in banks earns interest at the prevailing interest rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

*Accounting Policies Effective January 1, 2018 for Financial Instruments*

*Financial Assets*

*Recognition*

Financial assets or a financial liability are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Financial assets are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of the Group's financial assets, except for investments classified as at fair value through profit or loss. Subsequently, financial assets are recognized either at fair value or at amortized cost.

*Classification*

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Group for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

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

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables and advances to associates are included under this category.

*Financial Assets at FVOCI (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of total comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Group's investments in equity instruments at FVPL are classified under this category.

*Impairment*

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

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

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the external independent ratings to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in



nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

*Determining the stage for impairment*

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- months ECL.

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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 is required to repay.

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables (except for payables to government), other non-current liabilities and loans payable.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of total comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to loans payable.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

*Accounting Policies Applied to Financial Instruments until December 31, 2017*

*Recognition*

Financial assets are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group's financial assets, except for investments classified as at fair value through profit or loss. Subsequently, financial assets are recognized either at fair value or at amortized cost.

Current financial assets include financial assets that are consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting period, otherwise, they are classified as non-current assets.

*Classification*

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. As of the reporting date, the Group has the following categories of financial assets:

*Financial assets at fair value through profit or loss*

Financial assets are classified as investments at fair value through profit or loss when these are acquired for trading or are designated upon initial recognition. Financial assets under this category are initially recorded and are subsequently measured at fair value with gains and losses arising from changes in fair value being included in profit or loss for the year. Transaction costs on purchases and sale of financial assets under this category are recognized as expense in profit or loss.

A financial asset is classified as at FVPL if:

- a. it has been acquired principally for the purpose of selling in the near future; or
- b. it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- c. it is a derivative that is not designated and effective as a hedging instrument.

The Group's investment in equity securities of various listed Companies presented as "financial asset at FVPL" in the consolidated statements of financial position are classified under this category.

*Loans and receivables*

Cash and cash equivalents, trade and other receivables and advances to associates that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Available-for-sale investments*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value plus incremental direct transaction costs and subsequently are carried at fair value. Unrealized gains and losses arising from changes in fair value are recognized directly in other comprehensive income, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. When the available-for-sale financial asset is disposed of or is determined to be impaired, the cumulative unrealized gain or loss previously recognized in equity is included in profit or loss as a reclassification adjustment even if the financial asset (AFS) has not been derecognized.

The Group's investment in listed shares of stocks and golf and country club shares presented as available-for-sale financial assets in the consolidated statements of financial position are classified under this category.

*Impairment*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

*Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 'significant' as 20% or more and 'prolonged' as greater than twelve months. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses for an investment in an equity instrument classified as Available-for-sale financial assets shall not be reversed through profit or loss but in other comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit and loss for the year, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for the year.

*Loans and receivables*

For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables 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 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 financial assets carried at amortized cost is reduced directly by the impairment loss, with the exception of trade receivables wherein the carrying amount is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the profit or loss for the year.

*Other financial assets carried at cost*

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

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- 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

The Group has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial Liabilities*

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Group's financial liabilities, which do not include any debt instruments classified as at fair value through profit or loss.

The Group classifies its financial liabilities in the following categories; financial liabilities at fair value through profit or loss and other financial liabilities.

A financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortized cost. Financial liabilities measured at amortized cost are subsequently measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period.

The Group has no financial liability at fair value through profit or loss. Other financial liabilities include trade and other payables (except for payables to government), other non-current liabilities and loans payable.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

**Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Prepayments**

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

**Real Estate Inventories**

Property acquired or being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value.

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Group's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real estate held for development is measured at lower of cost and NRV. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

**Property and Equipment**

Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

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Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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

	Number of years
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5

The assets' residual values, estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the amounts, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

***Derecognition***

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time, the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Investment Properties**

Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

*Derecognition*

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of total comprehensive income in the year of retirement or disposal.

Impairment of Non-financial Assets

At each reporting date, the Group assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between participants at measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Parent Company after deducting all of its liabilities. Distribution to the Parent Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's Board of Directors.



*Capital stock*

Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

*Additional paid-in capital*

Additional paid-in capital pertains to premium paid over the par value of shares.

*Retained earnings (deficit)*

Retained earnings (deficit) include all the accumulated income (losses) of the Group, dividends declared and share issuance costs. Retained earnings (deficit) is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

*Treasury stock*

The Parent Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of total comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Employee Benefits

*Short-term benefits*

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

*Post-employment benefits*

The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation (DBO) is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

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The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**Revenue Recognition**

***Revenue recognition effective January 1, 2018***

**Revenue from contracts with customers**

***Revenue from real estate sales***

The Parent Company primarily derives its real estate revenue from the sale of vertical real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 35.

The Parent Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

The Group also derives its revenue from management fee, commission, rental and interest income for which the Group assessed that there is only one performance obligation. Revenue from contracts with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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***Management fee***

Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

***Commission income***

Commission income is recognized when the real estate brokering services have been performed in accordance with the terms and conditions of the agreement, commission scheme and applicable policies. Commission income recognized is the amount earned as an agent and excludes amounts collected on behalf of the principal.

***Interest income***

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

***Rental income***

Rent income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

***Miscellaneous income***

Miscellaneous income is recognized when earned.

***Revenue recognition prior to January 1, 2018***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

***Sales of real estate***

The Parent Company assesses whether it is probable that the economic benefits will flow to the Parent Company when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with PIC Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of contract work. The percentage of completion is determined by the Parent Company's project engineers.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

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*Management fee*

Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

*Rental income*

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statements of total comprehensive income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

*Commission income*

Revenue from commissions is recognized at the time it is earned, generally as of the effective date of the applicable policies. Revenue recognized is the amount of commission earned as an agent and excludes amounts collected on behalf of the principal.

*Gain on sale of non-financial assets*

Gain on sale of non-financial asset is recognized at the time of disposal of the non-financial asset. The difference between the net disposal proceeds and carrying amount of the non-financial asset is recognized in profit or loss.

*Realized and unrealized gains on sale of financial assets at FVPL*

Realized gains are recognized at the time of disposal of the securities on a trade date basis. Unrealized gains on changes in fair value of trading securities are recognized in profit or loss upon revaluation at each reporting date.

*Interest income*

Interest income is recognized as it accrues using the effective interest method.

*Dividend income*

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

*Other income*

Other income is recognized when earned.

Unearned Income

Unearned income represents collections from customers which are as of the reporting period not yet earned. Unearned income are initially recorded as liability and recognized at the amount actually received. Subsequently, these are earned through profit or loss based on the percentage of completion of the property sold.

*Cost recognition from real estate sales effective January 1, 2018*

The Parent Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

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*Cost recognition from real estate sales prior to January 1, 2018*

Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Parent Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the consolidated statements of financial position as an asset.

Cost and expenses in the consolidated statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Group.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they were incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

*Group as Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statements of total comprehensive income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

*Group as Lessor*

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statements of total comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Income Tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the same taxable entity.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a consolidated asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

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The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

**Related Party Relationships and Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**Earnings (Loss) per Share**

***Basic earnings (loss) per share***

The Group computes its basic earnings (loss) per share by dividing net profit or loss attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the period.

***Diluted earnings (loss) per share***

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

**Events After the Reporting Date**

The Group identifies events after the reporting date as events that occurred after the reporting date but before the date the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements when material.

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**35. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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.

***Revenue and cost recognition on real estate projects***

The Parent Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Parent Company's revenue from real estate and construction contracts is recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical

proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Similarly, the commission is determined using the percentage of completion.

*Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 7 and 37.

*Estimating useful lives of assets*

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are 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 Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

*Evaluation of net realizable value of real estate inventories*

The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Results of management's assessment disclosed that there is no need for provision for impairment of inventories as at December 31, 2018 and 2017.



*Revenue recognition*

When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognized using the percentage-of-completion method as construction progresses. The Group considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

The Group assesses its revenue arrangements to determine if it is a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards with the sales transactions or rendering of services. The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sales transactions or rendering of services.

*Post-employment and other employee benefits*

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

Retirement obligation as at December 31, 2018 and 2017 amounted to P25,399,477 and P30,911,040, respectively.

*Estimating fair value of investment property*

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Group's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

*Recoverability of deferred tax assets*

The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax assets.

Total unrecognized deferred tax assets amounted to P111,238,180 and P128,561,073 as at 2018 and 2017, respectively (See Note 28).

*Impairment losses on non-financial assets*

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

Critical Accounting Judgments

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

*Existence of a contract*

The Parent Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

*Definition of default and credit-impaired financial assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

*Incorporation of forward-looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

*Revenue recognition method and measure of progress*

The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

The Parent Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers.

*Distinction between investment properties and owner-occupied properties and real estate inventories*

The Group determines whether a property qualifies as investment property. In making this judgment, 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 property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or 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.

The Group determines that a property will also be classified as real estate inventory when it will be sold in the normal operating cycle or it will be treated as part of the Group's strategic land activities for development in the medium or long-term.

*Contingencies*

The Group is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Group's strategies relating to these proceedings.

*Operating lease*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating lease.

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**36. Fair Value Measurement**

The fair values of the Group's financial instruments are equal to the carrying amounts in the consolidated financial position as at December 31, 2018 and 2017.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the financial statements specific to that asset or liability.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

*Cash and cash equivalents, trade and other receivables and advances to associates* – carrying amounts approximate fair values due to the relatively short-term maturities of these items.

*Financial assets at FVPL and FVOCI* – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

*Trade and other payables* – the carrying value of trade and other payables and loans payable - current approximate its fair value either because of the short-term nature of these financial liabilities or effect of discounting is immaterial.

*Loans payable* – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

The table below analyzes financial and non-financial assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

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**December 31, 2018**

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Equity investments	P6,750,000	P -	P -	P6,750,000
Financial assets at FVOCI				
Equity investments	41,333,478	-	-	41,333,478

**December 31, 2017**

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Equity investments	P26,006,562	P -	P -	P26,006,562
AFS financial assets				
Equity investments	37,495,762	-	-	37,495,762
Trust funds	504,805	-	-	504,805

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

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Market Risk**

***Foreign exchange risk***

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

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The amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2018		2017	
	US dollar Deposit	Peso Equivalent	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	\$94,159	P4,964,439	\$283,502	P14,153,248

The closing rates applicable as at December 31, 2018 and 2017 are P52.724 and P49.923 to US\$1, respectively.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their peso translation at the period end for a 5% change in foreign currency rates. A 5% weakening of Philippine peso against the US dollar will have an increase in net income or decrease in net loss amounting to P241,602 and P707,685 in 2018 and 2017, respectively. For a 5% strengthening of the Philippine peso against the US dollar, there would be an equal and opposite impact on the net income/loss.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable. The interest rates on cash and cash equivalents and loans payable are disclosed in Notes 3 and 16, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Based on the sensitivity performed the impact on profit or loss of a 10% increase/decrease on interest rates on cash and cash equivalents and loans payable would be a maximum increase/decrease for 2018 and 2017 as follows:

	2018	2017
Cash and cash equivalents	P240,145	P51,243
Loans payable	847,422	954,753

*Price risk*

Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Parent Company's Board of Directors reviews and approves all equity investment decisions.

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At December 31, 2018, the impact of 10% increase/decrease in the price of listed equity securities, with all other variables held constant, would have been an increase/decrease of P5.2 million and P3.7 million for 2018 and 2017, respectively in the Group's total comprehensive income and equity for the year. The Group's sensitivity analysis takes into account the historical performance of the stock market.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables as disclosed in Notes 3 and 7, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group's security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at FVPL, financial assets at FVOCI and advances to subsidiaries and associates. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	2018	2017
Cash and cash equivalents excluding cash on hand	P78,420,791	P140,763,288
Trade and other receivables	1,272,144,313	1,069,562,007
Held-to-maturity financial assets	-	1,000,000
	<b>P1,350,565,104</b>	<b>P1,211,325,295</b>

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The credit quality of financial assets which are neither past due nor impaired is discussed below:

*(a) Cash in banks and cash equivalents*

The Group deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P78,420,791 and P140,763,288 as at December 31, 2018 and 2017, respectively. Cash deposits are considered to be of high grade.

*(b) Trade and other receivables*

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to internal credit ratings or to historical information about counterparty default rates:

	Group A	Group B	Group C	Total
<b>2018</b>				
Trade and other receivables	P572,575,744	P272,105,125	P16,780,754	P861,461,623
<b>2017</b>				
Trade and other receivables	P325,566,628	P5,582,239	P14,728,921	P345,877,788

- Group A - new customers
- Group B - existing customers with no defaults in the past.
- Group C - existing customers with some defaults in the past. All defaults were fully recovered.

As at December 31, 2018 and 2017, trade and other receivables of P437,246,827 and P723,645,447, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	More than 90 days	More than one year	Total
<b>2018</b>			
Trade and other receivables	P178,311,906	P258,934,921	P437,246,827
<b>2017</b>			
Trade and other receivables	P101,489,274	P622,156,173	P723,645,447

As at December 31, 2018 and 2017, trade and other receivables of P26,564,137 and P37,747,557, respectively, were impaired and provided for. Provision for impairment loss recognized in 2018 is P26,262,781. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	More than 90 days	More than one year	Total
<b>2018</b>			
Trade and other receivables	P -	P26,564,137	P26,564,137
<b>2017</b>			
Trade and other receivables	P -	P37,747,557	P37,747,557

The condominium certificates of the title remain in the possession of the Parent Company until full payment has been made by the customers, thus no significant credit risk was assessed for trade receivables.



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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2018, the exposure at default amounts to P670.98 million. The expected credit loss rate is 3.86% that resulted in the ECL of P25.9 million as of December 31, 2018.

*(c) Held-to-maturity (HTM)*

The P1.0 million HTM investment at December 31, 2017 is an unsecured note issued by a publicly-listed universal bank with a term of 10 years.

Credit risks associated with fixed income investments are managed using:

- Detailed credit and underwriting policies
- Aggregate counterparty exposure limits
- Monitoring against pre-established limits

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
<b>2018</b>					
			(In Thousand Pesos)		
Trade and other payables*	P577,829	P501,787	P76,042	P -	P577,829
Loans payable	660,679	232,222	388,295	488,198	1,108,715
<b>2017</b>					
Trade and other payables*	P236,155	P30,361	P205,794	P -	P236,155
Loans payable	856,821	134,162	916,618	5,232	1,056,012

*\*excluding payables to government*

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**38. Capital Management**

The Parent Company manages its capital to ensure that the Parent Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Parent Company consists of equity, which comprises of issued capital, additional paid-in capital, reserves, retained earnings (deficit) and treasury stocks.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Parent Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Company has fully complied with this requirement in 2018 and 2017.

*Tektite Insurance Brokers, Inc. (TIBI)*

The operations of TIBI are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

In 2006, the IC issued Memorandum Circular No. 1-2006 which provides for the minimum capitalization requirements of all insurance brokers and reinsurance brokers. Under this circular, existing insurance brokers and reinsurance brokers must have a net worth in accordance with the amounts and schedule stipulated in the circular.

As at December 31, 2018 and 2017, the required statutory net worth for TIBI, being an existing insurance broker is P10 million.

TIBI has fully complied with the capitalization requirements of Memorandum Circular No. 1-2006 in 2018 and 2017.

**39. Segment information**

Details of the Parent Company's subsidiaries as of December 31, 2018 and 2017 are as follows:

	<b>Principal Activities</b>	<b>Ownership Interest</b>	
		<b>2017</b>	<b>2016</b>
PRHC Property Managers, Inc. (PPMI)	Property Management	100%	100%
Tektite Insurance Brokers, Inc. (TIBI)	Insurance Brokerage	100%	100%
Sultan's Power, Inc. (SPI)	Holding Company	100%	100%
Universal Travel Corporation (UTC)	Travel and Tours Agency	81.53%	81.53%

Minority interests as of 2018 and 2017 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2018, 2017 and 2016 and the results of operations of the reportable segments for the years ended December 31, 2018, 2017 and 2016 are as follows:

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2018

	Parent		Subsidiaries					Other Income	Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services					

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2017

	Parent	Subsidiaries						Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services	Other Income			
	(In Thousand Pesos)								
Revenue	P831,370	P32,668	P5,691	P -	P572	P397,025	(P3,241)		P1,264,085
Segment Result	123,883	17,091	(1,306)	(3,348)	(1,230)	-	3,128		138,218
Interest expense	9,547	-	-	-	-	-	-		9,547
Interest income	(11,428)	(1)	(39)	-	(47)	-	-		(11,515)
Dividend income	(401)	-	-	-	-	-	-		(401)
Equity in net gain of associates	(3,128)	-	-	-	-	-	-		(3,128)
Income taxes	129,522	81	187	-	-	-	-		129,790
Income (loss) before minority interest	247,995	17,171	(1,158)	(3,348)	(1,277)	-	3,128		262,510
Minority interest	-	-	-	-	-	-	1,851		1,851
Net Income (Loss)	P247,995	P17,171	(P1,158)	(P3,348)	(P1,277)	P -	P4,979		P264,361
Other Information									
Segment assets	P4,282,916	P57,367	P18,445	P22,253	P30,456	P -	(P31,986)		P4,379,451
Investments at equity method	204,898	-	-	-	-	-	(120,020)		84,878
Unallocated corporate assets	-	-	-	-	-	-	-		-
Consolidated Total Assets	P4,487,814	P57,367	P18,445	P22,253	P30,456	P -	(P152,044)		P4,464,290
Segment liabilities	P1,366,607	P24,080	P2,184	P74,366	P54,079	P -	(P133,780)		P1,387,536
Consolidated Total Liabilities	P1,361,663	P19,136	P2,184	P74,366	P54,079	P -	(P133,780)		P1,382,592
Capital expenditure	P362,373	P47	P8	P -	P -	P -	P -		P362,428
Depreciation and amortization	26,253	106	821	-	164	-	-		27,344
Non-cash expenses other than depreciation	8,603	2,578	1,633	-	-	-	-		12,814

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2016

	Parent	Subsidiaries						Other Income	Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services					
	(in Thousand Pesos)									
Revenue	P374,624	P33,623	P7,112	P -	P609	P180,338	(P2,041)		P594,265	
Segment Result	P21,426	(P435)	P698	(P34,716)	(P1,143)	P -	(P2,083)		(P16,253)	
Interest expense	7,426	8	-	1	-	-	-		7,435	
Interest income	(11,051)	(1)	-	(53)	-	-	-		(11,105)	
Dividend income	(307)	-	-	-	-	-	-		(307)	
Equity in net loss of associates	2,083	-	-	-	-	-	-		2,083	
Income taxes	8,417	948	394	-	-	-	-		9,759	
Income (loss) before minority interest	27,994	520	1,092	(34,768)	(1,143)	-	(2,083)		(8,388)	
Minority interest	-	-	-	-	-	-	4,486		4,486	
Net Income (Loss)	P27,994	P520	P1,092	(P34,768)	(P1,143)	P -	P2,403		(P3,902)	
Other Information										
Segment assets	P3,261,018	P36,110	P18,427	P23,332	P8,281	P -	(P21,609)		P3,325,559	
Investments at equity method	189,034	-	-	-	-	-	(107,283)		81,751	
Unallocated corporate assets	37,300	5,297	(102)	-	-	-	-		42,495	
Consolidated Total Assets	P3,487,352	P41,407	P18,325	P23,332	P8,281	P -	(P128,892)		P3,449,805	
Segment liabilities	P717,557	P22,772	P2,598	P57,046	P54,189	P -	(P115,415)		P738,747	
Consolidated Total Liabilities	P717,557	P22,772	P2,598	P57,046	P54,189	P -	(P115,415)		P738,747	
Capital expenditure	P3,421	P171	P1,781	P2,688	P -	P -	P -		P8,061	
Depreciation and amortization	22,177	1,150	1,505	-	164	-	-		24,996	
Non-cash expenses other than depreciation	81,100	2,164	393	-	-	-	-		83,657	

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The following are the principal activities of the Parent Company's subsidiaries:

**PRHC Property Managers, Inc. (PPMI)**

PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is at 5/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

**Tektite Insurance Brokers, Inc. (TIBI)**

TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage.

The registered office of TIBI is at 20/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

**Universal Travel Corporation (UTC)**

UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. On March 15, 2018, the Board of Directors of UTC approved the resolution on the cessation of its operations effective July 31, 2018 and sold all its existing assets and paid its liabilities from the proceeds and collections of receivables and sale of assets. Thereafter, UTC became inactive.

The registered office of UTC is at Ground Floor, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

UTC holds 41,673,000 shares of the Parent Company which was acquired at P50.97 million. In 2018, UTC sold all its shares of the Parent Company.

**Sultan's Power, Inc. (SPI)**

SPI was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation (Recon-X), a company incorporated in the Philippines, engaged in the business of converting plastic waste into fuel. Recon-X is currently in the initial stage of its test runs.

The registered office of SPI is at Unit 2001B East Tower PSE Centre, Exchange Road Ortigas, Pasig City.


**STATEMENTS REQUIRED BY RULE 68, SECURITIES REGULATION CODE (SRC),  
AS AMENDED ON OCTOBER 20, 2011**

The Shareholders and Board of Directors  
Philippine Realty and Holdings Corporation and Subsidiaries  
One Balete, 1 Balete Drive corner N. Domingo Street  
Brgy. Kaunlaran District 4  
Quezon City

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries (collectively as the "Group") as at and for the year ended December 31, 2018, on which we have rendered our report dated April 4, 2019. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C and Annex 68-C), Financial Soundness Indicators (Part 1, 4D), Map of the Relationships of the Companies within the Group (Part 1, 4H), and Schedule of Philippine Financial Reporting Standards effective as at December 31, 2018 (Part 1, 4J), as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, As Amended, and Schedules A, B, C, D, E, F, G and H, as required by Part II, Section 6 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic consolidated financial statements.

Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 4 of Rule 68 of the Securities Regulation Code, As Amended.

**MACEDA VALENCIA & CO.**

  
**JOSE T. VALENCIA**  
Partner  
CPA License No. 32659  
PTR No. 7394089

Issued on January 31, 2019 at Makati City  
SEC Accreditation No. (individual) as general auditor 1535-AR-1 Category A,  
Effective until January 30, 2022  
SEC Accreditation No. (firm) as general auditors 0196-FR-2;  
Effective until March 29, 2020  
TIN 119-894-676  
BIR Accreditation No. 08-001987-008-2018  
Issued on April 6, 2018; effective until April 5, 2021  
BOA/PRC Reg. No. 4748, effective until June 26, 2021

April 4, 2019  
Makati City

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
INDEX TO THE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2018**

**Schedules Required under Securities Regulation Code Rule 68**

**Schedule    Content**

**Part 1**

- I        Reconciliation of Retained Earnings Available for Dividend Declaration**
- II       Financial Soundness Indicators**
- III      List of Effective Philippine Financial Reporting Standards and Interpretations**
- IV      Map of the Relationships of the Companies within the Group**

**Part 2**

- A       Financial Assets**  
**Amounts Receivable from Directors, Officers, Employees, Related Parties and**
- B       Principal Stockholders**  
**Amounts of Receivable from Related Parties which are eliminated during the**
- C       consolidation of financial statements**
- D       Intangible Assets - Other Assets**
- E       Long-term Debt**
- F       Indebtedness to Related Parties**
- G       Guarantees of Securities of Other Issuers**
- H       Share Capital**



**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
 Schedule I  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of December 31, 2018**  
*(Amounts in thousands)*

<b>Unappropriated Retained Earnings, beginning</b>		<b>P616,957,757</b>
Adjustments for:		
(prior-year adjustments)		-
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		<b>616,957,757</b>
Net income during the period closed to Retained Earnings		392,131,246
Less: Non-actual/unrealized income net of tax	(76,304,392)	
Equity in net income of associate/joint venture	(8,706,364)	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	(511,432,937)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(13,496,216)	(609,939,909)
Add: Non-actual losses	67,319,182	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	17,308,122	
Loss on fair value adjustment to investment property (after tax)	-	84,627,304
<b>Net income actually earned/realized during the period</b>		<b>483,776,398</b>
Add (Less):		
Dividend declarations during the period		-
Appropriations of Retained Earnings during the period		-
Reversals of appropriations		(140,287,561)
Treasury shares		51,191,775
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>		<b>P394,680,612</b>

**PHILIPPINE REALTY AND HOLDINGS AND SUBSIDIARIES**  
**Schedule II**  
**Financial Soundness Indicators**  
**As of December 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Current Ratio<sup>(1)</sup></b>	<b>P4.15</b>	<b>11.13</b>
<b>Debt to Equity Ratio<sup>(2)</sup></b>	<b>0.45</b>	<b>0.45</b>
<b>Asset to Equity Ratio<sup>(3)</sup></b>	<b>1.45</b>	<b>1.45</b>
<b>Interest Coverage Ratio<sup>(4)</sup></b>	<b>67.18</b>	<b>41.09</b>
<b>Net Interest Margin Ratio<sup>(5)</sup></b>	<b>0.21</b>	<b>0.21</b>
<b>Return on Assets<sup>(6)</sup></b>	<b>0.08</b>	<b>0.06</b>
<b>Return on Equity<sup>(7)</sup></b>	<b>0.11</b>	<b>0.09</b>
<b>Solvency Ratio<sup>(8)</sup></b>	<b>0.26</b>	<b>0.21</b>

<sup>(1)</sup> Current ratio is measured as current assets divided by current liabilities.

<sup>(2)</sup> Debt to equity ratio is measured as total liabilities divided by total equity.

<sup>(3)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(4)</sup> Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs.

<sup>(5)</sup> Net interest margin ratio is derived by dividing net interest income with average interest earning assets.

<sup>(6)</sup> Return on assets is measured by dividing net income after tax with total assets.

<sup>(7)</sup> Return on equity is measured by dividing net income after tax with total capital accounts.

<sup>(8)</sup> Solvency ratio is measured by dividing net income after tax plus depreciation with total liabilities.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule III**  
**List of Philippine Financial Reporting Standards (PFRS)**  
**Effective as of December 31, 2018**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
<b>PFRS Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
	Amendments to PFRS 1: Borrowing costs			
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'*	Not early adopted		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3</b>	Business Combinations			✓
	Amendments to PFRS 3: Accounting for contingent consideration in a business combination			✓
	Amendment to PFRS 3: Scope exceptions for joint ventures			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in methods of disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PFRS/PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Adoptable
Effective as of Date: Nov. 12, 2015				
	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	✓		
	Amendment to PFRS 7: Servicing contracts	✓		
	Amendment to PFRS 7: Applicability of the amendments to PFRS 7 to condensed interim financial statements			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendment to PFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets	✓		
PFRS 9	Financial Instruments (2014 version)	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or contribution of assets between an investor and its associate or joint venture*	Deferred		
	Amendment to PFRS 10: Consolidated Financial Statement: PFRS 12: Disclosure of Interest in Other Entities and PAS 28: Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation exception			✓
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 to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases*	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		

PSE PUBLIC FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2019				
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative Information	✓		
	Amendments to PAS 1: 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	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendments to PAS 16: Revaluation method - proportionate restatement of accumulated depreciation			✓
	Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
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: Employee or Third Party Contributions to defined benefit plans			✓
	Amendments to PAS 19: Discount rate for post-employment benefit obligations	✓		
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	Related Party Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Revised as of November 11, 2018)		Adopted	Not Adopted	Not Applicable
(Revised)	Amendments to PAS 24: Key management personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Presentation – Tax effect of distribution to holders of equity instrument			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation method – proportionate restatement of accumulated amortization			✓
	Amendments to PAS 16 and PAS 38, Clarification 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 – Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement on Novation of Derivatives			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41, Agriculture: Bearer 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 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			✓
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*	Not early adopted		

THE IFRS FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Applicable	Not Applicable
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-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✓
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			✓
PIC 2016-02	PAS 32 and PAS 38: Accounting Treatment of Club Shares Held by an Entity			✓

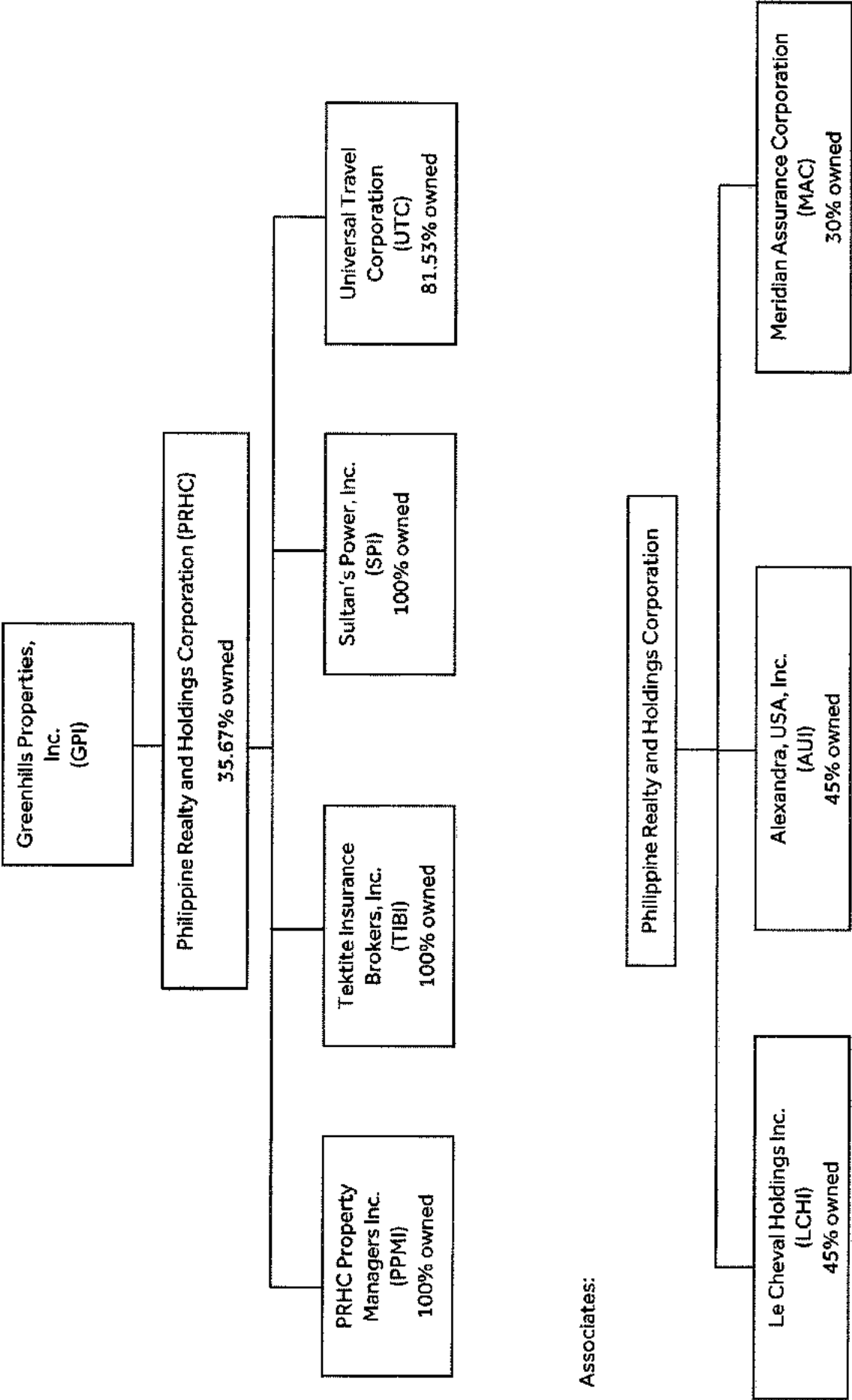
\* These are standards, interpretations and amendments to existing standards that have been issued but not yet effective as at December 31, 2018.

The standards and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2018 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION  
SUBSIDIARIES, AFFILIATES GROUP STRUCTURE**

As of December 31, 2018



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule A – Financial Assets**

**December 31, 2018**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
<b>Financial assets at fair value through profit or loss</b>				
Tagaytay Properties	6,750,000 shares	P6,750,000	P6,750,000	P -
<b>Financial Assets at Fair Value through OCI</b>				
<i>Equity securities</i>				
A. Brown Company, Inc.	36,840,000 shares	P28,733,233	P28,733,233	P -
Premium Leisure Corporation	14,264,120 shares	11,411,296	11,411,296	626,337
Philippine Racing Club (prc)	944 shares	8,949	8,949	-
Orchard Golf & Country Club				
CLASS "C" Shares	1 share	750,000	750,000	-
Valley Golf Country Club	1 share	430,000	430,000	-
	51,105,066 shares	P41,333,478	P41,333,478	P626,337
<b>Trade and other receivables - net</b>				
		P1,272,144,313	P1,272,144,313	P1,020,842
		P1,320,227,791	P1,320,227,791	P1,647,179

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule B --Amounts Receivable from Director, Officers, Employees,**  
**Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2018**

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
AVILA, JESSICA	P8,000	P32,000	P -	P -	P40,000	P -	P40,000
BERCASIO, ANDREW	398,180	-	(132,061)	-	266,119	-	266,119
BONTOGON, MARISSA	204,803	1,419,147	-	-	1,623,949	-	1,623,949
CALANOG, DANTE	353,925	-	(95,283)	-	258,642	-	258,642
CALUBAYAN, MARIE JOYCE	-	56,851	-	-	56,851	-	56,851
CARAG, ADELINE SUSAN	20,000	1,342,896	-	-	1,362,896	-	1,362,896
CARTAGENA, AILENE	-	17,710	-	-	17,710	-	17,710
CASTRO, CRISTINE DENISE	232,748	-	(57,043)	-	175,705	-	175,705
CATACUTAN, RICHARD	357,716	-	(95,283)	-	(95,283)	-	(95,283)
CIAR, ERWIN	99,563	1,325,740	-	-	1,325,740	-	1,325,740
CRUZ, ROSELLE	103,456	13,526	-	-	116,982	-	116,982
DEL ROSARIO, ALFREDO S	4,464	2,684,329	-	-	2,688,793	-	2,688,793
DELA CRUZ, ANGELICA	27,090	69,504	-	-	96,594	-	96,594
DEOCERA, NORBERT	65,357	38,160	-	-	103,517	-	103,517
DOS SANTOS, DANILO	10,040	-	(10,040)	-	-	-	-
DURAN, AILEEN	5,762,554	-	(5,263,209)	-	499,345	-	499,345
DURAN, NORMALENE	25,379	85,370	-	-	110,748	-	110,748
ENRIQUEZ, EDILYNDA	399,688	255,084	-	-	654,772	-	654,772
ERENETA, RAMON	-	-	-	-	-	-	-
ALFONSO	(320)	320	-	-	-	-	-
FISCHER, VINCENT	144,199	1,250,525	-	-	1,394,724	-	1,394,724
FUERTES, MARIE JOYCE	105,370	-	(105,370)	-	-	-	-

Name of Debtor	Balance at the		Additions	Amounts		Amounts written-off	Current	Non-current	Balance at the end of period
	beginning of the period	period		collected					
GARGAR, ERWIN	-	-	3,500	-	-	-	3,500	-	3,500
GO, RICHARD NICOLAS KO	1,925,052	-	39,913	-	-	-	1,964,965	-	1,964,965
ISNIT, JOSEFINA	205,918	-	194,405	-	-	-	400,323	-	400,323
LANUZA, CAMILLE	46,283	-	-	(36,283)	-	-	10,000	-	10,000
LANUZA, GERARDO DOMENICO	44,757	-	2,731,036	-	-	-	2,775,793	-	2,775,793
LANUZA, GERARDO JR.	108,000,000	-	-	108,000,000	-	-	-	-	-
MAGPAYO, GIL	351,876	-	-	(15,533)	-	-	336,343	-	336,343
MEDRANO, EDMUNDO	-	-	2,685,793	-	-	-	2,685,793	-	2,685,793
MIRANDE, MIKE	-	-	395,851	-	-	-	395,851	-	395,851
OLBES, ANTONIO	24,600,000	-	-	24,600,000	-	-	-	-	-
PACA, CARLOS MIGUEL	(6,500)	-	1,350,896	-	-	-	1,344,396	-	1,344,396
PERILLO, MARIA CHRISTINA	124,720	-	368,922	-	-	-	493,643	-	493,643
QUILONGQUILONG, EUNICE	-	-	140,000	-	-	-	140,000	-	140,000
RAMOS, MARK ANTHONY	-	-	430,958	-	-	-	430,958	-	430,958
REYES, REINHARD	18,184	-	60,011	-	-	-	78,194	-	78,194
SANTOS, ROZANO	562,575	-	-	(259,171)	-	-	303,404	-	303,404
SOZA, RICHARD	-	-	20,000	-	-	-	20,000	-	20,000
TABLADA, DEXTER	-	-	53,573	-	-	-	53,573	-	53,573
TABORLUPA, MARGIE	5,059,793	-	-	(4,949,428)	-	-	110,364	-	110,364
TAMANG, CHARLIE	18,684	-	91,076	-	-	-	109,760	-	109,760
TANINGCO, JOHN HEZRON	83,112	-	-	(83,112)	-	-	-	-	-
TUROT, KRISTEL JOY	-	-	93,357	-	-	-	93,357	-	93,357
VEDAÑA, FERDERICK	49,567	-	-	(27,124)	-	-	22,443	-	22,443
VERZOSA, SAMUEL	(10,538)	-	27,976	-	-	-	17,438	-	17,438
VILLAFUERTE, JOHNDELF	-	-	-	(108,605)	-	-	(108,605)	-	(108,605)

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non- current	Balance at the end of period
VILLAJUAN, ANGEL	92,939	-	(74,434)	-	18,505	-	18,505
OTHERS	(5,753)	-	(2,274)	-	(8,027)	-	(8,027)
	P149,482,880	P17,278,430	(P143,914,254)	-	P22,847,056	-	P22,847,056

Note: Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
Schedule C – Amounts Receivable from Related Parties which are eliminated  
during the consolidation of financial statement  
December 31, 2018

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected (i)	Amounts written-off (ii)	Current	Non-current	Balance at the end of period
Universal Travel Corporation, Subsidiary	P52,350,191	P -	P22,476,881	P -	P -	P29,873,310	P29,873,310
PRHC Property Managers, Inc., Subsidiary	3,411,064	-	309,347	-	3,101,717	-	3,101,717
Sultan's Power, Inc., Subsidiary	73,886,914	647,808	-	-	74,534,722	-	74,534,722
	P129,648,169	P647,808	P22,786,228	P -	P77,636,439	P29,873,310	P107,509,749

i. If collected was other than in cash, explain.

ii. Give reasons to write-off.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule D – Intangible Assets – Other Assets**

**December 31, 2018**

*(Amounts in Thousands)*

Description (i)	Beginning Balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction) (iii)	Ending Balance
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None to report.

- i. The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption other assets in the related balance sheet. Show by major classifications.
- ii. For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.
- iii. If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the amounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule E – Long Term Debt**

**December 31, 2018**

Title of issue and type of obligation (i)	Amount authorized by Indenture	Amount shown under caption "Current portion of long-term debt in related balance sheet" (ii)	Amount shown under caption "Long-term debt in related balance sheet" (iii)	Interest Rate %	Maturity Date
Loans payable with pledged AR	P75,510,132	P4,309,213	P14,561,586	6%	
Lease and hold-out agreement	80,000,000	80,000,000	-	3.75%	April 2019
Lease and hold-out agreement	70,000,000	70,000,000	-	3.75%	May 2019
Real estate mortgage	25,000,000	-	25,000,000	0%	July 29, 2017
Real estate mortgage	25,000,000	-	25,000,000	0%	August 5, 2017
Car loan	21,100,094	3,762,535	11,368,274	9.11%	August 1, 2021
Car loan	14,048,000	2,713,229	8,497,546	8.72%	July 2022
Real estate mortgage	579,800,000	111,111,111	304,355,555	6%	September 19, 2022

i. Include in this column each type of obligation authorized.

ii. This column is to be totalled to correspond to the related balance sheet caption.

iii. Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule F – Indebtedness to Related Parties**

**(Included in the Consolidated Financial Statement of Position)**

**December 31, 2018**

Name of Related Parties (i)	Balance at the beginning of the period	Balance at the end of the period (ii)
Meridian Assurance Corporation	P 50,000,000	P 50,000,000

i. The related party shall be grouped as in Schedule D. The information called for shall be stated for any persons whose investments shown in separately in such related schedule.

ii. For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10% of the related balance at either the beginning or end of the period.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule G – Guarantees of Securities of Other Issuers**  
**December 31, 2018**

Name of the issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of Guarantee (ii)
------------------------------------------------------------------------------------------------------	-------------------------------------------------------	------------------------------------------------	----------------------------------------------------	--------------------------

None to report.

- i. Indicate in the note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- ii. There must be a brief statement of the nature of the guarantee, such as "Guarantee of Principal and Interest", "Guarantee of Interest" or "Guarantee of Dividend". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule H – Share Capital

December 31, 2018

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common	8,000,000,000	3,688,869,746	-	-	10,376,520	-

i. Include in this column each type of issue authorized

ii. Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

iii. Indicate in a note any significant changes since the date of the last balance sheet filed.

## COVER SHEET

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S.E.C. Registration Number

[illegible][illegible]

P	H	I	L	I	P	P	I	N	E		R	E	A	L	T	Y		A	N	D		H	O	L	D	I	N	G	S
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[illegible]

(Company's Full Name)

O	N	E		B	A	L	E	T	E		1		B	A	L	E	T	E		D	R	I	V	E		C	O	R
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N	D	O	M	I	N	G	O		S	T		B	R	G	Y		K	A	U	N	L	A	R	A	N		
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(Business Address : No. Street Company / Town / Province)

MARK ANTHONY M. RAMOS

636-1170

Contact Person

Company Telephone Number

1	2
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3	1
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3	0
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Month

Day

FORM TYPE

Month

Day

Annual Meeting

N/A

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

### Total Amount of Borrowings

\_\_\_\_\_

Total No. of Stockholders

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Domestic

				2		
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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 2018
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: Unit No. 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	₱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 3,166,545,842 of outstanding common shares is ₱1,345,781,982 computed on the basis of ₱0.425 per common share as of close of December 31, 2018.
14. The Registrant has filed all documents and reports required to be filed by Section 17 of the Code.

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

### **PART II – SECURITIES OF THE REGISTRANT**

- Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

### **PART III – FINANCIAL INFORMATION**

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- Item 8. Information on Independent Accountant and Other Related Matters

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## **PART I**

### **BUSINESS AND GENERAL INFORMATION**

#### **Item 1. Business**

Philippine Realty and Holdings Corporation ("**Philrealty**" or the "**Company**") was incorporated and registered with the Philippine Securities and Exchange Commission ("**SEC**") on July 13, 1981 with a corporate life of fifty (50) years, and an initial capitalization of ₱2 Million. In 1986, the Company's capitalization was increased to ₱100 Million to accommodate the entry of new stockholders. Its present authorized capital stock is ₱4 Billion, divided into 8 billion shares, of which 4.92 billion shares are subscribed and outstanding.

The principal activities of the Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Company was listed with the Philippine Stock Exchange ("**PSE**") on September 7, 1987.

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

#### **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. Its clients include: Philippine Stock Exchange Centre Condominium Corporation, Icon Residences, Icon Plaza, Casa Miguel, Skyline Tower, Nobel Plaza Condominium, LTA Condominium, Greenhills Properties Inc.'s El Pueblo Real de Manila, The Pinnacle Condominium and Greenrich Mansion Condominium. PPMI ensures that the properties are 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. ("**TIBI**") was incorporated in January 1989 as Philrealty Insurance Agency. Due to increasing demand, it was reorganized to become an insurance brokerage firm in 1994. Major clients include: Philrealty Group of Companies, RG Meditron, Philippine Stock Exchange Centre Condominium Corporation, Icon Residences, Icon Plaza and Develop Dimension Inc.

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

Universal Travel Corporation ("**UTC**") was incorporated in October 1993 and was 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 catered to Philippine Stock Exchange Centre's tenants. In August 2018, the Company announced that it has ceased its travel agency business operations on a voluntary basis due to continuing losses and increasing capital deficiency. The terminated employees of UTC were all paid their separation benefits and all creditors were also paid prior to the temporary cessation of its business operations. This move is part of the business rationalization process presently being undertaken by Philrealty wherein the Issuer seeks to explore new investment/business opportunities while at the same time lightening up on existing unrelated or unprofitable investments.

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

Sultan Power, Inc. ("**SPI**") was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced its operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation ("**Recon-X**"). SPI subscribed to 51% of the total and issued and outstanding shares of Recon-X. Recon-X was incorporated under Philippine laws and registered with the SEC on June 27, 2014 to engage in the business of recycling and converting solid waste and plastics into fuel (gasoline, diesel and kerosene) using patented technology which was duly-certified by the Intellectual Property Office of the Philippines ("**IPP**") for "Improved Method of Converting Land-Filled Plastic Wastes into Hydrocarbon Fuel", certified by the Department of Science and Technology ("**DOST**") and by the Department of Energy ("**DOE**"). Recon-X is still in pre-operating stage.

### **Products and Services**

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Sale of Condominium Units	55.42%	62.34%	60.02%
Leasing	5.61%	3.73%	3.28%
Property Management	1.87%	2.39%	5.31%
Insurance Brokerage	0.37%	0.60%	1.30%
Other Income	36.73%	30.94%	3.68%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

#### **Sale of Condominium units**

Philrealty develops and sells high-end condominium units located at One Balete Drive corner N. Domingo Street, Quezon City and soon, at 6<sup>th</sup> Avenue BGC, Taguig City. In Quezon City, the Company developed 2 out of the 6 planned towers at One Balete Compound, namely the Skyline Tower and the SkyVillas Tower. In addition, the Company entered into 2 joint venture arrangements with Xcell for the development of the Icon Residences (2-tower residential condominium) and Icon Plaza (residential /commercial condominium building). The Company has several units for sale and/or for lease at Icon Residences and at Icon Plaza at the BGC.



## **Leasing**

Philrealty has investment properties, such as office and storage units and parking slots, for lease at the following locations: 1) Philippine Stock Exchange Centre located at the PSE Centre, Exchange Road Ortigas Center Pasig City; 2) Icon Plaza located at 5<sup>th</sup> Avenue, BGC, Taguig City; and at the 3) Skyline Tower and SkyVillas Tower located at One Balet Drive corner N. Domingo Street, Quezon City. The contracts of lease are renewable for periods ranging from six months to five years.

The Company is also leasing and sub-leasing two parcels of land with total area of 3,200 square meters located at 5<sup>th</sup> Avenue BGC, Taguig City.

Philrealty is also leasing 500 sq.m. of the Ground Floor space of One Balet Building located at One Balet Drive corner N. Domingo Street, Quezon City.

## **Property Management**

Philrealty's property management subsidiary, PPML, oversees the administration, operation and monitoring of real estate assets of Philrealty and other companies.

## **Insurance Brokerage**

TIBI operates as insurance brokerage firm for Philrealty and other companies.

## **Employees**

Philrealty has a total workforce of 54 employees as of December 31, 2018, classified as follows:

Staff	31
Managerial	14
Executive	9
<b>Total</b>	<b>54</b>

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 Company has the following supplemental benefits for its employees: (a) Health Care; (b) Group Life Insurance; (c) Retirement Plan and (d) Profit-sharing based on the Company's By-Laws.

## Item 2. Properties and Projects

### The Company's Projects

Philrealty has developed unique and trend setting projects, such as the following:

1. **The Alexandra**. The Alexandra was the first to offer consumers the combination of high rise condominium and subdivision living. It is a luxury mid-rise development with a ratio of one sq.m. of land for every two sq.m. of sold floor area. As the first gated vertical community in Metro Manila, The Alexandra was one of the most coveted addresses in its heyday. The community is composed of 11 buildings that range from 5 to 14-storeys high. There are only 360 units in the 4.2 ha. property, all of which are 3-bedroom apartments with floor areas ranging from 182 to 250 sq.m. The narra flooring, marble baths, landscaped gardens, and the ratio of space to the number of occupants, all right in the Ortigas Center central business district made this a community like no other.
2. **Philippine Stock Exchange Centre (hereinafter "PSEC" also known as Tektite Towers)**. Launched as Tektite Towers in 1989 and fully completed in January 1996, The Philippine Stock Exchange Centre held the title for the **largest office building complex for decades after its completion**. With twin towers consisting of 33 stories each, more than 1,700 parking spaces, wide hallways, spacious offices, combine to encompass more than 18 has. of covered space. Bridging the East and West Towers, was the 4-storey official headquarters of the Philippine Stock Exchange, Inc. ("PSE") until it moved to its new location in BGC in 2018. On the ground floor, directly beneath what used to be the PSEI trading floor is a multi-purpose auditorium with a 400-person capacity.
3. **La Isla Condominium**. La Isla Condominium has only 28 units ranging from 270 sq.m. 2-bedroom units to 580 sq.m. loft apartments. 2 units per floor, with elevators that open directly to the unit owner's own foyer. Solid narra floors, marble baths, 2 to 4 parking spaces per unit, and extra storage space in the basement. La Isla Condominium is still among the most exclusive residential development in the metropolis, with units still in great demand, close to two decades after its completion. The building was named for its 360° view, never to be impeded by a neighboring building. It is an island in the heart of the Ortigas Central Business District ("**CBD**").
4. **The Alexis**, a low-rise condominium within an upscale subdivision.
5. **Casa Miguel**. A 4-storey walk-up residential condominium in San Juan, Metro Manila.
6. **One Balete Compound**. Formerly known as Andrea North Complex, Philrealty's One Balete Compound, located in a 2.8 ha. property in New Manila, Quezon City, which used to be the Pepsi Cola complex in New Manila, was launched after the full completion of The Philippine Stock Exchange Centre (Tektite Towers) in January 1996. It is situated at the corner of Balete Drive and N. Domingo Street. The Complex will be comprised of a 6-tower luxury development. This project is an Alexandra-type upscale and high-rise condominium complex.

The first tower, **Skyline Tower**, was completed in September 2011, and the second

tower, started on November 16, 2012, now also completed, is **SkyVillas Tower**, a 31-storey luxury condominium that features only 2 to 8 units per floor.

7. **The Icon Residences.** A completed 2-Tower condominium joint venture project with Xcell Property Ventures, Inc. ("**Xcell**") located in Bonifacio Global City ("**BGC**"), consists of minimum saleable areas (excluding parking) of 17,750 sq.m. and 18,640 sq.m., respectively, and parking spaces of 208 units and 219 units, respectively.
8. **The Icon Plaza.** A completed mixed-use condominium building which was started in mid-2010, is comprised of commercial/retail spaces, office suites and residential units with a minimum saleable area (excluding parking) of 28,043 sq.m. and parking spaces of 350 units. The Icon Plaza was another joint venture project with Xcell located in the BGC.

### **The Company's Properties**

#### **Land bank**

The Company's land bank are as follows:

<b>Estate</b>	<b>Location</b>	<b>Area in sqm.</b>
One Balet Compound	Quezon City, Metro Manila	8,968.87
El Retiro Estate	Baguio City	16,158.00

In the last annual meeting of the stockholders, the stockholders approved the issuance of new common shares from the increased capital stock of the Company in exchange for the contribution by Greenhills Properties Inc. ("**GPI**") and Meridian Assurance Corporation ("**MAC**") of properties into Philrealty. These prime properties are described below:

<b>Reg. Owner</b>	<b>Location</b>	<b>Lot No./Unit No.</b>	<b>Land/Floor Area</b>
GPI	BGC, Taguig City	Lot 1 Block 8	1,600 sq. m.
GPI (LAI)	BGC, Taguig City	Lot 4 Block 8	1,600 sq. m.
MAC	Tektite Towers, Pasig City	712	284 sq. m.
MAC	Tektite Towers, Pasig City	713	170 sq. m.
MAC	Tektite Towers, Pasig City	714	170 sq. m.
MAC	Tektite Towers, Pasig City	P-3215	12.5 sq. m.
MAC	Tektite Towers, Pasig City	P-3216	12.5 sq. m.
MAC	Tektite Towers, Pasig City	P-3217	12.5 sq. m.
MAC	Tektite Towers, Pasig City	P-3218	12.5 sq. m.
MAC	Tektite Towers, Pasig City	P-3222	12.5 sq. m.
MAC	Tektite Towers, Pasig City	P-3223	12.5 sq. m.
MAC	Icon Plaza, BGC	7H	96 sq. m.
MAC	Icon Plaza, BGC	7I	102 sq. m.
MAC	Icon Plaza, BGC	P2-44	12.5 sq. m.
MAC	Icon Plaza, BGC	P2-45	12.5 sq. m.

### **Leased Properties**

The Parent Company has an existing lease contract with GPI which allows the Company to sublease, two parcels of land located along 5<sup>th</sup> Avenue at the BGC, with a total area of 3,200 sq.m. more or less. The lease agreement is for a period of 15 years.

### **Rental Properties**

The Company's properties for lease are largely office and storage units, parking slots, commercial spaces, food halls, commercial strips, and condominium residential units. These are as follows:

#### **PSEC (Tektite Towers) properties located at Ortigas Center, Pasig City**

<b>Units for Lease</b>	<b>Number of units</b>
Office condominium units	20
Commercial condominium units	16
Storage spaces	58
Parking spaces	244

#### **Icon Plaza properties located at BGC, Taguig City**

<b>Units for Lease</b>	<b>Number of units</b>
Condominium units	16
Parking spaces	40

Majority of the units for both PSEC (Tektite Towers), Icon Plaza, Skyline Tower and SkyVillas Tower as well as a portion of the One Balete Building are already leased out to individuals and corporate entities. In 2018, the Parent Company generated a total of ₱100.3 Million lease income for these properties.

### **Mortgage, Lien or Encumbrance over Properties**

The Parent Company has certain properties in SkyVillas Tower that are mortgaged with the Philippine Bank of Communications ("PBCOM").

### **Item 3. Legal Proceedings**

#### **Entering into Corporate Rehabilitation and Subsequent Exit due to its Successful Implementation**

Like many other companies that encountered problems during the Asian financial crisis at the turn of the millenium, Philrealty was hit by very high interest rates on its peso loans and yet could not sell its real estate inventory quickly enough as demand for both residential units and office units practically dried up. To make matters worse, banks have been calling in their loans and threatening foreclosures.

In order to service all its obligations in an orderly manner and prevent banks from foreclosing on its mortgaged properties, the Company was forced to file for a Petition for Corporate Rehabilitation with Suspension of Payments in 2002. Under the Rehabilitation Plan that Philrealty submitted to the court, which the court later approved, the Company committed to sell assets/investments not currently used in operations, e.g., its participation in the Metro Pacific consortium that won the bid in the auction by the Bases Conversion Development Authority ("**BCDA**") of Fort Bonifacio (which later became the Bonifacio Global City or BGC), the Company's investment in a BGC property, etc., even at prices below cost to be able to pay its debts. This clearly demonstrated the Philrealty's commitment to honor its debts provided it is provided the opportunity and the breathing room to do so.

Over time, the Company was able to settle all its obligations with all its five (5) creditor banks through *dacion-en-pago* and by way of cash payments from the sale of assets and real estate inventory. It was also able to fully repay restructured unsecured loans.

In spite of not having new/additional credit lines from banking institutions, the Company resumed the construction of its Andrea North Skyline Tower ("**Skyline Tower**") located at Balete Drive, New Manila, Quezon City in February 2009 and completed it in September 2011 for a total cost of ₱1.1 Billion. The completion of the construction of the Skyline Tower was among the major components of the Rehabilitation Plan.

By December 20, 2013, the Company's liabilities to the Skyline Tower contractor, Skyline buyers and unsecured creditors were already paid.

On March 18, 2014, Philrealty's Motion to Terminate Rehabilitation Proceedings on Account of the Successful Implementation of the Rehabilitation Plan, which was recommended to the court by the Rehabilitation Receiver, was granted by the court. Accordingly, the Stay Order issued by the court was lifted, and Philrealty was able to resume normal business operations without the supervision of a court-approved Rehabilitation Receiver.

However, it was only on February 1, 2017 that Philrealty was officially pronounced out of the PSE list of companies under rehabilitation. This official PSE pronouncement came after the PSE's positive evaluation of the January 4, 2017 Certificate of Finality issued by the Regional Trial Court Branch 93, Quezon City certifying that its order dated March 18, 2014, terminating the rehabilitation proceedings "*on account of the successful implementation of the Rehabilitation Plan*", has become final and executory.

On February 9, 2016, the SEC approved the Company's quasi-reorganization reducing the par value of its shares from ₱1.00 to ₱0.50 and the additional paid-in capital arising from the



reduction of the par value were applied to the Company's accumulated deficit as of December 31, 2015.

**Legal Case vs. Universal Leisure Corporation, DMCI Project Developers Inc. and Universal Rightfield Property Holdings Inc. and Subsequent Amicable Settlement and Satisfaction of the Judgement of the Courts**

In 1998, the Company sued Universal Leisure Corporation ("ULC") for failing to pay the remaining sales price of condominium units and parking slots. ULC bought several condominium units under 2 Contracts to Sell. After paying the down payment, ULC refused to pay the balance due in the principal sums of ₱25.7 Million and ₱30.5 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-PDI") and Universal Rightfield Property Holdings, Inc. ("URPHI"). These receivables are allegedly owed by the Company to DMCI-PDI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Company, DMCI-PDI and URPHI. The Company was ordered to deliver to ULC the titles of the condominium units and pay to ULC, as assignee of defendants DMCI-PDI and URPHI, the amount of ₱24.7 Million plus 6% p.a. interest; otherwise to return to ULC the amounts which have been paid including what have been deemed paid over the condominium units and parking spaces, and pay attorney's fees of ₱600,000. The Company appealed the decision to the Court of Appeals which affirmed the trial court's decision with modification that reduced the attorney's fees to a total of ₱150,000. 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 was resolved in favor of ULC.

In 2018, Philrealty, as a result of an amicable settlement with Universal Leisure Corporation (for itself and as assignee of URPHI and DMCI-PDI), fully settled and satisfied the judgement of the courts in Civil Case No. 67092, by returning to Universal Leisure Corporation ("ULC") the amounts that ULC paid and deemed to have paid in favor of Philrealty in the total amount of ₱231,150,000, covering the cancellation of sale of a Penthouse unit located at the 34<sup>th</sup> Floor, West Tower of the PSEC (Tektite Towers) containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC (Tektite Towers). The settlement puts an amicable and mutually-beneficial closure to a 20-year-old legal case. With the agreement that also fully satisfied the judgement of the courts, Philrealty recovered a Penthouse unit located at the 34<sup>th</sup> Floor, West Tower of the PSEC (Tektite Towers) and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC (Tektite Towers). The fair value of the Penthouse unit and the 74 parking slots have been determined recently by an independent property appraisal company accredited with the SEC and with the PSE to be substantially higher than the ₱231,150,000 returned by RLT to ULC.

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**  
**SECURITIES OF THE REGISTRANT**

**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 2016, 2017 and 2018 based on Philippine Stock Exchange's Daily Quotation Report

	2016		2017		2018	
	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	0.48	0.48	0.59	0.57	0.56	0.52
2 <sup>nd</sup> Quarter	0.44	0.44	0.63	0.61	0.485	0.465
3 <sup>rd</sup> Quarter	0.41	0.41	0.48	0.47	0.435	0.42
4 <sup>th</sup> Quarter	0.40	0.40	0.64	0.61	0.43	0.42

**Holders**

As of December 31, 2018, the Company has 2,339 stockholders. The list of the top 20 stockholders of the Company as of December 31, 2018 is as follows:

Name of Stockholder	Citizenship	No. of Shares	Percentage (%)
PCD Nominee Corporation	Filipino	2,456,130,840	49.90%
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	0.62%
Socorro C. Ramos	Filipino	21,291,750	0.43%
Brisot Economic Dev. Corp	Filipino	15,280,621	0.31%
Vulcan Industrial & Mining Corp.	Filipino	15,159,434	0.31%
Ramon de Leon	Filipino	11,810,854	0.24%
Ricardo Leong	Filipino	11,810,854	0.24%
Calixto Laureano	Filipino	11,810,854	0.24%
Consuelo Madrigal	Filipino	11,500,000	0.23%
Gerardo Domenico Antonio Lanuza	Filipino	9,843,366	0.20%
Oscar S. Cu ITF Anthony Cu	Filipino	7,390,000	0.15%
Meridian Securities	Filipino	6,269,888	0.13%
Guoco Sec (Phils) Inc.	Filipino	5,961,532	0.12%
Guild Securities	Filipino	5,598,162	0.11%
E. Chua Chiaco Securities, Inc.	Filipino	5,538,016	0.11%
Citisecurities, Inc.	Filipino	5,408,078	0.11%
National Bookstore, Inc.	Filipino	5,393,450	0.11%
Wellington Chan	Filipino	5,185,801	0.11%
Oscar Cu	Filipino	4,550,750	0.09%
Cualoping Securities	Filipino	4,335,974	0.09%
<b>Total</b>		<b>4,681,826,447</b>	<b>95.11%</b>



### **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 ₱250 Million of the Company's retained earnings for the purchase of its own capital stock. In 2018, the Board of Directors approved the reclassification of ₱140.3 Million Appropriated Retained Earnings for Treasury Stock Acquisitions to Unappropriated Retained Earnings.

### **Recent Sales of Unregistered Securities**

For the year 2018, the Company had no sales of unregistered securities.

**Part III**  
**FINANCIAL INFORMATION**

**Item 6. Management's Discussion and Analysis of Financial Condition or Results of Operation**

Philippine Realty and Holdings Corporation (interchangeably referred to as the "Company" or the "Parent Company") continues to improve on its operations and financial performance, exhibiting improvements in profitability and maintaining very healthy liquidity and solvency position.

**I. Review of Consolidated Statement of Income for the Period Ending December 31, 2018 vs. December 31, 2017**

- 1. Consolidated net income after tax.** Philippine Realty and Holdings Corporation posted net income after tax of **₱391 Million** for the 12 months ended December 31, 2018 compared to **₱263 Million** net income after tax for the same period last year, or an increase in the Company's consolidated net income after tax of **₱128 Million** or a by a hefty 48% increase. The improvement in the Company's profitability is explained below.

**a. Income**

- 1) Sales of real estate.** Sales of real estate increased by **₱223 Million** or by 28% for the 12 months ended December 31, 2018 compared to the sales of real estate for the same period last year. Sales of real estate pertains to units sold at SkyLine and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City. The increase in sales in 2018 is due to the aggressive sales and marketing efforts of the Parent Company.
- 2) Rent.** Rental income increased **₱55 Million** or by 117% due to the increase in leasable spaces and additional lease agreements entered into by the Parent Company.
- 3) Management fees.** This item was also higher by 12% due to additional engagements obtained by one of the Company's subsidiaries.
- 4) Gain on sale of property and equipment.** Gain on sale of property and equipment increased by **₱4 Million** due to the sale of an Office unit by one of the Parent Company's subsidiaries.
- 5) Other income.** Other income for the twelve months ended December 31, 2018 increased by **₱302 Million** or by 70% compared to the twelve months ended December 31, 2017. Other income consists of Gain on fair value changes in investment property, which increased by **₱157 Million** or a 44% increase due to the increase in the fair value of Investment properties consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the Philippine Stock Exchange Centre (also known as "Tektite Towers") and at the Icon Plaza located in Bonifacio Global City ("BGC").

**b. Costs and Expenses**

- 1) **Cost of service and unit sold.** For the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017, Cost of service and unit sold increased by 23%, but this is due to the proportionate increase in Sales of real estate registered in 2018.

In terms of percentage to Sales of real estate, Cost of service and unit sold decreased in 2018 at 60%, whereas it was at 65% of Sales of real estate for the same period in 2017.

- 2) **General and administrative expenses.** General and administrative expenses increased by ₱188 Million or by 59%, but the higher level of expenses was accounted for by the ₱108 Million increase in Marketing, commission and sales expenses.

**c. Subsidiaries.**

The contributions of the Company's subsidiaries to revenues and net income are shown below.

- 1) **PRHC Property Managers, Inc. ("PPMI").** The Company's property management subsidiary, registered a Net income of ₱2.8 Million for the twelve months ended December 31, 2018. It is lower by ₱14 Million compared to the Net income registered by PPMI for the same period last year.
- 2) **Tektite Insurance Brokers, Inc. ("TIBI").** The Group's insurance brokerage firm, posted a net loss of ₱3 Million for the for twelve months ended December 31, 2018 which is higher by ₱2 Million compared to the ₱1 Million net loss registered for the same period last year.

**II. Review of Consolidated Statement of Financial Position for the Period Ending December 31, 2018 vs. December 31, 2017**

1. **Total assets.** The Company's Total assets stood at ₱5 Billion as of December 31, 2018, higher by ₱559 Million compared to the ₱4.5 Billion level of Total assets as of December 31, 2017.

The Company's Real estate assets accounted for 62% of the Total assets of the Company as of December 31, 2018.

Real estate inventories decreased by ₱474 Million from December 31, 2017 to December 31, 2018, or by 25%, due to the hugely successful effort of the Parent company to sell its SkyLine and SkyVillas inventory of condominium units.

The decrease in Real estate inventories is somehow compensated for by the ₱203 Million increase in Net trade and other receivables that increased by 19% from December 31, 2017 to December 31, 2018, as a result of selling terms granted to some of the Company's buyers.

Investment properties increased by ₱828 Million or from ₱865 Million in 2017 to

₱1.693 Billion in 2018 due to largely to: i) acquisition by the Parent Company of condominium units and parking slots at Tektite Towers below market prices as part of a deliberate strategy of the Parent Company to acquire properties for lease to increase its recurring income; ii) acquisition by the Parent Company of condominium units and parking slots from Xcell Property Ventures Inc. ("Xcell") at sub-market prices as part of the settlement by Xcell of its payables to the Parent Company; and iii) recognition of gain on fair value adjustments on the Company's Investment properties.

2. **Total liabilities.** Total liabilities increased by ₱170 Million largely due to accrual of Parent Company's liability to Universal Leisure Corporation (for itself and as assignee of URPHI and DMCI-PDI) as a result of an amicable settlement to fully settle and satisfy the judgement of the courts in Civil Case No. 67092, by returning to Universal Leisure Corporation ("ULC") the amounts that ULC paid and deemed to have paid in favor of the Company in the total amount of ₱231.150 Million, covering the cancellation of sale of a Penthouse unit located at the 34<sup>th</sup> Floor, West Tower of the Tektite Towers containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Tektite Towers.
3. **Total Equity.** Total equity was recorded at ₱3.5 Billion as of December 31, 2018 compared to ₱3.0 Billion as of December 31, 2017.

Total equity increased by ₱389 Million from December 31, 2017 to December 31, 2018.

Retained earnings increased by ₱464 Million during the same period. The net income for the period and the reclassification of ₱140.3 Million from Appropriated retained earnings for buy-back of shares to Unappropriated retained earnings caused the 303% increase in Unappropriated retained earnings in December 2018.

### III. **Performance Indicators**

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 December 2018 Audited	31 December 2017 Audited
Current ratio <sup>1</sup>	4.15:1	11.13:1
Debt-to-equity ratio <sup>2</sup>	0.45:1	0.45:1
Asset-to-equity ratio <sup>3</sup>	1.45:1	1.45:1
Book value per share <sup>4</sup>	₱0.74	₱0.66
Earnings per share <sup>5</sup>	₱0.08	₱0.05

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt / consolidated stockholders' equity

<sup>3</sup> Total assets / Total stockholders' equity

<sup>4</sup> Total stockholders' equity plus Subscriptions receivable / No. of shares outstanding

<sup>5</sup> Net income attributable to equity holders of Parent Company / Weighted average no. of common shares issued and outstanding

The table above reflects the continuing improvement of the Company in terms of

liquidity, solvency and profitability.

1. **Current ratio.** The Company's Current ratio decreased by 63% from December 2017 to December 2018 mainly due to a combined increase in current liabilities and decrease in current assets. However, the current ratio of 4.15:1 as of 31 December 2018 is still extremely healthy.
2. **Debt-to-equity ratio.** Similarly, the Company's Debt-to-equity ratio has remained very conservative for the periods under review as the Company's financial leverage stayed steady at 0.45:1.
3. **Asset-to-equity ratio.** The Asset-to-equity ratio of the Company also showed steadiness over time as it is stood unchanged at 1.45:1 from December 2017 to December 2018.

The steady performance of Debt-to-equity ratios and Asset-to-equity ratios of the Company for the periods under review clearly demonstrate that the Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

4. **Book value per share.** The performance of the Company's Book value per share has also been a very encouraging. It has been consistently improving from ₱0.66 per share as of end-December 2017 and to ₱0.74 per share as of 31 December 2018 or an improvement of 12%.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the year 2018.

As of this report, there is no other known event that will trigger direct or contingent financial obligation that is material to the Company. Moreover, there is no material off-balance sheet transaction, arrangement, obligation and other relationship of the Company with unconsolidated entities or other persons created during this period.

5. **Earnings per share.** Due largely to the Parent Company's improving earnings performance, the Company's Earnings per share improved by 60% in 2018 from ₱0.05 per share to ₱0.08 per share.

#### **IV. Financial Risk Management**

The Company's activities expose it to a variety of financial risks. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below:

1. **Foreign currency risk.** The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant

fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

2. **Credit risk.** Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted stringent procedures in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate and acceptable credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Company also undertakes supplemental credit review procedures for certain installment payment structures. The Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at Fair Value through Profit and Loss ("FVPL"), financial assets at Fair Value through Other Comprehensive Income ("FVOCI") and advances to subsidiaries and associates. The Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank investment limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

3. **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

4. **Price risk.** Price risk is the risk that the fair value of the financial investments particularly debt and equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

5. **Liquidity Risk.** The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Free cash flows have been restricted primarily for the settlement of the Parent's Company's debt obligations.

The Company manages liquidity risk by maintaining adequate reserves, establishing banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



**Item 7. 2018 Consolidated Financial Statements of Philippine Realty and Holdings Corporation and its Subsidiaries**

Please refer to Exhibit 2

**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 Certified Public Accountants appointed in the 2018 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 2018 and 2017 amount to ₱980,000 and ₱920,000, exclusive of VAT, respectively. Out of pocket expenses are pegged at 15% for 2018 and for 2017.

**Tax Fees**

In 2018, the Parent Company engaged the services of Maceda Valencia & Co. and Bernardo Placido Chan Lasam Law Offices for tax consulting services.



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

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

The write-ups below include positions held as of December 31, 2018 and in the past five years, and personal data as of December 31, 2018 of directors and executive officers.

**Board of Directors**

Gerardo O. Lanuza, Jr.	Chairman
Antonio O. Olbes	Vice-Chairman
Alfredo S. Del Rosario, Jr.	Member
Gerardo Domenico Antonio V. Lanuza	Member
Gregory G. Yang	Member
Andrew C. Nang	Member
Amador C. Bacani	Member
Renato G. Nuñez	Independent Director
Lorenzo V. Tan	Independent Director
Jomark O. Arollado	Independent Director
Alfonso Martin E. Eizmendi	Independent Director

**Gerardo Lanuza, Jr. / 72 – Other Alien/Spanish**

Chairman of the Board of Philippine Realty and Holdings Corporation, Meridian Assurance Corporation, Universal Travel Corporation and Chairman and President of Greenhills Properties Inc. He sits as a Director in the following corporations: Gerzon Management Corporation, Broadford Property Holdings Inc., Merdom Corporation, Al Husn Manila, Inc., Domera Trading Corporation, Chiamil Trading Corporation, Nicora Trading Corporation, Xcell Property Ventures Inc., Julnad Assets Holdings Inc., Mernic Assets Holdings Inc., La Bodequita del Medio Inc., Merlan Holdings Inc., Peridot Asset Holdings Inc., Penzance Properties Holdings Corporation, Ju-Lan Assets Holdings Co. Inc., and Stonehaven Realty Services Inc. He is the nominee of Campos Lanuza & Co. Inc. to the Philippine Stock Exchange. He also serves as Treasurer of Lanuza Asset Holding Co. He was formerly Chairman of International Exchange Bank ("IBank"), Vice Chairman of Philippine Racing Club Inc., Vice President and Director of Makati Stock Exchange, Inc. and Director of Vulcan Industrial & Mining Corporation, Golden Arrow Mining Co., Inc., Apex Mining Co. Inc., Concrete Aggregates Corp., Philippine Overseas Drilling and Oil Development Corp., Surigao Consolidated Mining Co., Inc. and A Brown Company, Inc. He is a member of the Pasay-Makati Realtors Board, Inc. and Chamber of Real Estate and Builders Association, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Mechanical Engineering in 1969.

**Antonio O. Olbes / 72 - Filipino**

Vice-Chairman of the Philippine Realty and Holdings Corporation since 1968. He had previously served as Chairman and President of Meridian Assurance Corp. from 1994-2008, and President of Raco Trading Phils., Inc. He was formerly a manager at Sycip, Gorres, Velayo & Co., and was Executive Vice President, in charge of trading, at Francisco de Asia and Co. He held a number of directorships, which include seats in the following groups: PRHC Property Managers, Inc., Greenhills Properties Inc. (Treasurer), Universal Travel Corporation (Vice-Chairman), ICON Tower Residences, Green Vista Development Corporation, SEBLO Business

Holdings Corporation, and Excell Properties. He has also been named Honorary Consul General (in the Philippines) for the Republic of Nicaragua. He earned his Bachelor of Arts degree in Economics at Holy Cross College, Massachusetts, USA, and his master's degree in Business Administration from Bobson College, Massachusetts, USA. He completed his Advanced Management Programme at Oxford University, United Kingdom, in July 1995.

**Alfredo S. Del Rosario / 63 – Filipino**

President and Chief Executive Officer of Philippine Realty and Holdings Corporation since August 1, 2016. Currently, Mr. Del Rosario is also member of Board of Director of PRHC Property Management, Inc., Universal Travel, Inc., Icon Residence Condominium Corporation, Sultan Power, Inc., Rizal MicroBank, and Camera Club of the Philippines Center, Inc. Prior to joining PhilRealty, he worked for Rizal Commercial Banking Corporation ("RCBC") as Executive Vice President, heading several groups of the bank, including Commercial Banking, Overseas Filipino Banking, and Asset Management and Remedial. Before joining RCBC, he also headed the Trust and Investment Division and Information Technology Division of AB Capital and Investment Corporation as a Senior Vice President. He also held various positions in AsianBank, Bank of America NT & SA Manila, Philippine Airlines, and Ayala Investments & Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Management in 1976. He has taken up units towards an MBA degree at the Ateneo Graduate School and subjects leading to a Juris Doctor degree at the Ateneo Law School.

**Gerardo Domenico Antonio V. Lanuza / 35 – Filipino**

Executive Vice President and Chief Operating Officer of Philippine Realty and Holdings Corporation since 2014 and became Vice President for Special Projects in 2010. He is a director at various companies such as Greenhills Properties Inc., British United Automotive Corp., A Brown Co. Inc., Klassik Motors Corp., and Campos, Lanuza & Co. Inc., where he also serves as the Vice President for Sales. He earned his Bachelor of Science degree in Legal Management at the De La Salle University, Manila in 2006.

**Gregory G. Yang / 62 – Filipino**

Senior Vice President and General Manager of the operating company, McGeorge Food Industries (local licensee of McDonald's), since 1995. He opened the first McDonald's in 1981, having trained in Hong Kong and USA for one year and earning a degree in hamburgerology from McDonald's Hamburger University. His previous work experience includes serving as Assistant Manager of the International Bank Corporation, from 1978 to 1980, and Account Officer at the Makati Leasing and Financing Corporation from 1976 to 1978. He graduated from University of the Philippines in 1976 with a BS Business Administration degree.

**Andrew C. Ng / 35 – Filipino**

Vice-President of Alpha Alleanza Manufacturing, Inc. Philippines since 2009. He was formerly the Assistant Operations Manager Trainee of Pinnacle Foods, Inc., Philippines, serving from 2005 to 2009, and was a Management Trainee at Procter & Gamble Philippines in 2004. He earned his Bachelor of Science degree in Industrial Engineering at De La Salle University, Manila in 2005.

**Amador C. Bacani / 70 – Filipino**

Formerly the President of Philippine Realty and Holdings Corporation from 2002 to 2014. He also worked in the same Company as Executive Vice President from 1995 to 2002. He is currently the President of Xcell Property Ventures, Inc. (a joint venture partner of the Company). Previously, he was First Vice President and Head of Consumer Banking Group of Rizal Commercial Banking Corporation, and served as First Vice President & Head of Branches Operations Support Division as well. He held several other high-level positions in Campos, Lanuza & Co. Inc., Decision Systems Corporation, Security Bank and Trust Company, Allied Banking Corporation, Asian Merchant Finance Inc., Bank of the Philippine Islands, Citibank, N.A. (Manila), and Procter & Gamble Phils., Inc. He graduated with a Bachelor of Science degree in Mechanical Engineering, *Summa Cum Laude*, from De La Salle College in 1969, and earned his Master of Science in Industrial Administration degree at the Carnegie-Mellon, USA, in 1972.

**Renato G. Nuñez / 49 (Independent Director) - Filipino**

Independent Director of Philippine Realty and Holdings Corporation since 2015. He currently sits as President of CATS Motors, Inc., Techglobal Data Center, Inc., Techzone Philippines, Inc., LIA Philfoods, Inc., and Everland Estate Development Corp. Moreover, he is also a current Director of All British Cars, Inc., Cambie Property, Inc. Coventry Motors Corp., and Total Consolidated Asset Management, Inc. Previously, he served as Vice President of Leisure & Resorts World Corp., as well as Midas Hotel & Casino. He was once the Managing Director of Blue Chip Gaming & Leisure Corp., Vice President and Director of AB Leisure Global, Inc., President of Arwen Gaming & Leisure Specialist, Inc., Vice President for Finance of Binondo Leisure and Resort Corp., and Vice President of AB Leisure Exponent., Inc. He graduated in BS Industrial Management Engineering, Minor in Mechanical Engineering, at De La Salle University in 1991.

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

Independent Director of Philippine Realty and Holdings Corporation since 2016. Currently, he plays a significant role in various Companies such as serving as Vice-Chairman of The Outstanding Young Men ("TOYM") Foundation, Managing Partner of Primeiro Partners Inc., and Independent Director of EEI Corporation, as well as Sunlife Grepa Financial Inc., House of Investment, Malayan Insurance and IPeople. Previously, he served as President and CEO of the Rizal Commercial Banking Corporation, Sunlife of Canada (Phils) Inc., the Philippine National Bank, and United Coconut Planters Bank. He was also once the Group Managing Director of Guoco Holdings (Philippines), Inc., Director of Citibank NA Singapore, Vice President of Citicorp Real Estate, Inc. in Los Angeles, California, USA, Associate of the Division Credit Office of Citicorp Real Estate, Inc. in New York, and Management Associate of the Asia Pacific Group in Citibank, NA, New York. In addition, he was the former President of the Bankers Association of the Philippines ("BAP"), and the Chairman of the Asian Bankers Association. Other association include being President of the Asia Pacific Bankers Club, and Chairman of Megalink Inc. He graduated from J.L. Kellogg Graduate School of Management, Northwestern University, with a master's degree in Management in 1987. He earned his Bachelor of Science degree in Commerce, Major in Accounting at De La Salle University Manila. He is a Certified Public Accountant in Pennsylvania, USA, and in the Philippines. In 1999, he was a recipient of The Outstanding Young Men ("TOYM") Award in the field of Banking.



**Jomark Ong Arollado / 35 (Independent Director) – Filipino**

Served as Plant Manager and Strategic Business Unit ("SBU") Head of Rapid Forming Corporation since 2013. Previously, he was also a Plant Manager of Silangan Philtrade Corporation, serving from 2011 to 2012. His first professional stint at Rapid Forming Corporation was in 2006 as the SBU head. Prior, he has worked as the ISO Document Controller at SGV & Co. in 2004. He graduated with a Bachelor of Science degree in Industrial Engineering at Dela Salle University Manila in 2005.

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

President and CEO of Royal Link Industries Inc., Yields Financial Corporation, Park Cent Tower Realty Corp., and WGP Villa Realty Corp. Aside from Philippine Realty and Holdings Corp., he is also a Director of Meridian Assurance Corp. Secret 6 Inc., CleanPro, The Icon Plaza Condominium Corp. Frimar Realty and Frimar USA. He was formerly the Vice-Chairman of Vi@je Corp. from 2000 to 2001, and Chairman of Blue Star Insurance Brokerage from 1998 to 2001. He graduated from De La Salle University in 1986 with bachelor's degree in Political Science.

**Key Executive Officers**

Alfredo S. Del Rosario Jr.*	President and Chief Executive Officer
Gerardo Domenico Antonio V. Lanuza*	EVP and Chief Operating Officer
Edmundo C. Medrano	SVP and Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer
Erwin V. Ciar	VP and Head, Project Construction and Management
Adeline Susan C. Carag	VP and Head, Property Management Services
Carlos Miguel T. Paca	VP and Head, Business Development and Investment Relations Officer
Richard Nicolas K. Go	VP and Head, Sales
Marissa S. Bontogon	VP and Controller
Rex P. Bonifacio	Corporate Secretary

\* Members of the Board

**Edmundo C. Medrano / 65 – Filipino**

Senior Vice President and Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer of Philippine Realty and Holdings Corporation. He was elected in 2018 as an Independent Director of Credit Information Corporation and Chairman of its Audit Committee. He is currently a member of the Board of Directors of Casa Miguel Condominium Corporation, Universal Travel Corporation and Andrea North Condominium Corporation. He previously held the positions of Executive Vice President at Philtrust Bank; Vice Chairman, President and Chief Operating Officer at Producers Savings Bank Corporation; Senior Vice President at Asiatruster Development Bank; Senior Vice President at AB Capital and Investment Corporation and Head of Investment Banking and concurrently General Manager of AB Leasing and Finance Corporation; and First Vice President at AsianBank Corporation. He took his Masters of Business Management at the Asian Institute of Management from 1974 to 1976. He graduated from De La Salle College with a Degree of Bachelor of Science in Commerce major in Accounting in 1974, *Cum Laude*, and Bachelor of Arts major in Economics in 1974, *Cum Laude*.

**Erwin V. Ciar / 44 – Filipino**

Vice President and Head, Project Construction and Management of Philippine Realty and Holdings Corporation since September 2014. Concurrently, he is also Member of Board of Directors and Treasurer of PRHC Property Managers Inc. Mr. Ciar has extensive work experience for twenty-three years in the fields of project and construction management, construction supervision and contract management. He was the Vice Director PCMD for Bitexco Group of Companies from 2008 to 2014. He graduated at Pamantasan ng Lungsod ng Maynila in 1996 with a Bachelor of Science in Civil Engineering.

**Adeline Susan C. Carag / 61 – Filipino**

Ms. Carag is currently Vice President and Head, Property Management Services of Philippine Realty and Holdings Corporation. She is also currently the President of PRHC Property Managers Inc. She graduated from Eulogio "Amang" Rodriguez Institute of Science and Technology ("EARIST") in 1978 with a degree of Bachelor of Science in Chemical Engineering and Bachelor of Science in Industrial Education.

**Carlos Miguel T. Paca / 44 – Filipino**

Mr. Paca concurrently holds the positions of Vice President Head, Business Development and Investor Relations Officer of Philippine Realty and Holdings Corporation. He also holds the position as Member of the Board of Directors of Philippine Stock Exchange Centre Condominium Corporation, Icon Residence Condominium Corporation, Hola Comerciantes, Inc., and Meridian Assurance Corp. He graduated at De La Salle University with a degree of Bachelor of Science, Industrial Engineering with Minor in Mechanical Engineering in 1995.

**Richard Nicolas K. Go / 36 – Filipino**

Mr. Go is currently the Vice President and Head of Sales of Philippine Realty and Holdings Corporation. He previously worked as Sales Manager at Arthaland Corporation. He graduated from De La Salle University College of Saint Benilde in 2004 with a degree of Hotel, Restaurant, and Institution Management.

**Marissa S. Bontogon / 46 – Filipino**

Vice President and Controller of Philippine Realty and Holdings Corporation. She is a Certified Public Accountant and Certified Financial Consultant. She received her Bachelor of Science degree in Accountancy from De La Salle University in 1992.

**Atty. Rex P. Bonifacio / 46 – Filipino**

Atty. Bonifacio is the current Corporate Secretary of Philippine Realty and Holdings Corporation. Concurrently, he is also the Corporate Secretary of Philippine Stock Exchange Centre Condominium Corporation and a Partner at Pastelero Law Office. He finished his Pre law at San Sebastian College Recoletos Manila in 1992 with a degree of AB Political Science, **Cum Laude**. In 1996, he completed his Bachelor of Laws degree in San Sebastian College of Law.

### **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 (over the past five years)**

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

### **Item 10. Executive Compensation**

	Year	Salary	Bonus	Per Diem	Other Annual Compensation	Total
CEO and 5 most highly compensated executive officers - Gerardo Domenico Antonio V. Lanuza (EVP); Edmundo C. Medrano (SVP, CFO, Treasurer, Compliance Officer, Chief Subsidiary Mgt Officer), Carlos T. Paca (VP Business Development); Erwin V. Ciar (VP Project and Construction Mgt)	2017 -Restated	₱18.3M	₱1.3M	₱0.14M	None	₱19.7M
	2018 - Actual	30.4M	2.53M	0.14M	None	33.7M
	2019 -Projected	32.5M	2.70M	0.14M	None	35.3M
All officers as a group - Other officers include: Adeline Susan C. Carag (VP for Property Mgt); Richard Nicolas K. Go (VP Sales); Marissa S. Bontogon (VP Controller)	2017 - Actual	₱3.7M	₱0.30M	None	None	₱4.0M
	2018 - Actual	7.0M	0.58M	None	None	7.58M
	2019- Projected	7.52M	0.62M	None	None	8.1M

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 ₱6,000.00 for board meetings attended except for Independent Directors who receive ₱20,000.00. In addition, the Board of Directors is entitled to a portion of the 5% of Net Income before Tax as profit-sharing incentive for directors, officers and staff.

The directors of the Registrant received per diem in the amount of ₱1,122,520, ₱1,172,000, and ₱1,008,000 for 2018, 2017 and 2016, respectively.

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

- a. 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, 2018.

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	2,456,130,840 shares	49.90%
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"	Filipino / American / Spanish / Others	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 49.90% 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 5.59% of the company's voting securities.

- b. Shares held by Directors and Executive Officers as reported by Transfer Agent as of 31st December 2018:

Title of Class	Name of Beneficial Owner	Amount and Nature of Class		Citizenship	% Owned
		Direct	Indirect		
Common	Gerardo O. Lanuza, Jr.	2,174,024	204,911,203	Spanish	4.20
Common	Antonio O. Olbes	6,388	500,000	Filipino	0.01
Common	Alfredo S. Del Rosario Jr.	20,261,000	-	Filipino	0.41
Common	Gerardo Domenico Antonio V. Lanuza	150,522,366	65,083	Filipino	4.38
Common	Gregory G. Yang	1,831,000	-	Filipino	0.03
Common	Andrew C. Ng	74,000	10,000	Filipino	0.00
Common	Amador C. Bacani	229,980	-	Filipino	0.00
Common	Renato G. Nuñez	10,000	-	Filipino	0.00
Common	Lorenzo V. Tan	10,000	-	Filipino	0.00
Common	Jomark O. Arollado	10,000	-	Filipino	0.00
Common	Alfonso Martin E. Eizmendi	10,000	-	Filipino	0.00
	<b>Total</b>	<b>175,138,758</b>	<b>205,486,286</b>		

- c. Voting Trust Holders of 5% or more

Philrealty does not know any person/s holding more than 5% of Philrealty common shares under a voting trust or similar arrangement.

**d. Change in Control**

At present, there is neither 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**

**Related Party Transactions**

The Parent Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses. These are transactions with subsidiaries, management, leasing and administrative service agreements. Purchase of services to and from related parties are made on an arm's length basis and at current market prices at the time of the 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 in the Notes to Financial Statements in Note No. 18. The 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. ("TIBI"). 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 financial assistance to its subsidiary, PPMI for working capital purposes.

In the transaction involving the exchange of prime real properties of Greenhills Properties Inc. ("GPI") and Meridian Assurance Corp. ("MAC") for shares in Philrealty, 2 independent property appraisal companies accredited with both the SEC and the PSE were used (and not just one property appraisal company) to determine the fair market values of the properties to be exchanged. Also, the valuation of the Philrealty common shares was based on the historical 120-day arithmetic average (and not just based on a couple of days) of the Volume Weighted Average Price ("VWAP") of Philrealty obtained on a daily basis. Daily volume weighted average prices were used, and 120 days data set was used, to smoothen the peaks and valleys in the said data set.

R. G. Manabat & Co. was also engaged to render a Valuation and Fairness Opinion Report. The result of the Valuation and Fairness Opinion Report prepared for Philrealty by R. G. Manabat & Co. determined that the transaction price (and the transaction value) for the issuance of new shares from an increase in the authorized capital stock in favor of GPI and MAC in exchange for properties that the two (2) entities will infuse into RLT, is fair.

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.



### **Suppliers**

The Company has broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

### **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.

**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**

**a. Exhibits**

1. 2018 Consolidated Financial Statements of Philippine Realty and Holdings Corporation and its Subsidiaries
2. Subsidiaries of the Registrant

**b. Reports on SEC Form 17-C**

1.	January 9, 2018	Election of Mr. Amador C. Bacani as member of the Board of Directors of Philippine Realty and Holdings Corporation effective January 9, 2018.
2.	January 19, 2018	In the regular meeting of the Board of Directors of the Company held today, January 16, 2018, the Board approved the sale of its 749,999 shares in Meridian Assurance Corporation (MAC), representing 29.99% of MAC's outstanding shares of stock.
3.	March 20, 2018	Notice of Annual Stockholders Meeting for 2018
4.	March 27, 2018	Clarification on the Notice of Annual Stockholders Meeting for 2018
5.	April 23, 2018	Approval by the Board of Directors of Philippine Realty and Holdings Corporation ("RLT" or the "Company") of the proposal to effect the cessation of business operations of Universal Travel Corporation ("UTC"), a company owned 81.53% by RLT, due to UTC's continuing losses and increasing capital deficiency.
6.	April 23, 2018	Amendment to Articles of Incorporation ("AOI") to increase the authorized capital stock of Philippine Realty and Holdings Corporation ("RLT" or the "Company") to accommodate the issuance of new, primary shares from the increased capital stock in favor of Greenhills Properties Inc. ("GPI") and Meridian Assurance Corp. ("MAC") in exchange for prime real properties that the two (2) entities will contribute into RLT as capital.
7.	May 30, 2018	Approval by the Board of Directors of Philippine Realty and Holdings Corporation ("RLT" or the "Company") of the proposal to reclassify Appropriated Retained Earnings for Treasury Stock Acquisitions to Unappropriated Retained Earnings.
8.	July 25, 2018	Results of 2018 Annual Stockholders' Meeting
9.	July 25, 2018	Resignation of Mr. Vincent Fischer as Chief Financial Officer effective July 23, 2018 and appointment of Mr. Edmundo C. Medrano as Chief Financial Officer, Treasurer, Compliance Officer and concurrently Senior Vice President and Chief Subsidiary Management Officer

10.	July 25, 2018	Result of Valuation and Fairness Opinion Report prepared for Philippine Realty and Holdings Corporation (" <b>RLT</b> " or the " <b>Company</b> ") by R. G. Manabat & Co. in determining the transaction price (and the transaction value) for the issuance of new shares from an increase in the authorized capital stock in favor of Greenhills Properties Inc. (" <b>GPI</b> ") and Meridian Assurance Corporation (" <b>MAC</b> ") in exchange for properties that the two (2) entities will infuse into RLT.
11.	August 6, 2018	Universal Travel Corporation (" <b>UTC</b> "), a subsidiary of Philippine Realty and Holdings Corporation (" <b>RLT</b> ") has ceased its travel agency business operations on a voluntary basis on 6 August 2018 due to continuing losses and increasing capital deficiency. The terminated employees of UTC numbering six (6) were all paid their separation benefits, and all creditors were also paid prior to the temporary cessation of business operations.
12.	August 17, 2018	New set of Corporate Officers, Board and Management Committees for the ensuing year.
13.	August 23, 2018	Promotion of Ms. Marissa S. Bontogon from Assistant Vice President and Controller to Vice President and Controller effective September 1, 2018.
14.	November 21, 2018	Disclosure of Corporate Governance Seminar and transmittal of Certificates of Attendance
15.	February 19, 2019	Notice of Annual Stockholders Meeting for 2019
16.	March 15, 2019	<p>Philippine Realty and Holdings Corporation ("<b>RLT</b>"), as a result of an amicable settlement with Universal Leisure Corporation (for itself and as assignee of Universal Rightfield Property Holdings Inc. and DMCI Project Developers, Inc.), fully settled and satisfied the judgement of the courts in Civil Case No. 67092, by returning to Universal Leisure Corporation ("<b>ULC</b>") the amounts that ULC paid and deemed to have paid in favor of RLT in the total amount of ₱231,150,000, covering the purchase of a Penthouse unit located at the 34th Floor, West Tower of the Philippine Stock Exchange Centre ("<b>PSEC</b>" or "<b>Tektite Towers</b>") containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC. The settlement puts an amicable and mutually-beneficial closure to a 20-year-old legal case.</p> <p>As disclosed by the Philippine Stock Exchange Inc. ("<b>PSE</b>") in a Circular for Brokers dated 7 December 1998, RLT confirmed that it filed Civil Case No. 67092 before the Regional Trial Court of Pasig City Branch 161 against ULC, Universal Rightfield Property Holdings Inc. ("<b>URPHI</b>") and DMCI Project Developers, Inc. ("<b>DMCI-PDI</b>") for sum of money and damages.</p> <p>With the agreement that also fully satisfied the judgement of the courts, RLT recovered a Penthouse unit located at the 34th Floor, West Tower of the PSEC and 74 parking slots located at the Podium 3 Parking Level of the West Tower of</p>

		the PSEC. The fair value of the Penthouse unit and the 74 parking slots have been determined recently by an independent property appraisal company accredited with the Securities and Exchange Commission (" <b>SEC</b> ") and with the PSE to be higher than the ₱231,150,000 returned by RLT to ULC.
17.	April 10, 2019	Philippine Realty and Holdings Corporation (" <b>RLT</b> ") requested extension to submit Annual Report as RLT is still finalizing its Consolidated Financial Statements as of December 31, 2018

**EXHIBIT 2****SUBSIDIARIES OF THE REGISTRANT**  
**(as of December 31, 2018)**

<b>Name</b>	<b>% of Ownership</b>
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%

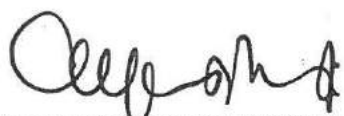
## SIGNATURES

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 \_\_\_\_\_, 2019.

### 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 and Chief Executive Officer



**EDMUNDO C. MEDRANO**  
Senior Vice President and Chief Financial  
Officer, Treasurer, Compliance Officer and  
Chief Subsidiary Management Officer



**MARISSA S. BONTOGON**  
Vice President and Controller



**REX P. BONIFACIO**  
Corporate Secretary

**29 APR 2019**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, affiants exhibiting to me their government-issued identification cards, as follows:

Names	ID Number	Date of Issue	Place of Issue
Alfredo S. Del Rosario Jr.	TIN: 108-160-980		
Edmundo C. Medrano	TIN: 134-515-229		
Marissa S. Bontogon	TIN: 162-411-720		
Rex P. Bonifacio	TIN: 236-070-936		



**ATTY. CONCEPCION P. VILLARENA**  
Notary Public for Quezon City  
Until December 31, 2019  
PTR No. 7322642 - 1-03-2019/ QC  
IBP No. AR14460591 - 12-17-2018/ QC  
Roll No. 30457 - 05-09-80  
MCLE 5-0012536 - 12-21-2015  
Adm. Matter No. NP 270 (2018-2019)

**NOTARY PUBLIC**

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Book No. 25 ;  
Series of 2019



## **Philippine Realty & Holdings Corporation**

### **CERTIFICATION**

**EDMUNDO C. MEDRANO**, of legal age, Filipino, with office address at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran District 4, Quezon City, Metro Manila, after having been sworn to in accordance with law, hereby certify that:

1. I am duly elected and incumbent Senior Vice President and Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer of **Philippine Realty and Holdings Corporation** (the "Corporation"), a Corporation organized and existing under the laws of the Philippines, with principal office at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran District 4, Quezon City, Metro Manila.
2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal Executive Officers, none of said members of the Board of Directors and principal Executive Officers of the Corporation are presently employed by any office or agency of the Philippine Government.

  
**EDMUNDO C. MEDRANO**

Senior Vice President and Chief Financial Officer,  
Treasurer, Compliance Officer and  
Chief Subsidiary Management Officer