

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



1. For the quarterly period ended March 31, 2019
2. Commission identification number 99905
3. BIR Tax Identification No. 000-188-233
4. Exact name of issuer as specified in its charter  
PHILIPPINE REALTY AND HOLDINGS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization PHILIPPINES
6. Industry Classification Code:   (SEC Use Only)
7. Address of issuer's principal office Postal Code  
  
One Balete, 1 Balete Drive cor. N. Domingo St., Brgy Kaunlaran, District 4, Quezon City 1111  
Satellite Office: E-2001B East Tower, PSE Center, Exchange Rd., Ortigas Center, Pasig
8. Issuer's telephone number, including area code  
  
(632) 631-3179
9. The Registrant has not changed its corporate name and fiscal year. Prior to its transfer to the above satellite office address the registrant held its satellite office at E-512/513 East Tower, PSE Center, Exchange Rd., Ortigas Center, Pasig City.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---------------------|---|
| Common              | 4,922,324,908 shares  |
11. Are any or all of the securities listed on a Stock Exchange?  
  
Yes ☒ No ☐  
  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes ☒ No ☐
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
Yes ☒ No ☐

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

A copy of the comparative statements as of and for the quarters ended March 31, 2019 and 2018, is submitted as part of this report. The financial statements were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computations followed in the interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2018.


Changes affecting balance sheet and income statement items are further disclosed in the Management Discussion and Analysis. There are no material events after the end of the interim period that have not been reflected in the financial statements for the interim period. The company had reclassified accounts such as dividends, capital and foreign exchange gains, interest, and equity earnings to investment income during the period.

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

Refer to the Three months ended March 31, 2019 Analysis of Unaudited Consolidated Financial Statement attached as Exhibit I, Comparative Financial Soundness Indicators as Exhibit II, and Business Segments as Exhibit III.

## SIGNATURES

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



Alfredo S. Del Rosario Jr.  
President/CEO  
May 27, 2019



Edmundo C. Medrano  
Senior Vice President and Chief Financial Officer,  
Treasurer, Compliance Officer and Chief  
Subsidiary Management Officer  
May 14, 2019

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|   | Unaudited<br>March 31<br>2019 | Audited<br>December 31<br>2018 |
|---|-------------------------------|--------------------------------|
| <b>ASSETS</b>   |                               |                                |
| <b>Current Assets</b>   |                               |                                |
| Cash and cash equivalents   | 133,196,818                   | 78,462,791                     |
| Financial assets at fair value through profit or loss (FVPL)              | 6,750,000                     | 6,750,000                      |
| Trade and other receivables-current portion                               | 1,047,648,884                 | 1,006,530,211                  |
| Real estate inventories   | 1,363,697,309                 | 1,431,248,954                  |
| Prepayments and other assets-net  | 300,918,460                   | 305,369,994                    |
| <b>Total Current Assets</b>   | <b>2,852,211,471</b>          | <b>2,828,361,950</b>           |
| <b>Non-current Assets</b>   |                               |                                |
| Financial assets at fair value through other comprehensive income (FVOCI) | 41,678,284                    | 41,333,478                     |
| Trade and other receivables-non current portion                           | 265,644,102                   | 265,669,488                    |
| Investments in and advances to associates-net                             | 38,730,351                    | 76,673,455                     |
| Investment properties-net   | 1,708,311,057                 | 1,693,172,141                  |
| Property and equipment - net  | 119,713,709                   | 118,444,300                    |
| <b>Total Non-current Assets</b>   | <b>2,174,077,503</b>          | <b>2,195,292,862</b>           |
|   | <b>5,026,288,974</b>          | <b>5,023,654,812</b>           |
| <b>LIABILITIES AND EQUITY</b>   |                               |                                |
| <b>Liabilities</b>  |                               |                                |
| <b>Current Liabilities</b>  |                               |                                |
| Trade and other payables-current portion                                  | 144,299,885                   | 408,874,330                    |
| Unearned income   | 980,253                       | 899,787                        |
| Loans Payable   | 543,760,136                   | 271,896,088                    |
| <b>Total Current Liabilities</b>  | <b>689,040,274</b>            | <b>681,670,205</b>             |
| <b>Non-current Liabilities</b>  |                               |                                |
| Trade and other payables-net of current portion                           | 183,043,034                   | 176,447,232                    |
| Loans payable-net of current portion                                      | 355,807,161                   | 388,782,961                    |
| Retirement benefit obligation   | 25,800,804                    | 25,399,477                     |
| Deferred tax liabilities-net  | 244,240,841                   | 242,606,874                    |
| Other non-current liabilities   | 39,029,408                    | 38,015,065                     |
| <b>Total Non-current Liabilities</b>                                      | <b>847,921,248</b>            | <b>871,251,609</b>             |
|   | <b>1,536,961,522</b>          | <b>1,552,921,814</b>           |
| <b>Equity Attributable to Equity Holders of the Parent Company</b>        |                               |                                |
| Capital stock   | 2,344,198,495                 | 2,344,198,495                  |
| Additional paid-in capital  | 557,014,317                   | 557,014,317                    |
| Reserves  | 67,046,922                    | 66,940,178                     |
| Retained earnings   | 635,946,835                   | 617,459,124                    |
| Treasury stock  | (109,712,439)                 | (109,712,439)                  |
|   | <b>3,494,494,129</b>          | <b>3,475,899,675</b>           |
| Equity Attributable to Non-Controlling Interest                           | (5,166,677)                   | (5,166,677)                    |
|   | <b>3,489,327,452</b>          | <b>3,470,732,998</b>           |
|   | <b>5,026,288,974</b>          | <b>5,023,654,812</b>           |

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|  | For the Three Months Ended March 31 |                    |
|--|-------------------------------------|--------------------|
|  | 2019                                | 2018               |
| <b>INCOME</b>  |                                     |                    |
| Sales of real estate                                 | 201,065,665                         | 226,791,869        |
| Rent   | 20,401,554                          | 17,595,628         |
| Management fees                                      | 9,869,402                           | 8,954,494          |
| Interest income                                      | 1,432,905                           | 1,858,459          |
| Commission income                                    | 2,066,448                           | 2,660,494          |
| Equity in net earnings (loss) of associate           | (9,476)                             | 694,958            |
| Other income   | 334,778                             | 1,489,043          |
|  | <b>235,161,276</b>                  | <b>260,044,945</b> |
| <b>COSTS AND EXPENSES</b>                            |                                     |                    |
| Cost of service and unit sold                        | 127,239,348                         | 160,937,720        |
| General and administrative                           | 79,959,647                          | 83,208,538         |
|  | <b>207,198,994</b>                  | <b>244,146,258</b> |
| <b>FINANCE COSTS</b>                                 | <b>2,346,073</b>                    | <b>1,870,240</b>   |
| <b>INCOME BEFORE INCOME TAX</b>                      | <b>25,616,209</b>                   | <b>14,028,447</b>  |
| <b>INCOME TAX EXPENSE</b>                            | <b>7,128,500</b>                    | <b>3,321,590</b>   |
| <b>NET INCOME</b>                                    | <b>18,487,709</b>                   | <b>10,706,857</b>  |
| <b>ATTRIBUTABLE TO:</b>                              |                                     |                    |
| Equity holders of the parent                         | 18,487,709                          | 10,778,472         |
| Non-controlling interest                             | -                                   | (71,616)           |
|  | <b>18,487,709</b>                   | <b>10,706,856</b>  |
| <b>OTHER COMPREHENSIVE INCOME:</b>                   |                                     |                    |
| Unrealized holding gain (loss) on<br>AFS investments | 344,806                             | -                  |
| <b>TOTAL COMPREHENSIVE INCOME</b>                    | <b>18,832,515</b>                   | <b>10,706,856</b>  |
| <b>Income per share</b>                              |                                     |                    |
| Basic  | 0.003790                            | 0.002210           |
| Diluted  | 0.003790                            | 0.002210           |
| <b>Number of shares outstanding</b>                  |                                     |                    |
| Basic (net of treasury stock 125,644,005)            | 4,877,907,002                       | 4,877,907,002      |
| Diluted (net of treasury stock 125,644,005)          | 4,877,907,002                       | 4,877,907,002      |

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|  | <b>For the Three Months Ended March 31</b> |                       |
|--|--|-----------------------|
|  | <b>2019</b>                                | <b>2018</b>           |
| <b>Capital Stock</b>                                   |  |                       |
| Authorized 8,000,000,000 common shares                 |  |                       |
| Issued and outstanding 3,688,869,746 shares in 2019;   |  |                       |
| 3,688,869,746 shares in 2018                           |  |                       |
| Capital stock  | <b>1,844,434,873</b>                       | <b>1,844,434,873</b>  |
| Subscribed capital stock 1,314,711,262 shares in 2018; |  |                       |
| 1,314,711,262 shares in 2017                           | <b>657,355,631</b>                         | <b>657,355,631</b>    |
| Less: Subscription receivable                          | <b>157,592,009</b>                         | <b>157,592,009</b>    |
|  | <b>499,763,622</b>                         | <b>499,763,622</b>    |
| Additional paid-in capital                             | <b>557,014,317</b>                         | <b>557,014,317</b>    |
| Capital stock  | <b>2,901,212,812</b>                       | <b>2,901,212,812</b>  |
| <b>Reserves</b>  |  |                       |
| Appropriated retained earnings for                     |  |                       |
| Treasury stock acquisition                             | <b>109,712,439</b>                         | <b>250,000,000</b>    |
| Revaluation on FVOCI                                   |  |                       |
| Balance, beginning                                     | <b>(20,349,328)</b>                        | <b>(19,368,116)</b>   |
| Unrealized holding loss on financial assets at FVOCI   | <b>344,806</b>                             | <b>-</b>              |
| Balance, end   | <b>(20,004,522)</b>                        | <b>(19,368,116)</b>   |
| Accumulated Remeasurement Losses                       | <b>(22,660,995)</b>                        | <b>(33,638,169)</b>   |
| Reserve for fluctuation in market value of stocks      | <b>-</b>                                   | <b>1,686,131</b>      |
|  | <b>67,046,924</b>                          | <b>195,307,585</b>    |
| <b>Retained earnings</b>                               |  |                       |
| Balance, beginning                                     | <b>617,459,124</b>                         | <b>152,549,918</b>    |
| Net income   | <b>18,487,709</b>                          | <b>10,778,472</b>     |
| Balance, end   | <b>635,946,833</b>                         | <b>163,328,391</b>    |
|  | <b>3,604,206,569</b>                       | <b>3,259,848,788</b>  |
| <b>Treasury Stock</b>                                  | <b>(109,712,439)</b>                       | <b>(160,904,214)</b>  |
|  | <b>3,494,494,131</b>                       | <b>3,098,944,575</b>  |
| <b>Minority Interest</b>                               |  |                       |
| Balance, beginning                                     | <b>(5,166,677)</b>                         | <b>(6,956,159)</b>    |
| Share in net income                                    | <b>-</b>                                   | <b>(71,616)</b>       |
|  | <b>(5,166,677)</b>                         | <b>(7,027,775)</b>    |
|  | <b>P3,489,327,452</b>                      | <b>P3,091,916,799</b> |

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | <b>For the Three Months Ended March 31</b> |                    |
|---|--|--------------------|
|   | <b>2019</b>                                | <b>2018</b>        |
| <b>Cash flows from Operating Activities</b>                               |  |                    |
| Net Income  | 18,487,709                                 | 10,778,472         |
| Adjustments for:  |  |                    |
| Financial assets at fair value through other comprehensive income (FVOCI) | 344,806                                    | 2,550,800          |
| Accumulated remeasurement loss (gain)                                     | -  | 682,830            |
| Reserve for fluctuation in MV of investment in stocks                     | (238,062)                                  | (3,522,560)        |
| Decrease in minority interest   | -  | (71,616)           |
| Depreciation and amortization   | 3,797,861                                  | 2,216,837          |
| Gain from operations before working capital changes                       | 22,392,314                                 | 12,634,764         |
| Decrease (Increase) in:   |  |                    |
| Real estate inventories   | 67,551,646                                 | 73,649,757         |
| Trade and other receivables - net   | (41,093,287)                               | (36,093,018)       |
| Prepayments and other current assets                                      | 4,451,534                                  | (43,588,328)       |
| Increase (Decrease) in:   |  |                    |
| Trade and other payables  | (257,978,643)                              | 34,371,277         |
| Deferred Income   | 1,014,343                                  | (6,136,911)        |
| Deferred Tax Liability  | 1,633,967                                  | -                  |
| Retirement Benefit Obligation   | 401,327                                    | 1,401,100          |
| Unearned Income   | 80,466                                     | (853,644)          |
| Net cash provided by (used in) operating activities                       | (201,546,333)                              | 35,384,998         |
| <b>Cash Flows from Investing Activities</b>                               |  |                    |
| Decrease (Increase) in:   |  |                    |
| Real estate held for development and sale - net                           | -  | (200,000)          |
| Investments in and advances to associates - net                           | 37,943,104                                 | (741,321)          |
| Financial assets at fair value through other comprehensive income (FVOCI) | (344,806)                                  | -                  |
| Available-for-sale investments  |  | 475,504            |
| Investment Property   | (15,138,916)                               | (2,382,201)        |
| Net additions to property and equipment                                   | (5,067,270)                                | 1,084,318          |
| Net cash provided by (used in) investing activities                       | 17,392,112                                 | (1,763,700)        |
| <b>Cash Flows from Financing Activities</b>                               |  |                    |
| Availment of loans payable  | 305,014,472                                | -                  |
| Payment of Bank Loans   | (66,126,224)                               | (25,614,389)       |
| Net cash provided by (used in) financing activities                       | 238,888,248                                | (25,614,389)       |
| <b>Net Increase in Cash and Cash Equivalents</b>                          | <b>54,734,027</b>                          | <b>7,806,910</b>   |
| <b>Cash and Cash Equivalents, Beginning</b>                               | <b>78,462,791</b>                          | <b>140,866,864</b> |
| <b>Cash and Cash Equivalents, End</b>                                     | <b>133,196,818</b>                         | <b>148,673,774</b> |

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**AGING OF ACCOUNTS RECEIVABLE-TRADE**  
**AS OF MARCH 31, 2019**

| PARTICULARS | CURRENT     | OVER DUE    |            |              | TOTAL       |
|-------------|-------------|-------------|------------|--------------|-------------|
|             |             | 31-60 DAYS  | 61-90 DAYS | OVER 91 DAYS |             |
| PRHC        | 300,873,130 | 196,864,670 | 7,524,228  | 319,188,277  | 824,450,305 |
| PPMI        | 812,585     | 440,597     | 179,525    | 3,572,703    | 5,005,410   |
| TIBI        | 142,648     |             |            |              | 142,648     |
| UTC         | -           | -           |            |              | -           |
| GRAND TOTAL | 301,828,363 | 197,305,267 | 7,703,753  | 322,760,980  | 829,598,363 |

|                              |                      |
|------------------------------|----------------------|
| Accounts Receivable - Trade  | 829,598,363          |
| Accounts Receivable - Others | 218,050,521          |
| Total                        | <u>1,047,648,884</u> |



## 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 positions.

#### I. Review of Consolidated Statement of Income for the Period Ending March 31, 2019 vs. March 31, 2018

1. Consolidated net income after tax. Philippine Realty and Holdings Corporation posted net income after tax of **₱18.49 Million** for the 3 months ended March 31, 2019 compared to **₱10.71 Million** net income after tax for the same period last year, or an increase in the Company's consolidated net income after tax of **₱7.78 Million** or a by a hefty 73% increase. The improvement in the Company's profitability is explained below.

##### a. Income and Costs and Expenses

- 1) While Sales of real estate decreased in the first 3 months of 2019 compared to the same period last year, the decrease in the Cost of service and units sold was much bigger than the decrease in the Sales of real estate. Sales of real estate decreased by **₱25.7 Million** or by 11% for the 3 months ended March 31, 2019 compared to the sales of real estate for the same period last year. On the other hand, Cost of service and units sold decreased by **₱33.7 Million** or by 21% for the 3 months ended March 31, 2019 compared to the Cost of service and units sold for the 3 months ended March 31, 2018.

In terms of percentage to Sales of real estate, Cost of service and units sold decreased in 2019 at 55%, whereas it was at 63% of Sales of real estate for the same period in 2018.

Sales of real estate pertains to units sold at Skyline and SkyVillas Towers located in Quezon City, and at the Icon Plaza located in Bonifacio Global City.

- 2) Rental income increased by **₱2.8 Million** or by 16% due to the increase in leasable spaces and additional lease agreements entered into by the Parent Company.
- 3) Management fees was also higher by 10% due to additional engagements obtained by one of the Company's subsidiaries.
- 4) General and administrative expenses decreased by **₱3 Million** or by 4% due to lower Marketing, commission and sales expenses in 2019.

##### b. 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 loss of **₱1.7 Million** for the three months ended



March 31, 2019. It is lower by ₱2.2 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 income of ₱0.4 Million for the for three months ended March 31, 2019 which is lower by ₱1 Million compared to the ₱1.5 Million net income registered for the same period last year.

## **II. Review of Consolidated Statement of Financial Position for the Period Ending March 31, 2019 vs. March 31, 2018**

1. **Total assets**. The Company's Total assets stood at ₱5.026 Billion as of March 31, 2019, almost unchanged compared to the ₱5.024 Billion level of Total assets as of December 31, 2018.

The Company's Real estate assets accounted for 61% of the Total assets of the Company as of March 31, 2019.

Real estate inventories decreased by ₱67.6 Million from December 31, 2018 to March 31, 2019, or by 5%, due to the 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 ₱41 Million increase in Net trade and other receivables that increased by 3% from December 31, 2018 to March 31, 2019, as a result of new booking of deferred cash sales.

Investment properties increased by ₱15 Million or from ₱1.693 Billion in 2018 to ₱1.708 Billion in 2019 due to new acquisitions by the Parent Company of condominium units and parking slots at Tektite Towers as part of a deliberate strategy of the Parent Company to acquire properties for lease to increase its recurring income.

2. **Total liabilities**. Total liabilities decreased by ₱16 Million largely due to net effect of increase in total Loans payable amounting to ₱239 Million and decrease in Trade and other payables amounting to ₱257 Million, as a result of settlement of unpaid Contractors as of December 31, 2018 and the payment of accrued liability to Universal Leisure Corporation amounting to ₱231 Million.

3. **Total Equity**. Total equity was recorded at ₱3.49 Billion as of March 31, 2019 compared to ₱3.47 Billion as of December 31, 2018.

Total equity increased by ₱2.6 Million from December 31, 2018 to March 31, 2019.

Retained earnings increased by ₱18.6 Million as a result of Net income of the Company during the same period.

## **III. Performance Indicators**

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

| Performance Indicators             | 31 March 2019<br>Unaudited | 31 December 2018<br>Audited |
|------------------------------------|----------------------------|-----------------------------|
| Current ratio <sup>1</sup>         | 4.14:1                     | 4.15:1                      |
| Debt-to-equity ratio <sup>2</sup>  | 0.44:1                     | 0.45:1                      |
| Asset-to-equity ratio <sup>3</sup> | 1.44:1                     | 1.45:1                      |
| Book value per share <sup>4</sup>  | ₱0.75                      | ₱0.74                       |
| Earnings per share <sup>5</sup>    | ₱0.02                      | ₱0.08                       |

<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 strong position of the Company in terms of liquidity and solvency

- 1. Current ratio.** The Company's Current ratio has remained very comfortable for the periods under review as the Company's current ratio stayed almost the same.
- 2. Debt-to-equity ratio.** The Company's Debt-to-equity ratio is very healthy at 0.44.
- 3. Asset-to-equity ratio.** The Asset-to-equity ratio of the Company is almost unchanged at an ideal 1.45:1 from December 2018 to 1.44:1 in March 2019.

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 very encouraging. It has been consistently improving from ₱0.74 per share as of end-December 2018 to ₱0.75 per share as of 31 March 2019 or an improvement of 3%.

There was no issuance, repurchase or payment/repayment of neither debt and equity securities nor dividends during the first quarter of 2019.

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:

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.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**FINANCIAL SOUNDNESS INDICATORS**

**Exhibit II**

| FINANCIAL SOUNDNESS INDICATORS   |                   |               | 2019  |               | 2018  |
|--|-------------------|---------------|-------|---------------|-------|
| <b>Net Profit Margin:</b>  |                   |               |       |               |       |
| <i>Shows how much profit is made for every peso of revenue</i>             |                   |               |       |               |       |
|  | Net Income(Loss)/ | 18,847,709    | 8.08% | 10,706,857    | 4.18% |
|  | Total Revenues    | 233,403,068   |       | 256,002,484   |       |
| <b>Asset Turnover:</b>   |                   |               |       |               |       |
| <i>Shows efficiency of asset used in operations</i>                        |                   |               |       |               |       |
|  | Total Revenues/   | 233,403,068   | 0.05  | 256,002,484   | 0.06  |
|  | Ave. Total Assets | 5,024,971,893 |       | 4,470,983,071 |       |
| <b>Interest Rate Coverage Ratio:</b>                                       |                   |               |       |               |       |
| <i>Determine how easily a company can pay interest on outstanding debt</i> |                   |               |       |               |       |
|  | EBITDA/           | 32,120,141.89 | 13.69 | 18,115,523    | 9.69  |
|  | Interest Expense  | 2,346,072.67  |       | 1,870,239.58  |       |

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
BUSINESS SEGMENTS  
AS OF MARCH 31, 2019

Exhibit III

|  | Sale of Real<br>Estate and Leasing | Property<br>Management | Insurance<br>Brokerage | Travel<br>Services | Other<br>Income | Elimination   | Consolidated  |
|--|------------------------------------|------------------------|------------------------|--------------------|-----------------|---------------|---------------|
| Revenue                                      | 221,001,841                        | 10,313,180             | 2,066,448              | -                  | 356,378.21      | -             | 233,737,847   |
| Segment Result                               | 27,963,022                         | (2,581,773)            | 841,829                | -                  | 315,774         | -             | 26,538,852    |
| Interest expense/Bank charges                | (2,346,073)                        | -                      | -                      | -                  | -               | -             | (2,346,073)   |
| Interest income                              | 1,431,617                          | 347                    | 941                    | -                  | -               | -             | 1,432,905     |
| Dividend income                              | -                                  | -                      | -                      | -                  | -               | -             | -             |
| Gain on sale of PPE                          | -                                  | -                      | -                      | -                  | -               | -             | -             |
| Equity in net loss of<br>associate           | (7,617,911)                        | 748,231                | (258,820)              | -                  | -               | (9,476)       | (9,476)       |
| Income before minority interest              | 19,430,656                         | (1,833,195)            | 583,950                | -                  | 315,774         | (9,476)       | (7,128,500)   |
| Minority interest                            | -                                  | -                      | -                      | -                  | -               | -             | 18,487,709    |
| Net Income                                   | 19,430,656                         | (1,833,195)            | 583,950                | -                  | 315,774         | (9,476)       | 18,487,709    |
| Other Information                            |                                    |                        |                        |                    |                 |               |               |
| Segment assets                               | 4,865,026,147                      | 64,445,123             | 16,294,778             | 1,258,018          | 25,009,933      | 15,524,624    | 4,987,558,623 |
| Investment at equity method                  | 187,337,165                        | -                      | -                      | -                  | -               | (148,606,814) | 38,730,351    |
| Unallocated corporate assets                 | -                                  | 4,916,914              | -                      | -                  | -               | (4,916,914)   | -             |
| Consolidated Total Assets                    | 5,052,363,312                      | 69,362,037             | 16,294,778             | 1,258,018          | 25,009,933      | (137,999,104) | 5,026,288,974 |
| Segment liabilities                          | 1,270,319,476                      | 28,096,499             | 702,486                | 29,946,282         | 74,708,405      | (111,052,467) | 1,292,720,681 |
| Unallocated corporate liabilities            | 247,523,788                        | -                      | 1,633,967              | -                  | -               | (4,916,914)   | 244,240,841   |
| Consolidated Total Liabilities               | 1,517,843,264                      | 28,096,499             | 2,336,453              | 29,946,282         | 74,708,405      | (115,969,381) | 1,536,961,522 |
| Capital expenditure                          | -                                  | -                      | -                      | -                  | -               | -             | -             |
| Depreciation                                 | 3,690,302                          | 15,184                 | 92,374                 | -                  | -               | -             | 3,797,861     |
| Non-cash expenses other than<br>depreciation | -                                  | -                      | -                      | -                  | -               | -             | -             |