

# COVER SHEET

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SEC Registration Number

S O C R E S O U R C E S I N C .

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(Company's Full Name)

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[illegible][illegible]

(Business Address: No., Street City / Town / Province)

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Ronna C. De Leon

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Contact Person

**8041978/8041977**

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Company Telephone Number

## SEC FORM 17-A

1	2
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Month  
Fiscal Year

3	1
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Day

FORM TYPE

(last Friday of May)

0	5
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Month \_\_\_\_\_ Day \_\_\_\_\_  
Annual Meeting

3	1
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Day

Not Applicable

Secondary License Type, If Applicable

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Dept Requiring this Doc

\_\_\_\_\_

Amended Articles Number / Section

### Total Amount of Borrowings

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360

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

## STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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 December 31, 2018
2. SEC Identification Number ASO92-06441 3. BIR Tax Identification No. 001-945-016
4. Exact name of issuer as specified in its charter SOCResources, Inc.
5. Not Applicable 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
Incorporation or organization
7. 4<sup>th</sup> Floor Enzo Building 399 Senator Gil Puyat Avenue, Makati 1209  
City Postal Code  
Address of principal office
8. (632) 804-1978 / 804-1977  
Issuer's telephone number, including area code
9. SOUTH CHINA RESOURCES, INC./ ENZO Bldg. Senator Gil Puyat Avenue  
Makati City  
Former name, former address and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class  | Number of Shares of Common Stock<br>Outstanding and Amount of Debt Outstanding |
|----------------------|--|
| <u>Common Shares</u> | <u>901,920,568</u>   |
11. Are any or all of these securities listed on a Stock Exchange?
- Yes [ ☒ ] No [ ☐ ]
- Name of Stock Exchange Philippine Stock Exchange Class of Securities Listed U

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the 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 that the issuer was required to file such reports);

Yes [ ☒ ]                      No [ ☐ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ☒ ]                      No [ ☐ ]

13. Aggregate market value of the voting stock held by non-affiliates is **₱ 200,345,208** as of **April 25, 2019**.

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## PART I - BUSINESS AND GENERAL INFORMATION

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### ITEM 1: BUSINESS

The Securities and Exchange Commission (SEC), on October 30, 2003, approved the amendment of the Company's Articles of Incorporation to change the primary purpose thereof to that of a holding company and to include its then primary purpose of oil exploration as among the secondary purposes of the Company.

On April 25, 2014, the Board of Directors approved the amendment in the Articles of Incorporation to change the name of South China Resources, Inc. to SOCResources, Inc. (SOC). The change was approved by the Philippine SEC on September 04, 2014.

SOC was incorporated and registered with the SEC on September 25, 1992 primarily to undertake oil and gas exploration, development and production and became one of the leading exploration companies upon its listing in 1994. Starting in 1995, SOC opted to strengthen its core business by diversifying into other investments. After two decades, the company has now turned out to be one of the strongest holding companies in the market having had investments in real estate, steel fabrication, banking, telecommunications and energy exploration.

The diversification process, brought on by the financial crisis of the 90's, and honed through the years, allowed SOC to invest in technology based and long-term ventures. This gave the company the means to weather the lows of the period.

In response to the growing need for affordable housing for Filipinos, SOC followed on through the real estate business by acquiring on May 26, 2010 a 2.4-hectare plot in Buli, Muntinlupa strategically located along the South Luzon Expressway. It formed SOC Land Development Corporation (SOC Land), a wholly owned subsidiary, that put up quality homes at affordable prices SOC Land Development Corporation (SOC Land) is a wholly-owned subsidiary of the issuer with an authorized capital stock of One Hundred Sixty Million Pesos (PHP 160,000,000.00), a subscribed capital stock of Forty Million Pesos (PHP 40,000,000.00) and a paid-up capital of Ten Million Pesos (PHP 10,000,000.00). The subsidiary is the property development arm of the company, that is developing a 2.4-hectare community, called Anuva Residences (the Project), situated near Sucat Interchange. It will have four (4) tandem buildings. The total estimated cost of the Project is ₱4.0 billion

The first tandem building of ANUVA RESIDENCES, the "ANALA", projects a Fun Zone image showcasing the Wet and Dry Play Area for children. The building was completed and delivered last May 16, 2015 during the turnover ceremony held on the same day.

Amenities facing Analá including the wading pool, children's playground, al fresco area, cascading water, pond and Trellis Park have been finished as of end 2016 for the residents' use and enjoyment as well as the parking slots in the lower ground floor for the residents to use.

The second tandem building known as AZALEA is currently in a preselling stage focusing on the Green Urban Living image with amenities like the reflecting pool, adult and kiddie pool, cascades, picnic groves, clubhouse, garden party and BBQ area.

SOC Land's latest project is a horizontal residential development, ALTHEA RESIDENCES. It is situated in Brgy. Zapote, Biñan City, Laguna and featuring modern homes with tranquil vibe spread in 4.3 hectares of land. While a number of house and lot units have been completed, additional construction of other house and lot units is ongoing. Phase 2 of ALTHEA RESIDENCES is in the planning stage and is expected to be formally launched in 2019.

SOC has identified other areas for potential investment. To address a growing population, now estimated at 100 million Filipinos and increasing every year, SOC looks at food production. The Company believes that a rising population coupled with rising incomes will drive greater food consumption. Opportunities have been identified to get in this value chain to grow a long-term business that will allow expansion laterally and vertically.

The Company entered into an agreement with the Palawan IP group Campong It Mapangarapan It Palawano (CAMPAL) of Rizal, Palawan to undertake agro-industrial development of their ancestral land. The National Commission for Indigenous Peoples (NCIP) handed over to the Company the Certificate of Pre-condition with FPIC (Free Prior Informed Consent) for the agreement last June 2016. The Company has completed project documentation with the LGUs (Local Government Units). SOC and CAMPAL have been conferring with the LGUs and the Palawan Council for Sustainable Development (PCSD) to secure the Strategic Environmental Plan (SEP) Clearance needed for the agro-industrial development of over 3200 hectares

of the IP area.

The country needs both conventional and renewable energy resources to address its power requirements. SOC is investigating conventional and renewable energy resources, that can provide for base load power that is sustainable for the long term and therefore provide for a steady income stream for the company.

Principal products or services and their distribution; competition in the industry; sourcing of raw materials and principal suppliers; dependence on one or few customers; transactions with and/or related parties; and patents, trademarks, licenses, franchises, concessions, royalty agreement, or labor contracts are not applicable with the registrant at this time.

The Company's subsidiary is SOC Land Development Corporation as of December 31, 2018.

The Company does not expect any significant changes in its number of employees. Presently, the Company has a total of six (6) officers and employees, all working full-time, one (1) Chairman, one (1) Vice-President for Operations, one (1) Vice-President for Finance, one (1) Accounting Manager, one (1) Accounting Assistant and one (1) Messenger. The Company has no Collective Bargaining Agreements (CBA).

## **ITEM 2: PROPERTIES**

On May 26, 2010, the Board of Directors in a special meeting, adopted a resolution authorizing the purchase by the Company of a 24,022.90 sq.m. parcel of land located at the East Service Road of South Superhighway, Brgy. Buli, Muntinlupa City, Metro Manila, registered in the names of, among others, the Company's majority Directors, and major stockholders, Edgardo P. Reyes, Wilfrido P. Reyes and Belen R. Castro at a purchase price of P312,298,000.00. On July 28, 2010, SOCResources completed the purchase of the land.

On March 4, 2011, in exchange for 312,298 additional shares in SOC Land, the Parent Company transferred the said investment property with a fair value of ₱312.3 million.

In 2014, SOC Land acquired a property in Binan, Laguna and will be the first house and lot/lots only project of the Company that will be known as Althea Residences (Althea). Althea was formally launched in November 2014 and initially offer 214 choice lots, commercial and residential combined.

The Company's office is located at 4f Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

## **ITEM 3: LEGAL PROCEEDINGS**

The following cases were filed by the Company regarding the Makati City's assessment of alleged deficiency business taxes:

1. **South China Resources, Inc. v. Office of the City Treasurer and/or Makati City**  
Civil Case No. 14-165  
Regional Trial Court, Makati City, Branch 66

This is a petition under Section 195 of the Local Government Code (LGC) of 1991 assailing the: (a) City Treasurer of Makati's "Notice of Assessment No. 13-00381" dated 12 November 2013 issued against the Corporation, for the amount of ₱4,872,182.45, allegedly representing local business taxes deficiencies, fees and surcharges; and (b) the "Notice of Assessment for South China Resources, Inc. under Letter of Authority No. 2013-0502" dated 8 January 2014, which denied the Corporation's Protest dated 21 December 2013.

This case proceeded to trial before the Regional Trial Court (RTC), Makati City, Branch 66 after mediation proceedings before the Philippine Mediation Center and Judicial Dispute Resolution (JDR) hearings failed.

Having submitted their formal offer of documentary evidence, the parties submitted their respective memoranda and the case was thereafter submitted for decision.

In a Decision dated 11 October 2017, the case was dismissed by the Regional Trial Court (RTC). The Corporation filed a Motion for Reconsideration dated 10 November 2017, which was denied by the RTC.

Thus, the Corporation filed a Petition for Review before the Court of Tax Appeals on 9 February 2018. After the parties submitted their respective pleadings in relation thereto, the case was submitted for decision on 7 June 2018.

2. **South China Resources, Inc. v. Office of the City Treasurer and/or Makati City**  
S.P. Proc. No. M-7835  
Regional Trial Court, Makati City, Branch 147

This is a petition under Section 195 of the LGC of 1991, assailing: (a) the Billing Assessment dated 13 January 2015 (“Billing Assessment”) issued by the Business Permits Office of the City of Makati against the Corporation for the amount of ₱981,478.00, allegedly representing local business taxes and fees in connection with the Corporation’s application for business permit renewal for 2015; and (b) respondent Treasurer’s inaction on the Corporation’s Letter Protest dated 25 February 2015.

In view of respondents’ failure to file their answer within fifteen (15) days from service of the Summons on 17 August 2015, or until 1 September 2015, petitioner filed its “Motion to Declare Respondents in Default” dated 6 January 2016 (the “Motion”). Meanwhile, respondents filed their “Comment (to Plaintiff’s Motion to Declare Respondents in Default)” dated 28 January 2016, stating that they failed to file their answer due to excusable negligence, consisting of heavy workload and manpower constraints in the Office of the City Attorney.

In its Order dated 21 March 2016, the court granted our Motion. Respondents filed their “Motion for Reconsideration (to Set Aside Order of Default and to Admit Attached Answer)” dated 6 May 2016. In its Order dated 30 June 2016, the court lifted the order of default against respondents and admitted their Answer.

The court-annexed mediation and JDR in this case were terminated by both parties. In view thereof, the court issued the Order dated 7 December 2016, referring this case to the Office of the Clerk of Court for re-raffle. The case was re-raffled to Regional Trial Court, Makati City, Branch 147.

Upon its re-raffle, trial ensued and the case was submitted for decision. The RTC dismissed the case together with Civil Case No. 14-165. SOCResources filed its Motion for Reconsideration on 10 November 2017, which was denied by the RTC on 12 January 2018.

Thus, the Corporation filed a Petition for Review dated 12 February 2018 before the Court of Tax Appeals (CTA), which was granted in the Decision of the CTA dated 17 October 2018. In said Decision, the CTA cancelled Billing Assessment and ordered the respondents to credit the Corporation’s payment in the amount of Php981,478.90 to its future business tax and regulatory fee obligations, including the Corporation’s regulatory fee as a holding company for taxable years 2014 and 2015. The respondents filed a Motion for Reconsideration dated 19 November 2018, which the Corporation opposed through the filing of an “Opposition with Motion to Expunge” dated 18 December 2018. The same is currently submitted for the CTA’s resolution.

#### **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 through the solicitation of proxies or otherwise.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

#### **ITEM 5: MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

##### **(1) Market Information**

The Principal Market where the Issuer’s common equity is traded is in the Philippine Stock Exchange.

As of the trading date, March 29, 2019, the high and low price is ₱1.10 and ₱1.00 respectively and the price closed at ₱1.05.

The Corporation has no securities to be issued in connection with an acquisition, business combination or other re-organization. Furthermore, the following are the high and low sales prices for each quarter within the last two years (2018 and 2017).

### Stock Prices

<b>2018</b>	<b>High</b>	<b>Low</b>
First Quarter	0.83	0.81
Second Quarter	0.78	0.78
Third Quarter	0.81	0.81
Fourth Quarter	0.74	0.74
<b>2017</b>	<b>High</b>	<b>Low</b>
First Quarter	0.86	0.86
Second Quarter	0.91	0.88
Third Quarter	0.92	0.92
Fourth Quarter	0.81	0.81

### (2) Holders

The number of shareholders of record as of December 31, 2018 was 360. Common shares issued and outstanding as of December 31, 2018 were **901,920,568**.

### Top Twenty (20) Stockholders

As of December 31, 2018

<b>NO.</b>	<b>HOLDER NAME</b>	<b>TOTAL SHARES</b>	<b>% OWNED</b>
1	CASTRO, BELEN R.	231,531,122	25.6709 %
2	REYES, EDGARDO P.	229,853,123	25.4849 %
3	REYES, WILFRIDO P.	226,853,123	25.1522 %
4	PCD NOMINEE CORP. (FILIPINO)	161,392,829	17.8944 %
5	CHUA, BENJAMIN UY	10,551,500	1.1699 %
6	PCD NOMINEE CORP. (NON-FILIPINO)	7,481,671	0.8295 %
7	R. COYIUTO SECURITIES, INC.	1,825,000	0.2023 %
8	DE VILLA, LUISMI GALA	808,000	0.0896 %
9	ESCALER, MICHAEL	630,000	0.0699 %
10	PEREZ, MA. GEORGINA V.	610,000	0.0676 %
11	MANGUIAT, REMEDIOS J.	580,000	0.0643 %
12	MANDARIN SECURITIES CORP.	561,000	0.0622 %
13	CRUZ, BENITO T. DELA	520,000	0.0577 %
14	CABANES, LORETO	500,000	0.0554 %
15	CHUA, ROJAS	500,000	0.0554 %
16	ESTRADA, JOSEPH	500,000	0.0554 %
17	LAYOSA, EDNA L.	500,000	0.0554 %
18	MERCADO, TERESITA P.	500,000	0.0554 %
19	MITRA, RAMON	500,000	0.0554 %
20	OSMENA, RAMON	500,000	0.0554 %

### (3) Recent Sale of Unregistered or Exempt Securities

There had been no sale of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction by the Company in the last three years.



In compliance with Philippine Stock Exchange Amended Rule on Minimum Public Ownership (the “Amended MPO Rule”) as announced in Memorandum CN – No. 2012-0003 dated January 3, 2012 stating that a listed company shall include in its annual report a statement on the level of its public float. The statement should be based on information that is publicly available to the listed company and within the knowledge of its directors as at the end of the fiscal year, or at the latest practicable date, prior to the issuance of the annual report. Hereunder is the computation of company’s public ownership percentage as of March 31, 2019:

<b><u>PUBLIC OWNERSHIP PERCENTAGE</u></b>			
<b><u>Total Number of Shares Owned by the Public</u></b>			
<b><u>Total Issued and Outstanding Shares</u></b>			
213,133,200 shares	=	<b><u>23.63</u></b>	%
901,920,568 shares			76.37%
Number of Issued and Outstanding Shares	=	901,920,568	
Number of Outstanding Shares	=	901,920,568	
Number of Treasury Shares	=	4,639,000	
Number of Listed Shares	=	906,559,569	
Number of Foreign-Owned Shares	=	8,243,671	
Foreign Ownership Level (%)	=	0.91%	
Foreign Ownership Limit (%)	=	40%	

## RESULTS AND PLANS OF OPERATIONS

SOC Land's vertical residential development project, ANUVA RESIDENCES located at Muntinlupa City has completed its first tandem building project known as ANALA. ANALA, the first tandem building of ANUVA RESIDENCES project has sold 440 units as of December 31, 2018 which corresponds to 83% of the total inventory. 340 units have been turned over to end users. Out of this, 295 units are occupied with more than 500 people currently residing in the building.

SOC Land's horizontal residential development project, ALTHEA RESIDENCES located at Biñan City Laguna has sold a total of 186 units, a combination of lots and house & lots which correspond to 94% of the total inventory. Forty-one (41) units have already been constructed, and thirty-six (36) of these have been turned over to end users. Out of these, twenty-four (24) units are occupied and already residing in the subdivision. In addition, there are five (5) more units being constructed and targeted for completion in the first quarter of 2019. A cluster of thirty-two (32) townhouses has also been offered for sale with six (6) or about 19% sold with the first cluster of seven (7) units expected to be turned over by mid-2019.

### Other Energy, Mineral and Resource Based Opportunities

The Company is looking into food production. We believe in the thesis that rising incomes in the Asian region will drive greater food consumption.

The Company entered into an agreement with the Palawan IP group Campong It Mapangarapan It Palawano (CAMPAL) of Rizal, Palawan to undertake agro-industrial development of their ancestral land. The National Commission for Indigenous Peoples (NCIP) handed over to the Company the Certificate of Pre-condition with FPIC (Free Prior Informed Consent) for the agreement last June 2016. The Company has completed project documentation with the LGUs (Local Government Units). SOC and CAMPAL have been conferring with the LGUs and the Palawan Council for Sustainable Development (PCSD) to secure the Strategic Environmental Plan (SEP) Clearance needed for the agro-industrial development of coffee and coconut over 3200 hectares of the IP area.

The global situation in recent years presents opportunities for the Company to seek entry into mineral exploration and exploitation sector.

The Company is in a favorable situation wherein its current cash position allows it to review other businesses wherein it may invest.

**The following are the estimated cash requirements for SOCResources' operations in the next twelve months which are dependent on opportunity acquisition.**

Agri-Business	\$3MM
Other Energy, Mineral & Resources Based Opportunities	\$ 200K for Assessment Studies

The Company's consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### **CONSOLIDATED RESULTS OF OPERATIONS** **2018 VS 2017 (AUDITED)** *(in Philippine pesos)*

ACCOUNTS	December 31, 2018	December 31, 2017	% CHANGE
REVENUES	164,398,236	83,850,699	96.06%
COST AND EXPENSES	151,311,532	106,670,361	41.85%
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>13,086,704</b>	<b>(22,819,662)</b>	<b>157.35%</b>
PROVISION FOR INCOME TAX	5,250,251	3,444,809	52.41%
<b>NET INCOME/(LOSS)</b>	<b>7,836,453</b>	<b>(26,264,471)</b>	<b>129.84%</b>
OTHER COMPREHENSIVE INCOME (LOSS)	8,180,637	701,277	1066.53%
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>16,017,090</b>	<b>(25,563,194)</b>	<b>162.66%</b>

### **2018 VS 2017: RESULTS OF OPERATIONS**

Revenue for the year ended 2018 consists of: (1) recognized sale on real estate for SOC Land amounting to ₱137M;(2) Interest Income on time deposits, savings account and installment sales of real estate amounting to ₱17.5M;(3) Dividend Income from domestic shares of stocks amounting to ₱0.4M;(4) net foreign exchange gain amounting to ₱0.3M (5) other income amounting to ₱8.3M and (6) gain on redemption of UITF amounting to ₱0.09M. The increase

in the total cost and expenses is attributable to the increase in the recognized cost of sales for real estate sales and the general and administrative expenses of the group. Other comprehensive income for the current year 2018 pertains to the increase in market value of equity holdings by the parent company and the consolidated actuarial gain.

For the year ended December 31, 2018, SOC and its subsidiary posted a consolidated net income of ₱7.8M, a 129.84% year-on-year (YoY) increase. This translated to earnings per share of ₱.0087 for the year in review.

#### **CONSOLIDATED RESULTS OF OPERATIONS**

##### **2017 VS 2016 (AUDITED)**

*(in Philippine pesos)*

ACCOUNTS	December 31, 2017	December 31, 2016	% CHANGE
REVENUES	83,850,699	211,507,476	-60.36%
COST AND EXPENSES	106,670,361	184,369,488	-42.14%
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(22,819,662)</b>	<b>27,137,988</b>	<b>-184.09%</b>
PROVISION FOR INCOME TAX (Current)	1,276,648	1,373,128	-7.03%
PROVISION FOR INCOME TAX (Deferred)	2,168,161		100.00%
<b>NET INCOME/(LOSS)</b>	<b>(26,264,471)</b>	<b>25,764,860</b>	<b>-201.94%</b>
NET GAINS(LOSSES) ON AFS FINANCIAL ASSETS	736,513	8,114,806	-90.92%
ACTUARIAL GAINS (LOSS)	(35,236)	195,764	-118.00%
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>(25,563,194)</b>	<b>34,075,430</b>	<b>-175.02%</b>

#### **2017 VS 2016: RESULTS OF OPERATIONS**

Revenue for the year ended 2017 consists of: (1) recognized sale on real estate for SOC Land amounting to ₱65M;(2) Interest Income on time deposits, savings account and installment sales of real estate amounting to ₱13M;(3) Dividend Income from domestic shares of stocks amounting to ₱0.3M;(4) net foreign exchange gain amounting to ₱0.2M and (5) other income amounting to ₱5M. The decrease in the total cost and expenses is attributable to the decrease in the recognized cost of sales for real estate sales and the general and administrative expenses of the group.

The provision for deferred tax liabilities pertains to the excess of deferred tax liabilities over the deferred tax assets of the group. Deferred tax liabilities consist of difference between tax and book basis of accounting for real estate transactions, Gain on repossession and Unrealized foreign exchange gain. Deferred tax liabilities are fair value changes of AFS financial assets and actuarial gains on defined benefit plan.

#### **CONSOLIDATED RESULTS OF OPERATIONS**

##### **2016 VS 2015**

*(in Philippine pesos)*

ACCOUNTS	December 31, 2016	December 31, 2015	% CHANGE
REVENUES	211,507,476	271,787,416	-22.18%
COST AND EXPENSES	184,369,488	291,884,108	-36.83%
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>27,137,988</b>	<b>(20,096,692)</b>	<b>235.04%</b>
PROVISION FOR INCOME TAX	1,373,128	1,213,840	13.12%
<b>NET INCOME/(LOSS)</b>	<b>25,764,860</b>	<b>(21,310,532)</b>	<b>220.90%</b>
NET GAINS(LOSSES) ON AFS FINANCIAL ASSETS	8,114,806	4,268,083	90.13%
ACTUARIAL GAINS ON DEFINED BENEFIT PLANS	195,764	78,566	12939
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>34,075,430</b>	<b>(16,963,883)</b>	<b>300.87%</b>

#### **2016 VS 2015: RESULTS OF OPERATIONS**

Revenue for the year ended 2016 consists of: (1) recognized sale on real estate for SOC Land amounting to ₱157M;(2) Interest Income on time deposits, savings account and installment sales of real estate amounting to ₱13.21M;(3) Dividend Income from domestic shares of stocks amounting to ₱0.3M;(4) net foreign exchange gain amounting to ₱0.3M and (5) other income amounting to ₱40M.

The 36% decrease in the total cost and expenses is attributable to the 51% decrease in the sales and marketing cost of the subsidiary and 16% decrease in the general and administrative expenses of the group. The significant decrease in the cost and expenses has brought a positive after tax net income despite of the 22% decrease in the total revenue of the group. There has also been an outstanding gain on the market value of the AFS financial assets currently held by the company.

#### **CONSOLIDATED FINANCIAL POSITION 2018 VS 2017 (AUDITED)**

*(in Philippine pesos)*

ACCOUNTS	December 31, 2018	December 31, 2017	% CHANGE
CURRENT ASSETS	1,646,737,122	1,580,418,340	4.20%
NONCURRENT ASSETS	153,928,258	177,651,914	-13.35%
<b>TOTAL ASSETS</b>	<b>1,800,665,380</b>	<b>1,758,070,254</b>	<b>2.42%</b>
CURRENT LIABILITIES	148,422,424	128,277,782	15.70%
NONCURRENT LIABILITIES	15,251,498	8,818,104	72.96%
<b>TOTAL LIABILITIES</b>	<b>163,673,922</b>	<b>137,095,886</b>	<b>19.39%</b>
EQUITY	1,636,991,458	1,620,974,368	0.99%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,800,665,380</b>	<b>1,758,070,254</b>	<b>2.42%</b>

#### **2018 VS 2017: FINANCIAL CONDITION**

The net effect of the following has caused the 4.20% increase in the current assets of the group: (1) 5X increase in cash equivalents as against 2017 due to the investment of proceeds from sale of treasury bills to time deposit, interest income earned from investments and gain in redemption of UITF;(2) Receivable's decrease was brought about by reclassification of P26.74 million to contract assets;(3) Real estate for sale dropped by 2.38% or P25.96 million due to the decrease in the inventory of units sold.; and (4) Increase in other current assets was due to the creditable taxes remitted on fully paid units and refundable deposits for office rental and (5) the decrease in Real estate inventories for the year 2018 as against 2017 was due to the decrease in the development cost incurred and the repossessed inventory. The increase in the current liabilities was due to the increase in the customers' deposit for real estate sales. Increase in noncurrent liabilities refers to the recognized retirement liability for the year 2017 and the deferred tax liabilities. The 2.42% increase in the total assets of the group as of year ended 2018 was due to SOCLand's net income of P 13.52 million a 176% turnaround from last year's net loss of P17.89 million.

#### **CONSOLIDATED FINANCIAL POSITION 2017 VS 2016 (AUDITED)**

*(in Philippine pesos)*

ACCOUNTS	December 31, 2017	December 31, 2016	% CHANGE
CURRENT ASSETS	1,580,418,340	1,583,484,810	-0.19%
NONCURRENT ASSETS	177,651,914	181,480,430	-2.11%
<b>TOTAL ASSETS</b>	<b>1,758,070,254</b>	<b>1,764,965,240</b>	<b>-0.39%</b>
CURRENT LIABILITIES	128,277,782	114,205,459	12.32%
NONCURRENT LIABILITIES	8,818,104	4,222,219	108.85%
<b>TOTAL LIABILITIES</b>	<b>137,095,886</b>	<b>118,427,678</b>	<b>15.76%</b>
EQUITY	1,620,974,368	1,646,537,562	-1.55%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,758,070,254</b>	<b>1,764,965,240</b>	<b>-0.39%</b>

## 2017 VS 2016: FINANCIAL CONDITION

The net effect of the following has caused the slight dropped of 0.19% in the current assets of the group: (1) 4% increase in cash and cash equivalents plus the short term investments due to interest income earned from investment in treasury bills and gain in redemption of UITF;(2) Receivables decreased by 24% due to the net effect of the collection of accounts pertaining to Anala, the first tandem building of SOCLand, which were turned over last May 2015 and the recognition of sales for those units of which 20% of the total contract price was collected;(3) Real Estate for sale increase by 1% due to the recognition of the cost of units sold; and (4) other current assets decreased due to the decrease in input vat recognized as current.

The increase in the current liabilities was due to the 42% increase in the customers' deposit for real estate sales.

Increase in noncurrent liabilities refers to the recognized retirement liability for the year 2017 and the deferred tax liabilities.

## CONSOLIDATED FINANCIAL POSITION

### 2016 VS 2015 (AUDITED)

(in Philippine pesos)

ACCOUNTS	December 31, 2016	December 31, 2015	% CHANGE
CURRENT ASSETS	1,583,484,810	1,642,002,434	-3.56%
NONCURRENT ASSETS	181,480,430	126,731,990	43.20%
<b>TOTAL ASSETS</b>	<b>1,764,965,240</b>	<b>1,768,734,424</b>	<b>-0.21%</b>
CURRENT LIABILITIES	114,205,459	152,415,502	-25.07%
NONCURRENT LIABILITIES	4,222,219	3,856,790	9.47%
<b>TOTAL LIABILITIES</b>	<b>118,427,678</b>	<b>156,272,292</b>	<b>-24.22%</b>
EQUITY	1,646,537,562	1,612,462,132	2.11%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,764,965,240</b>	<b>1,768,734,424</b>	<b>-0.21%</b>

## 2016 VS 2015: FINANCIAL CONDITION

The net effect of the following has caused the slight dropped of 3.56% in the current assets of the group: (1) 20% increase in cash and cash equivalents;(2) Receivables decreased by 57% due to the net effect of the collection of accounts pertaining to Anala, the first tandem building of SOCLand, which were turned over last May 2015 and the recognition of sales for those units of which 20% of the total contract price was collected;(3) Real Estate for sale dropped by 3% due to the recognition of the cost of units sold; and (4) other current assets increased by 26% due to the creditable taxes remitted on fully paid units and refundable deposits for office rentals.

The decrease in the current liabilities was due to the payment made to contractors for Anala Building and Althea as well as offset of unit owners' deposit against receivable upon recognition of real estate sales.

Increase in noncurrent liabilities refers to the recognized retirement liability for the year 2016. The positive bottomline figure of the group has caused the increase in the total equity of the group.

## KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the years ended December 31, 2018, 2017 and 2016:

Key Financial Ratios	December 31, 2018	December 31, 2017	December 31, 2016
<b>Revenue Growth</b>			
(Total Revenues (current period) - Total Revenues (prior period))/Total Revenues (prior period)	96.06%	-60.36%	-22.18%
<b>Net income Growth/(Decline)</b>			
Net Income (after tax) (current period)- Net income (prior period, after tax)/Net income (prior period, after tax)	129.84%	-201.94%	220.90%
<b>Solvency Ratio</b>			
(After Tax Net Income+Depreciation)/Total Liabilities	6.51%	-17.39%	23.96%
<b>EBITDA</b>			
Income from operations plus depreciation and amortization	P 10,651,521	(P23,847,440)	P 28,369,548
<b>Asset to Equity Ratio</b>			
Total Assets/Total Equity	1.1000 x	1.0846 x	1.0719 x
<b>Return on Equity (ROE)</b>			
Net income/ Equity	0.48%	-1.62%	1.56%
<b>Return on assets (ROA)</b>			
Net income/ Total Assets	0.44%	-1.49%	1.46%
<b>Current/Liquidity ratio</b>			
Current Assets/ Current Liabilities	11.09 x	12.32 x	12.23 x
<b>Debt to Equity Ratio</b>			
Total Liabilities/ Equity	0.1000 x	0.0846 x	0.0719 x

### 2018 VS 2017

The 4.94% and 15.7% increase in current assets and current liabilities as of year ended 2018 has caused the current ratio to go down by 1.23x as against year ended 2017.

There has been an outstanding 96.06% revenue growth as of year ending 2018 as against the negative 60.36% the prior year. The subsidiary posted a net income of P 13.52 million a 176% turnaround from last year's net loss of P17.89 million. Total sales recognized for the Anala and Althea is at P25.74 million and P111.92, respectively, for the year 2018.

A 6.51% solvency ratio for the group, 0.48% return on equity and 0.44% return on assets was due to the P7.8M net income as of year ended December 31, 2018.

A slight increase on the asset to equity ratio was due to the increase in the total assets of the group.

The increase in debt to equity ratio was mostly driven by the recognition of deferred tax liabilities pertaining to difference between tax and book basis of accounting for real estate transactions, gain on repossession, unrealized foreign exchange gain and fair value changes of equity investments at fair value through other comprehensive income.

### 2017 VS 2016

The 0.19% decrease in current assets coupled with the 12% increase in current liabilities for the year ended 2017 has caused the current ratio to go up by 0.09 x as against year ended 2016.

A slight increase on the asset to equity ratio was due to the decrease in the total assets of the group particularly receivables and a decrease also on the equity.

The group was able to maintain its high debt to equity ratio. Increase on total liabilities was mostly driven by the recognition of deferred tax liabilities pertaining to difference between tax and book basis of accounting for real estate transactions, gain on repossession, unrealized foreign exchange gain and fair value changes of AFS financial assets.

## **2016 VS 2015**

The 25% decrease in the current liabilities of the group has caused the increase in current ratio and the decline in the debt to equity ratio of the group Y/Y 2016.

A slight decrease on the asset to equity ratio was due to the decrease in the real estate for sale brought about by the turnover of the units in Anala building.

An outstanding net income growth of 220% has caused the solvency ratio to inch up to 24.91%.

The increase in the EBITDA of the group was translated to the increase in the cash and cash equivalents.

## **PROSPECTS FOR THE FUTURE**

The outlook for SOC in the coming years is quite optimistic. Even with the refocus in business interests, new opportunities seem to look very promising and are discussed below.

### **(1) Prospects for SOC Land Development Corporation**

SOC's investment into property development is seen as an important aspect in enhancing its shareholder value. The government estimates the country's housing backlog at almost 4 million. There lies the opportunity to serve a basic need of Filipinos. In November 2010, SCRI diversified its business and invested into real property development through SOC Land Development Corporation (SOC Land), a wholly-owned subsidiary with the primary purpose to deal and engage in real estate business.

SOC Land is developing a 2.4-hectare community, called Anuva Residences (the Project), situated near Sucat Interchange and will have four (4) tandem buildings. The first tandem building, Anala, was completed and delivered last May 16, 2015 during the turnover ceremony held on the same day

SOC land officially launched in Nov. 15, 2015, its newest horizontal residential development project, Althea Residences. It is situated in Brgy. Zapote, Biñan City, Laguna and will feature modern homes with a tranquil vibe spread in 4.3 hectares of land. Homeowners can choose from three housing options and the subdivision offers a variety of first class amenities. For this project, road networks have been completed including the Entrance Gate/Guardhouse and the Model Houses. It is strategically located near schools, churches, commercial establishments and malls, hospitals and government offices.

### **(2) Prospects for Agri-based businesses**

The Company entered into an agreement with the Palawan IP group Campong It Mapangarapan It Palawano (CAMPAL) of Rizal, Palawan to undertake agro-industrial development of their ancestral land. The National Commission for Indigenous Peoples (NCIP) handed over to the Company the Certificate of Pre-condition with FPIC (Free Prior Informed Consent) for the agreement last June 2016. The Company has completed project documentation with the LGUs (Local Government Units). SOC and CAMPAL have been conferring with the LGUs and the Palawan Council for Sustainable Development (PCSD) to secure the Strategic Environmental Plan (SEP) Clearance needed for the agro-industrial development of over 3200 hectares of the IP area. Coffee and coconut are envisioned to be the main crops of the area.

Coffee is the second most traded commodity worldwide. The Philippines consumes about 170,000 metric tons of coffee (Phil. Coffee Board) and is a net importer of coffee. It imports almost 70% of its coffee needs at a cost of P7B.

Coconut, also called the "tree of life" is an established commercial plant wherein its derived products are used domestically and internationally.

### **(3) Prospects for Other Energy, Mineral and Other Resource Based Opportunities**

The Company continues to review potential energy resources as it explores entry into opportunities in other conventional and renewable energy resources. The global situation in recent years presents opportunities for the Company to seek entry

into the mineral resource based sector.

## DIVIDEND DECLARATION

The Company has no earnings yet from commercial production pertaining to the oil exploration segment of the business hence there were no dividends declared for the period ended December 31, 2018 and two years ended December 31, 2017 and December 31, 2016.

## KEY VARIABLE AND OTHER QUALITATIVE AND QUANTITATIVE FACTORS

There are no material trends, events or uncertainties that are reasonably expected to occur in the next twelve months that will have a material favorable or unfavorable impact on the results of the Company's liquidity. Should there be material changes in working capital it would be advances from the management to support the Company's operation or a sale of non-current assets.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or accumulation of an obligation.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

The Company has no plans of changing the number of employees for the next twelve months.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons during the reporting period.

The material changes for this year in comparison with the prior year-end based on line items in the comparative financial statements as of December 31, 2018, 2017 and 2016 are summarized as follows:

ACCOUNTS <i>In Millions</i>	For the Period December 31			% CHANGE	
	2018	2017	2016	2018 vs 2017	2017 vs 2016
<b>Statement of Financial Position</b>					
Cash & Cash Equivalents	455.63	115.03	357.16	296.09%	-67.79%
Short-term investments	-	255.82	-	-100.00%	100.00%
Receivables	30.40	57.48	75.64	-47.11%	-24.01%
Contract Assets - current	26.74	-	-	100.00%	-100.00%
Real estate inventories	1,066.91	1,092.87	1,082.12	-2.38%	0.99%
Due from a related party	0.23	0.19	0.18	20.40%	7.03%
Prepayments & Other Current Assets	66.82	59.02	68.39	13.21%	-13.70%
Receivables - net of current portion	15.00	61.84	78.85	-75.74%	-21.57%
Equity investments at FVTOCI	52.29	-	-	100.00%	-100.00%
Available for Sale (AFS) financial assets	-	53.45	40.86	-100.00%	30.80%
Contract Assets - net of current portion	26.74	-	-	100.00%	-100.00%
Property & Equipment	35.98	34.87	34.68	3.19%	0.53%
Other noncurrent assets	17.95	27.50	27.09	-34.73%	1.51%
Accounts Payable & other Liabilities	50.58	128.28	114.21	-60.57%	12.32%
Contract liabilities	97.84	-	-	100.00%	-100.00%
Retirement benefit obligation	4.28	4.80	4.22	-10.72%	13.58%
Deferred Tax Liability	10.97	4.02	-	172.70%	100.00%
Retained Earnings - Unappropriated	124.75	116.81	143.07	6.80%	-18.36%
<b>Statement of Comprehensive Income</b>					
<b>REVENUES</b>					
Interest Income	17.66	12.90	13.20	36.91%	-2.26%
Real estate sales from contract with customers	137.58	64.93	156.77	111.88%	-58.58%
Dividend Income	0.41	0.35	0.3439	17.01%	1.80%
Other income	8.34	5.39	40.8692	54.72%	-86.82%
<b>COST AND EXPENSES</b>					
Cost of real estate sales	65.72	33.41	113.66	96.69%	-70.60%
Sales and marketing expenses	24.51	22.46	14.34	9.16%	56.58%
General and Administrative Expenses	61.08	50.80	56.37	20.24%	-9.88%
Provision for Income Tax	5.25	3.44	1.37	52.41%	150.87%

## Discussion for 2018 VS 2017



#### *Cash & Cash Equivalents*

Collection of payments from the unit owners of Anala Building as well as reservation fees for the Althea, late payment penalties, forfeited payments, interest earned on in house financing, interest income from short term investments and time deposits and dividend income has caused the increase in cash. The increase in cash equivalent is due to the investment of proceeds from sale of treasury bills to time deposit.

#### *Receivables*

Receivable decreased by 47.11% brought about by reclassification of P26.74 million to contract assets.

#### *Real Estate inventories*

Real estate for sale dropped by 2.38% or P25.96 million due to the decreased in the inventory of units sold.

#### *Prepayments & other Assets*

Decrease is mainly due to the increase in input VAT and refundable deposits.

#### *Available for Sale Financial Assets*

The decrease in the market value of domestic stock holdings of the company.

#### *Accounts Payable & Other Liabilities*

Increase was due to increase in customers' deposits.

#### *Retirement Benefit Obligation*

The group recognized ₱0.65M benefit obligation for the retirement plan of the group under defined benefit plans for the year 2017. The group has unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last years of employment. Normal retirement is the attainment of age 60 and completion of at least 5 years of service.

#### *Other Income*

This consists of forfeited buyer deposits, gain on repossession, penalty income and late charges.

#### *Sales and Marketing Expense*

44% of the total sales and marketing expense pertains to the commissions and incentives amounting to ₱10.9M, 33% pertains to consultancy fees amounting to ₱8.14M, 9.58% pertains to product presentation amounting to ₱2.35M and 7.62% makes up for the advertising expense amounting to 7.3M.

#### *General and Administrative Expenses*

The following expenses take the biggest share in the general and administrative expenses: Personnel Cost amounting to ₱17.15M (28%), Property Management Expense amounting to ₱15.06M (24.65%), Professional fees amounting to ₱4.84M (7.93%), Research and development cost amounting to ₱4.47M (7.32%), Travel and transportation amounting to ₱4.1M (6.73%) and Depreciation amounting to ₱2.82M (4.61%).

### **Discussion for 2017 VS 2016**

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#### *Cash & Cash Equivalents*

Collection of payments from the unit owners of Anala Building as well as reservation fees for the Althea, late payment penalties, forfeited payments, interest earned on in house financing, interest income from short term investments and dividend income has caused the increase of 4% in cash and cash equivalents. An amount of P252M was invested in treasury bills which has already earned an income of P3.3M for the year 2017.

#### *Short-term Investment*

Pertains to investment in treasury bills with one year maturity.

#### *Receivables*

The decrease on the receivable is due to the collection of sales on account.

#### *Real Estate inventories*

An addition of P25.6M for development cost incurred and repossessed inventory amounting to P18.5M with a recognition of P33.4M in cost of real estates caused the slight increase in real estate inventories.

*Prepayments & other Assets*

Decrease is mainly due to the decrease in input VAT – current portion by P13.6M.

*Available for Sale Financial Assets*

The decrease in the market value of domestic stock holdings of the company.

*Accounts Payable & Other Liabilities*

Increase was due to increase in customers' deposits.

*Retirement Benefit Obligation*

The group recognized P0.54M benefit obligation for the retirement plan of the group under defined benefit plans for the year 2017. The group has unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last years of employment. Normal retirement is the attainment of age 60 and completion of at least 5 years of service.

*Other Income*

This consists of forfeited buyer deposits, gain on repossession, penalty income and late charges.

*Sales and Marketing Expense*

37% of the total sales and marketing expense pertains to the commissions and incentives amounting to P8.4M, 20% pertains to product presentation amounting to P4.5M and 32% makes up for the consultancy fees amounting to 7.3M.

*General and Administrative Expenses*

The following expenses take the biggest share in the general and administrative expenses: Personnel Cost amounting to P14.3M (28%), Taxes and Licenses amounting to P4.8M (9%) and Travel and transportation amounting to P6.2M (12%).

**Discussion for 2016 VS 2015**

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*Cash & Cash Equivalents*

Collection of payments from the unit owners of Anala Building as well as reservation fees for the Althea, overdue payment penalties, forfeited payments, interest earned on in house financing, interest income from short term investments and dividend income has caused the 19.53% increase in the cash and cash equivalents for the year 2016 as against 2015.

*Receivables*

The decrease on the receivable is due to the collection of sales on account.

*Real Estate inventories*

Dropped by 2.62% due to the recognition of the cost of units sold on the Anala Building and Althea.

*Prepayments & other Assets*

Mainly due to decrease in Input VAT arising from the acquisition of its wholly owned subsidiaries of vatable goods and services for the Anuva Project.

*Available for Sale Financial Assets*

The increase in the market value of domestic stock holdings of the company.

*Property and Equipment*

The decrease is due to depreciation.

*Accounts Payable & Other Liabilities*

Decrease was due to payments to contractors (Anala Building and Althea) and offset of unit owner's deposit against receivable upon recognition of sales.

*Retirement Benefit Obligation*

The group recognized P0.38M benefit obligation for the retirement plan of the group under defined benefit plans for the year 2016. The group has unfunded, noncontributory defined benefit retirement plan which covers all of its regular

employees. The benefits are based on years of service and compensation on the last years of employment. Normal retirement is the attainment of age 60 and completion of at least 5 years of service.

*Unrealized Valuation on AFS*

Pertains to the increase in market value of other domestic stock holdings of the company.

*Interest Income*

The amount of ₱8.8M representing 67% of the total interest income pertains to the interest earned from installment contract receivable.

*Dividend Income*

Dividend Income earned from equity securities amounted to ₱0.3M in 2016.

*Other Income*

This consists of forfeited buyer deposits, gain on repossession, penalty income and late charges.

*Sales and Marketing Expense*

34% of the total sales and marketing expense pertains to the commissions and incentives amounting to ₱4.8M, 30% pertains to product presentation amounting to ₱4.4M and 21% makes up for the consultancy fees amounting to ₱2.9M.

*General and Administrative Expenses*

The following expenses take the biggest share in the general and administrative expenses: Personnel Cost amounting to ₱12.9M (23%), Taxes and Licenses amounting to ₱8.7M (15%) and Travel and transportation amounting to ₱8.3M (15%).

<b>ITEM 7: FINANCIAL STATEMENTS</b>
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The Financial Statements and Schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17 – A.

<b>ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</b>
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There are no changes in and disagreements with independent accountants on accounting and financial disclosure and no change in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period.

## **INFORMATION ON INDEPENDENT PUBLIC ACCOUNTANT AND OTHER RELATED MATTERS**

### **Information on Independent Public Accountant**

In compliance with SRC Rule 68 Paragraph 3(b) (iv), the engagement partner from Sycip Gorres Velayo & Co. is Mr. Kristoper S. Catalan. Sycip Gorres Velayo & Co. is the incumbent Public Accountant of the Company.

The Company, through its Audit Committee, recommends the re-appointment of Sycip Gorres Velayo & Co. as the Principal Accountant of the Corporation. The Company's Audit Committee is composed of Mr. Manuel G. Arteficio as Chairman, Mrs. Belen R. Castro, Member, and Mr. Wilfrido P. Reyes, Member.

### **External Audit Fees and Services**

In compliance with SEC Memo Circular No. 14 Series of 2004, External Audit Fees, year ended 2018 audit progress billing for SOCResources, Inc. and subsidiary, SOC Land Development amounted to P220,289 and ₱304,592 respectively. External Audit Fees, year ended 2017 audit for SOCResources, Inc. and subsidiary, SOC Land Development amounted to P388,080 and ₱511,280 respectively. No other services were provided and billed for by the external auditors for the last two (2) fiscal years.

## **PART III - CONTROL AND COMPENSATION INFORMATION**

<b>ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUE</b>
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**(1) Directors and Executive Officers (Information for the last five years)**

**EDGARDO P. REYES**, 73 years of age, Filipino, has been the CHAIRMAN of the Board of Directors of the Company since 1992.; PRESIDENT of International Pipe Industries Corp., Pipe Machinery Corp., Apo Pipe Industries Corp., Reyson Realty & Development Corp., Puyat Flooring Products Inc., Proleo Realty Inc., and BenePara Realty Inc.; SENIOR VICE PRESIDENT of PFM Agro-Industrial Development Corp. and Armormply Concrete Forming Systems Inc.; and, DIRECTOR of Surigao Development Corp., and Puyat Investment & Realty for the past five (5) years. Mr. Reyes is the brother of Mr. Wilfrido P. Reyes and Ms. Belen R. Castro.

**WILFRIDO P. REYES**, 72 years of age, Filipino, has been the PRESIDENT of the Company since 1992. CHAIRMAN/PRESIDENT of Astranniquin Corp.; EXECUTIVE VICE PRESIDENT/DIRECTOR of Gonzalo Puyat & Sons Inc.; EVP/GENERAL MANAGER of Philippine Flour Mills; SENIOR EXECUTIVE VICE PRESIDENT/DIRECTOR of Puyat Steel Corporation; TREASURER/DIRECTOR of Surigao Development Corp.; SECRETARY/DIRECTOR of Surigao Marine Products, Inc. PRESIDENT of Proleo Realty Inc., and TREASURER/DIRECTOR of International Pipe Industries Corp. for the past five (5) years. Mr. Reyes is the brother of Mr. Edgardo P. Reyes and Ms. Belen R. Castro.

**BELEN R. CASTRO**, 71 years of age, Filipino, has been the VICE PRESIDENT, TREASURER & DIRECTOR of the Company since 1992 up to the present and DIRECTOR&ASST.TREASURERof Gonzalo Puyat & Sons, Inc. for the past five(5) years. She is the sister of Mr. Edgardo P. Reyes and Mr. Wilfrido P. Reyes.

**MANUEL G. ARTEFICIO**, 74 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2007. He has been PRESIDENT of San Manuel Mining Corp. from 1990 to 2016; Assissi Mining Corp., Bonaventures Mining Corp. and Ignatius Mining Corp., all three from 1994 to present.

**FRANCISCO M. BAYOT, JR.**, 65 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2008.; He is the DIRECTOR of Alabang Commercial Corp. since 1990; PRESIDENT/DIRECTOR of Josue Corp since 1990; PRESIDENT/DIRECTOR of JM Investment Corp. since 1990; PRESIDENT/DIRECTOR of Madrigal Condominium Corp. I & Madrigal Condominium Corp. II since 1992; PRESIDENT/DIRECTOR of Susana Realty, Inc., Septimo Realty, Inc., Porep Realty Inc., and Perop Realty, Inc. since 1993; PRESIDENT/DIRECTOR of Madrigal Business Park Association, Inc. since 1994; PRESIDENT/DIRECTOR of Madrigal-Bayot Dev. Corp. since 2008; PRESIDENT/DIRECTOR of Cebu Beacon Storage Corporation since 2015 and INDEPENDENT DIRECTOR of PGA Sompso Insurance Corp. since 2018.

**MAGILYN T. LOJA.**, 50 years of age, Filipino, has been the CORPORATESECRETARY of the Company since 2010. She is a Senior Partner of the Esguerra & Blanco Law Offices. Atty. Loja obtained his Bachelor of Science in Business Administration and Accountancy and Bachelor of Laws from the University of the Philippines. Atty. Loja since 1996, and during the last five (5) years, has been engaged in the practice of law.

**DAVID R. BALADAD**, 62 years of age, Filipino, has been the VICEPRESIDENTFOROPERATIONS of the Company since 1994. He obtained his Bachelor of Science in Geology in the University of the Philippines and he is also a licensed Geologist. Prior to joining the Company, Mr. Baladad was the Chief of the Oil and Gas Division of the former Office of Energy Affairs (now DOE) and a consultant to other local exploration companies. He has been directing the operating activities of the Company since 1994 and for the last five (5) years.

**ZOSIMO L. PADRO, JR.**, 59 years of age, Filipino, has been the VICE PRESIDENT FOR FINANCE of the Company since January 2010. He obtained his Bachelor of Science in Business Administration Major in Accounting from the University of Eastern Philippines and Bachelor of Laws from Jose Rizal College. Atty. Padro is also the Vice President for Finance of International Pipe Industries Corp. Atty. Padro since 1990, and during the last five (5) years, has been engaged in the practice of law. He is also a Certified Public Accountant.

Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. were elected Independent Directors during the 2018 Annual Stockholders' Meeting. The Nomination Committee nominated Mr. Arteficio and Mr. Bayot as independent directors to be elected during the 2018 Annual Stockholders' Meeting. Both Mr. Arteficio and Mr. Bayot are qualified to be nominated and elected as Independent Directors of the Company in accordance with the qualifications specified with SEC Circular No. 16 Series of 2002 and SEC Circular No. 16 Series of 2006.

Directors elected in the annual stockholders' meeting have a term of office of one (1) year and serve as such until their

successors are elected and qualified in the succeeding annual meeting of stockholders.

## **(2) Significant Employees**

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, nor an executive officer, expected to make a significant contribution to the business of the Company on his own.

## **(3) Family Relationships**

Mr. Edgardo P. Reyes, Chairman and CEO; Mr. Wilfrido P. Reyes, President; and Ms. Belen R. Castro, Vice President, Treasurer and Director of the Company are brothers and sister. All other Directors and Executive Officers are not related to each other. Other than the ones disclosed, there are no other family relationships known to the registrant.

## **(4) Involvement in Certain Legal Proceedings**

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding required to be disclosed under Part IV paragraph (A)(4) of SRC Rule 12 (Annex C, Amended), including without limitation being the subject of any:

- (a) bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
- (d) order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation, for the past five (5) years up to the latest date, that is material to the evaluation of the ability or integrity to hold the relevant position in the Company.

## **ITEM 10: EXECUTIVE COMPENSATION**

There are no bonuses, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the issuer will participate.

The Group has no pension in which any such person will participate.

There are no employment contracts arrangements for this year.

The aggregate compensation paid or accrued during the last two calendar years and to be paid in the ensuing calendar year to the Chief Executive Officer and three most highly compensated executive officers are as follows:

Name and Principal Position	Year	Salary (P)	Bonus (P)	Other Annual Compensation
Edgardo P. Reyes Chairman / CEO				
David R. Baladad VP-Operations				
Zosimo L. Padro, Jr. VP – Finance				
Ronna C. De Leon Accounting Manager				
Aggregate compensation –	2019	2,000,000(est.)	500,000(est.)	N/A
CEO & all other officers and	2018	1,960,646	469,140	N/A
Directors as a group unnamed	2017	1,917,145	461,880	N/A

Among the directors and officers of the company, only the four (4) stated above are being compensated.

#### ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

##### (a) Security Ownership of Certain Record and Beneficial Owners and Management as of December 31, 2018 (owning more than 5% of any class of voting securities)

Title of Class	Name and address of record owner and	Relationship with Issuer	Name of Beneficial ownership and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common	EDGARDO P. REYES 1371 Caballero St., Dasmariñas Vill, Makati	Director	EDGARDO P. REYES, same person	Filipino	229,853,123	25.4849%
Common	BELEN R. CASTRO 4889 Pasay Road, Dasmariñas Vill., Makati	Director	BELEN R. CASTRO, same person	Filipino	231,531,122	25.6709%
Common	WILFRIDO P. REYES 1545 Mahogany St., Dasmariñas Vill., Makati	Director	WILFRIDO P. REYES, same person	Filipino	226,853,123	25.1522%
Common	PCD Nominee Corp. (Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Stockholder	PCD Nominee Corp. (Filipino), depository agent	Filipino	161,392,829	17.8944%

There are no beneficial owners of more than 5% under the PCD Nominee Corporation (Filipino), which owns 17.8944% of the total shares of the Company.

**(b) Security Ownership of Management Directors**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	Edgardo P.Reyes	229,853,123	Direct, Record and Beneficial	Filipino	25.4849%
Common Shares	Belen R. Castro	231,531,122	Direct, Record and Beneficial	Filipino	25.6709%
Common Shares	Wilfrido P. Reyes	226,853,123	Direct, Record and Beneficial	Filipino	25.1522%
Common Shares	Francisco M. Bayot, Jr.	400,000	Direct, Record and Beneficial	Filipino	00.0443%
Common Shares	Manuel G. Arteficio	100,000	Direct, Record and Beneficial	Filipino	00.0111 %
Total		688,737,368			76.3634%

**Executive Officers**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	Edgardo P. Reyes	-----			-----
Common Shares	Wilfrido P. Reyes	-----			-----
Common Shares	Belen R. Castro	-----			-----
Common Shares	David R. Baladad	50,000	Direct, Record and Beneficial	Filipino	00.0055%
Total		50,000			00.0055%

**Directors and Officers as a Group**

Title of Class	Name of Beneficial owner	Amount of Beneficial ownership	Percent of Class
Common Shares	Directors as a Group	688,737,368	76.3634%
Common Shares	Executive Officers as a Group	50,000	00.0055%
Total		690,609,368	76.3689%

No person holding more than 5% of a class is under a voting trust or similar agreement.

The Company has no arrangements which may result in a change in control of the registrant.

**ITEM 12: CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS****SOUTH CHINA PETROLEUM INTERNATIONAL, INC. (SCPI)**

SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other

volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration.

The total amount of receivable from SCPI as of December 31, 2018 and 2017 amounted to ₱230,703 and ₱191,619 which pertains to the amount paid for the business permit and registration. The amount is due and demandable.

#### ITEM 13: CORPORATE GOVERNANCE

The Company is committed to doing business in accordance with the highest professional standards, business conduct and ethics and all applicable laws, rules, and regulations in the Philippines. The Company, its directors, officers, and employees are dedicated to promote and adhere to the principles of good corporate governance by observing and maintaining its core business principles of accountability, integrity, fairness, and transparency.

An evaluation system is being set in place in relation to the provisions of the Revised Manual on Corporate Governance to measure the level of compliance by directors and top management. Also, the Company and its directors, officers and employees complied with all the leading practices and principles on good governance as embodied in the company's Revised Corporate Governance Manual.

The Company believes that the current corporate governance of the Company is sufficient to address its needs.

As per SEC Notice dated 05 April 2018, this portion has been deleted pursuant to SEC Memorandum Circular No. 5, series of 2013. SEC Integrated Annual Corporate Governance Report (I-ACGR) for the year 2017 will be due on or before 30 May 2018.

#### PART V - EXHIBITS AND SCHEDULES

#### ITEM 14: EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits – None

(b) Reports on SEC Form 17-C

The reports indicated below were filed on SEC Form 17-C during the last six-month period covered by this report.

	<b>Item 9. Other Events</b>  Notice is hereby given that the 2018 Annual Meeting of the stockholders of SOCResources, Inc. shall be held on 25 May 2018 at 2:00 P.M. at the West Room of Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City. The Agenda for said meeting is as follows:  1. Proof of notice and quorum; 2. Reading and approval of previous Minutes; 3. Report of Management; 4. Ratification of the acts of the Board of Directors and Officers; 5. Election of Directors; 6. Appointment of Auditors; 7. Other Matters: and
<u>April 11, 2018</u>	



	<p>8. Adjournment.</p> <p>For the purpose of the meeting, only stockholders of record at the close of business on 26 April 2018 shall be entitled to notice of and to vote at the meeting.</p> <p>If you cannot attend the meeting but would like to be represented thereat, you may appoint a proxy in writing and file the same, together with the appropriate Board resolution for corporate stockholders and Special Power of Attorney for individual stockholders, with the Corporation on or before 17 May 2018. Said proxies shall be validated on 18 May 2018 at 10:00 a.m. at the Corporation's principal offices at 4<sup>th</sup> Floor Enzo Bldg. 399 Sen. Gil Puyat Avenue Makati, City.</p> <p>On the day of the meeting, you or your proxy are hereby required to bring this Notice and any form of identification, e.g. driver's license, company ID, TIN card, etc., to facilitate registration.</p>
<p><u>May 25, 2018</u></p>	<p><b>Item 4. Resignation, Removal or Election of Directors or Officers</b></p> <p>The stockholders of the issuer (referred herein as the "Company") at their annual meeting held on May 25, 2018, have re-elected the following Directors for the ensuing year:</p> <p style="padding-left: 40px;">Edgardo P. Reyes Wilfrido P. Reyes Belen R. Castro Francisco M. Bayot, Jr. Manuel G. Arteficio</p> <p>Among the directors stated above, Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. are Independent Directors.</p> <p>That at the same annual meeting, the accounting firm of Sycip Gorres Velayo &amp; Co. was re-appointed as the Company's external auditors for the fiscal year 2018 with Mr. Kristopher S. Catalan being appointed as Engagement Partner.</p> <p>That after the annual stockholders' meeting, the Board of Directors at its organizational meeting re-elected the following Officers for the ensuing year:</p> <p style="padding-left: 40px;">Edgardo P. Reyes - Chairman Wilfrido P. Reyes - President Belen R. Castro - Vice-President &amp; Treasurer Magilyn T. Loja - Corporate Secretary David R. Baladad - Vice President for Operations and Compliance Officer Zosimo L. Padro, Jr. - Vice President for Finance</p>

	<p>and that the following Directors were designated members of the following Committees:</p> <p style="text-align: center;"><b>Executive Committee</b></p> <p>Edgardo P. Reyes            -            Chairman  Wilfrido P. Reyes            -            Member  Manuel G. Arteficio        -            Member</p> <p style="text-align: center;"><b>Nomination &amp; Remuneration Committee</b></p> <p>Francisco M. Bayot, Jr.    -            Chairman  Wilfrido P. Reyes            -            Member  Belen R. Castro            -            Member</p> <p style="text-align: center;"><b>Audit Committee</b></p> <p>Manuel G. Arteficio        -            Chairman  Edgardo P. Reyes            -            Member  Wilfrido P. Reyes            -            Member</p>
<u>May 09, 2018</u>	<p><b>Item 9. Other Events</b></p> <p>Please be informed of the company's new website:  <a href="http://socres.com.ph/">http://socres.com.ph/</a>.</p>

\*\*\*\*\*

# SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 29 April 2019

By:



**EDGARDO P. REYES**  
Chairman/CEO



**WILFRIDO P. REYES**  
President



**BELEN R. CASTRO**  
Vice President & Treasurer



**DAVID R. BALADAD**  
Principal Operating Officer



**ZOSIMO L. PADRO, JR.**  
Principal Accounting Officer



**MAGILYN T. LOJA**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 29 2019 day of \_\_\_\_\_, 2019 affiant(s) exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes			Mar 25, 2009	Makati City	N/A
Wilfrido P. Reyes			Feb 05, 2007	Makati City	N/A
Belen R. Castro			Apr 29, 2008	Makati City	N/A
David R. Baladad			Sep 23, 2016	Quezon City	N/A
Zosimo L. Padro, Jr.			N/A	Manila	N/A
Magilyn T. Loja				Manila	May 06, 2022

Doc. No. : 91  
Page No. : 20  
Book No. : 37  
Series of 2019.

**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. M-87 UNTIL DEC 31, 2020  
ROLL OF ATTY. NO. 48348  
MCLE COMPLIANCE NO. V-0126676/4-11-2018  
IBP O.R. No. 7055-2018-11-2018 MEMBER JAN 29 2007  
PTR No. 7378010- JAN 03, 2019- MAKATI CITY  
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST.  
MAKATI CITY

**SOCRESOURCES, INC. AND SUBSIDIARY**

## Schedule 3: Other long term investments and other Investments

Available for Sale Financial Assets

As of December 31, 2018

*In Philippine Peso unless stated*

Name of Issuing Entity & Description of Investment	Number of Shares or Principal Amount of Bonds & Notes	Value Based on Market Quotations at the end of Reporting Period	Dividends, Interest Received from Investments not accounted for by the equity Method
<b>Investment in Shares of Stocks</b>			
<i>Listed - Domestic</i>			
Aboitiz Equity Ventures, Inc.	7,800	429,000	
Lepanto Consolidated Mining Company "A"	2,078,000	220,268	
Manila Mining Corporation "A"	26,480,000	174,768	
Manila Water Company, Inc.	265,000	7,380,250	
Petron	1,147,500	8,835,750	
		<b>17,040,036</b>	-
<i>Not Listed - Domestic</i>			
Wackwack Golf & Country Club	1	35,000,000	
Southwest Resources, Inc.		3,333,500	
Mt. Malarayat Golf & Country Club	1	250,000	
		38,583,500	
Allowance for Impairment on AFS - Unlisted		(3,333,500)	
		<b>35,250,000</b>	
<b>TOTAL AVAILABLE FOR SALE FINANCIAL ASSETS</b>		<b>52,290,036</b>	

**SOCResources, Inc. and Subsidiary**

Schedule 4: Aging of Consolidated Accounts Receivable

As of December 31, 2018

Accounts Receivable	CURRENT					PAST DUE			Past due accounts & Items in Litigation
	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - Above	
1 Installment Contract Receivable	3,631,778	266,059	296,060	218,944	2,850,714	-	-	-	
2 Advances to Suppliers & Contractors	6,012,926	582,439	33,294	477	35,507	633,604	4,727,606	-	
3 Officers and employees	4,181,479	176,122	-	-	-	5,357	-	4,000,000	
4 IGC Securities, Inc.	15,100,472	9,984	-	-	-	18,642	15,071,846	-	
5 South China Petroleum Int'l.	-	-	-	-	-	-	-	-	
6 Unit Owners	5,879,383	5,879,383	-	-	-	-	-	-	
7 Due from Anuva Condo	7,726,326	1,120,163	2,175,581	2,422,935	2,007,648	-	-	-	
8 Due from Althea HOA	35,141	-	-	-	35,141	-	-	-	
9 Others	2,833,863	965,199	263,674	70,928	922,302	535,787	67,574	8,400	
Subtotal	45,401,369	8,999,349	2,768,609	2,713,284	5,851,311	1,193,390	19,867,026	4,008,400	
Less: Allow. For Impairment losses on receivables	-	-	-	-	-	-	-	-	-
A/R - net	45,401,369	8,999,349	2,768,609	2,713,284	5,851,311	1,193,390	19,867,026	4,008,400	NONE
Net Receivables	<b>45,401,369</b>	<b>8,999,349</b>	<b>2,768,609</b>	<b>2,713,284</b>	<b>5,851,311</b>	<b>1,193,390</b>	<b>19,867,026</b>	<b>4,008,400</b>	NONE

(73,833,534.00)

**Notes:** If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

## Accounts Receivable Description :

Type of A/R :	Nature/Description	Collection Period
		monthly payment of interest &
1) Amount owed by a related party	Receivable from third party IPI Industries, Inc. (Principal & Interest)	quarterly payment of principal
2) Officers and employees	Advances to employees for emergency purpose on a 1 year term payable monthly	monthly
3) Others	Receivable from third party	past due yet collectible
<b>Notes :</b> Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.		

**SOCRESOURCES, INC. AND SUBSIDIARY**

Schedule 5: Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements

As of December 31, 2018

		<b>Beginning Balance</b>	<b>Deductions</b>	<b>Ending Balance</b>
		<b>December 31, 2017</b>		<b>December 31, 2018</b>
SOC Land Development, Corp.		1,110,528,901	(109,328,659)	1,001,200,241

**SOCRESOURCES, INC. AND SUBSIDIARY**

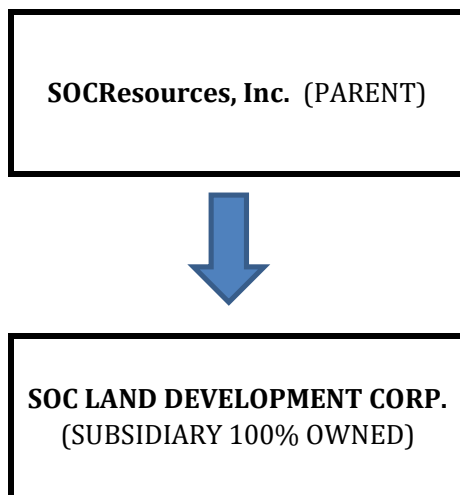
## Schedule 7: Key Performance Indicator

	KEY FINANCIAL RATIOS	December 31, 2018	December 31, 2017
I.	Current/Liquidity Ratios	11.09 x	12.32 x
II.	Solvency Ratio	6.51%	-17.39%
III.	Debt-to-equity ratio (in x)	0.1000 x	0.0846 x
IV.	Asset to Equity Ratio	1.1000 x	1.0846 x
V.	Interest Rate Coverage Ratio	N/A	N/A
VI.	Profitability Ratio		
	Return on Equity (ROE)	0.48%	-1.62%
	Return on Assets (ROA)	0.44%	-1.49%
VII.	Other Relevant Ratios		
	Revenue Growth/ (Decline)	96.06%	-60.36%
	Net Income Growth/ (Decline)	129.84%	-201.94%
	EBITDA	Php 10,651,521	(23,847,440)

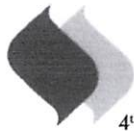
**SOCRESOURCES, INC. AND SUBSIDIARY**

Schedule 8: Map of the Relationships of the Companies within the Group

As of December 31, 2018







# SOCResources, Inc.

4<sup>th</sup> Flr. ENZO Building 399 Senator Gil Puyat Avenue, Makati City  
Metro Manila, Philippines 1200

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SOCResources, Inc. and subsidiary is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and 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 or 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 the 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.


SYCIP GORRES VELAYO & CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

  
**EDGARDO P. REYES**  
Chairman/Chief Executive Officer

  
**WILFRIDO P. REYES**  
President

  
**BELEN R. CASTRO**  
Vice President/Treasurer

  
**ZOSIMO L. PADRO, JR.**  
Vice President - Finance

**MAKATI CITY**

**APR 24 2019**

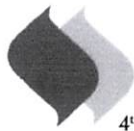
SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_ 2019 affiants exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes			Mar 25, 2009	Makati City	N/A
Wilfrido P. Reyes			Feb 05, 2007	Makati City	N/A
Belen R. Castro			Apr 29, 2008	Makati City	N/A
Zosimo L. Padro, Jr.			N/A	Manila	N/A

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Series of 2019.

**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. M-11 IN PL DEC. 31, 2020  
ROLL OF ATTY. NO. 48348

MCLE COMPLIANCE NO. V-0026676/4-11-2018  
IBP O.R. No. 706762-LIFETIME MEMBER JAN. 29, 2007  
PTR No. 7333020-JAN 03, 2019- MAKATI CITY  
EXECUTIVE OFFICE, CENTER MAKATI AVE., COR., JUPITER ST  
MAKATI CITY



# SOCResources, Inc.

4<sup>th</sup> Flr. ENZO Building 399 Senator Gil Puyat Avenue, Makati City  
Metro Manila, Philippines 1200

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of SOCResources, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and 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 or 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 relating to going concern and using the 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.

SYCIP GORRES VELAYO & CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**EDGARDO P. REYES**  
Chairman/Chief Executive Officer



  
**BELEN R. CASTRO**  
Vice President/Treasurer

  
President

  
**ZOSIMO L. PADRO, JR.**  
Vice President - Finance

**MAKATI CITY**

SUBSCRIBED AND SWORN to before me this **APR 24 2019** day of \_\_\_\_\_ 2019 affiants exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes			Mar 25, 2009	Makati City	N/A
Wilfrido P. Reyes			Feb 05, 2007	Makati City	N/A
Belen R. Castro			Apr 29, 2008	Makati City	N/A
Zosimo L. Padro, Jr.			N/A	Manila	N/A

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Book No.:  
Series of 2019.

**ATTY. VIRGINIO R. BATALLA**

NOTARY PUBLIC FOR MAKATI CITY

APPT. NO. M-J-19-PL DEC. 31, 2020

ROLL OF ATIS NO. 48343

MCLE COMPLIANCE NO. V-0320676/4-11-2018

IBP O.R. No. 705762-11-11-2018 Notary Public JAN. 29, 2007

PTR No. 7333020- JAN 03, 2019- MAKATI CITY

EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST  
MAKATI CITY

Telephone No. 804-1978 \* Telefax No. 804-1977

# **SOCResources, Inc. and Subsidiary**

Consolidated Financial Statements  
December 31, 2018 and 2017  
and Years Ended December 31, 2018, 2017  
and 2016

and

Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
SOCResources, Inc.

### Opinion

We have audited the consolidated financial statements of SOCResources, Inc. and Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of 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 Consolidated 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 audit of the consolidated 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### ***Adoption of PFRS 15, Revenue from Contracts with Customers***

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue process, policies and procedures and revenue recognition accounting policy. The following matters are significant to our audit because these involve application of significant judgment and estimation: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) determination of the transaction price; (4) application of the input method as the measure of progress in determining real estate revenue; (5) determination of the actual costs incurred as cost of real estate sales; and (6) recognition of cost to obtain a contract.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract. In the absence of a signed contract to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or customer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, actual labor hours expended, and actual overhead incurred relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of real estate sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group's disclosures on the impact of the adoption, accounting policies and the related judgments related to revenue from contracts with customers are included in Notes 2 and 3 to the consolidated financial statements.

### ***Audit Response***

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.





For the identification of the alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, reviewing the Group's legal basis regarding the enforceability of the alternative documentation against previous court decisions, buyers' behavior and industry practices.

For the customers' equity, we evaluated management's basis of the customer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls.

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as invoices, accomplishment reports and official receipts. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as budgets. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

We test computed the transition adjustments and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.



### ***Adoption of Expected Credit Loss Model***

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*, 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 ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

The application of the ECL model did not result in any transition adjustment or provision for credit losses in 2018.

The Group's disclosure on the impact of the adoption, accounting policies and the related judgments relating to adoption of ECL are included in Notes 2, 3 and 6 to the consolidated financial statements.

### ***Audit Response***

We obtained an understanding of the approved methodologies and models used for the Group 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 our understanding of the Group's lending portfolios and broader industry knowledge; 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 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 reports to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We evaluated the disclosures made in the financial statements on allowance for credit losses using the ECL model.



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the twelve-month period ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 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 audit.

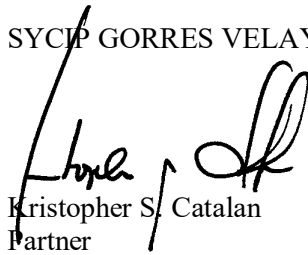
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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  
Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-AR-1 (Group A),  
October 18, 2018, valid until October 17, 2021

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2018,  
February 14, 2018, valid until February 13, 2021

PTR No. 7332534, January 3, 2019, Makati City

April 30, 2019



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders  
SOCResources, Inc.  
4th Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City 1200

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SOCResources, Inc. and Subsidiary as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated April 30, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

**SYCIP GORRES VELAYO & CO.**

Kristopher S. Catalan  
Partner  
CPA Certificate No. 109712  
SEC Accreditation No. 1509-AR-1 (Group A),  
October 18, 2018, valid until October 17, 2021  
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February 14, 2018, valid until February 13, 2021  
PTR No. 7332534, January 3, 2019, Makati City

April 30, 2019



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2018	2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱455,632,239	₱115,032,410
Short-term investments (Note 5)	—	255,823,471
Receivables (Note 6)	30,401,369	57,477,913
Contract assets (Note 22)	26,744,405	—
Real estate inventories (Note 7)	1,066,908,248	1,092,869,024
Due from a related party (Note 19)	230,703	191,619
Prepayments and other current assets (Note 8)	66,820,158	59,023,903
<b>Total Current Assets</b>	<b>1,646,737,122</b>	<b>1,580,418,340</b>
<b>Noncurrent Assets</b>		
Equity investments at fair value through other comprehensive income (FVTOCI) (Note 9)	52,290,036	—
Available-for-sale (AFS) financial assets (Note 9)	—	53,445,971
Receivables (Note 6)	15,000,000	61,841,846
Contract assets (Note 22)	32,712,621	—
Property and equipment (Note 11)	35,979,291	34,866,689
Other noncurrent assets (Note 12)	17,946,310	27,497,408
<b>Total Noncurrent Assets</b>	<b>153,928,258</b>	<b>177,651,914</b>
<b>TOTAL ASSETS</b>	<b>₱1,800,665,380</b>	<b>₱1,758,070,254</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other liabilities (Note 13)	₱50,579,955	₱128,277,782
Contract liabilities (Note 22)	97,842,469	—
<b>Total Current Liabilities</b>	<b>148,422,424</b>	<b>128,277,782</b>
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 17)	4,281,472	4,795,410
Deferred income tax liabilities (Note 18)	10,970,026	4,022,694
<b>Total Noncurrent Liabilities</b>	<b>15,251,498</b>	<b>8,818,104</b>
<b>Total Liabilities</b>	<b>163,673,922</b>	<b>137,095,886</b>
<b>Equity (Note 20)</b>		
Common stock - ₱1 par value, Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares	600,559,569	600,559,569
Subscribed - 306,000,000 shares in 2018 and 2017 (net of subscription receivable of ₱229,500,000 in 2018 and 2017)	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated	745,000,000	745,000,000
Unappropriated	124,748,464	116,806,639
Other comprehensive income (Notes 9 and 17)	22,872,935	14,797,670
Treasury stock	(4,961,650)	(4,961,650)
<b>Equity</b>	<b>1,636,991,458</b>	<b>1,620,974,368</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,800,665,380</b>	<b>₱1,758,070,254</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2018	2017	2016
<b>REVENUE</b>			
Revenue from contracts with customers (Note 22)	<b>₱137,575,939</b>	<b>₱—</b>	<b>₱—</b>
Real estate sales	—	64,931,959	156,770,447
	<b>137,575,939</b>	<b>64,931,959</b>	<b>156,770,447</b>
<b>OTHER INCOME</b>			
Interest income (Notes 4, 5 and 6)	<b>17,656,548</b>	12,896,876	13,195,736
Dividend income (Note 9)	<b>409,612</b>	350,056	343,869
Foreign exchange gains - net	<b>327,811</b>	25,803	328,198
Realized gain on debt investments at FVTPL (Note 10)	<b>91,745</b>	—	—
Realized gain on redemption of Unit Investment Trust Fund (UITF) (Notes 9 and 10)	—	257,841	—
Other income - net (Note 16)	<b>8,336,581</b>	5,388,164	40,869,226
	<b>26,822,297</b>	<b>18,918,740</b>	<b>54,737,029</b>
<b>COSTS AND EXPENSES</b>			
Cost of real estate sales (Note 7)	<b>(65,715,940)</b>	(33,411,749)	(113,657,657)
General and administrative expenses (Note 14)	<b>(61,084,028)</b>	(50,802,952)	(56,370,938)
Sales and marketing expenses (Note 15)	<b>(24,511,564)</b>	(22,455,660)	(14,340,893)
	<b>(151,311,532)</b>	<b>(106,670,361)</b>	<b>(184,369,488)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>13,086,704</b>	(22,819,662)	27,137,988
<b>PROVISION FOR INCOME TAX</b> (Note 18)			
Current	<b>243,118</b>	1,276,648	1,373,128
Deferred	<b>5,007,133</b>	2,168,161	—
	<b>5,250,251</b>	<b>3,444,809</b>	<b>1,373,128</b>
<b>NET INCOME (LOSS)</b>	<b>7,836,453</b>	(26,264,471)	25,764,860
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized valuation gains on AFS financial assets, net of deferred income tax (Note 9)	—	736,513	8,114,806
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized valuation gains on equity investments at FVTOCI, net of deferred income tax (Note 9)	<b>7,299,437</b>	—	—
Actuarial gains (losses) on defined benefit plan (Note 17)	<b>881,200</b>	(35,236)	195,764
	<b>8,180,637</b>	<b>701,277</b>	<b>8,310,570</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱16,017,090</b>	<b>(₱25,563,194)</b>	<b>₱34,075,430</b>
<b>Basic/Diluted Earnings (Loss) Per Share</b> (Note 21)	<b>₱0.0087</b>	<b>(₱0.0291)</b>	<b>₱0.0284</b>

See accompanying Notes to Consolidated Financial Statements.



# SOCRESOURCES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Common Stock (Note 20)		Additional Paid-in Capital	Retained Earnings (Note 20)		Other Comprehensive Income (Notes 9 and 17)	Treasury Stock (Note 20)	Total
	Issued	Subscribed		Appropriated	Unappropriated			
<b>BALANCES AT DECEMBER 31, 2015</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱500,000,000</b>	<b>₱362,306,250</b>	<b>₱5,785,823</b>	<b>(₱4,961,650)</b>	<b>₱1,612,462,132</b>
Net income	—	—	—	—	25,764,860	—	—	25,764,860
Other comprehensive income	—	—	—	—	—	8,310,570	—	8,310,570
Total comprehensive income	—	—	—	—	25,764,860	8,310,570	—	34,075,430
Reversal of prior appropriations	—	—	—	(500,000,000)	500,000,000	—	—	—
Appropriations for the Subsidiary's project	—	—	—	600,000,000	(600,000,000)	—	—	—
Appropriations for agricultural project	—	—	—	145,000,000	(145,000,000)	—	—	—
<b>BALANCES AT DECEMBER 31, 2016</b>	<b>600,559,569</b>	<b>76,500,000</b>	<b>72,272,140</b>	<b>745,000,000</b>	<b>143,071,110</b>	<b>14,096,393</b>	<b>(4,961,650)</b>	<b>1,646,537,562</b>
Net loss	—	—	—	—	(26,264,471)	—	—	(26,264,471)
Other comprehensive income (loss)	—	—	—	—	—	701,277	—	701,277
Total comprehensive income (loss)	—	—	—	—	(26,264,471)	701,277	—	(25,563,194)
<b>BALANCES AT DECEMBER 31, 2017</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱745,000,000</b>	<b>₱116,806,639</b>	<b>₱14,797,670</b>	<b>(₱4,961,650)</b>	<b>₱1,620,974,368</b>
<b>BALANCES AT JANUARY 1, 2018</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱745,000,000</b>	<b>₱116,806,639</b>	<b>₱14,797,670</b>	<b>(₱4,961,650)</b>	<b>₱1,620,974,368</b>
Effect of adoption PFRS 9, <i>Financial Instruments</i>	—	—	—	—	105,372	(105,372)	—	—
<b>BALANCES AT JANUARY 1, 2018, AS ADJUSTED</b>	<b>600,559,569</b>	<b>76,500,000</b>	<b>72,272,140</b>	<b>745,000,000</b>	<b>116,912,011</b>	<b>14,692,298</b>	<b>(4,961,650)</b>	<b>1,620,974,368</b>
Net income	—	—	—	—	7,836,453	—	—	7,836,453
Other comprehensive income	—	—	—	—	—	8,180,637	—	8,180,637
Total comprehensive income	—	—	—	—	7,836,453	8,180,637	—	16,017,090
<b>BALANCES AT DECEMBER 31, 2018</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱745,000,000</b>	<b>₱124,748,464</b>	<b>₱22,872,935</b>	<b>(₱4,961,650)</b>	<b>₱1,636,991,458</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>₱13,086,704</b>	(₱22,819,662)	₱27,137,988
Adjustments for:			
Interest income (Notes 4, 5 and 6)	<b>(17,656,548)</b>	(12,896,876)	(13,195,736)
Depreciation and amortization (Note 11)	<b>2,872,208</b>	2,422,066	2,685,275
Gain on repossession (Note 16)	<b>(1,147,589)</b>	(4,170,772)	(15,398,166)
Retirement benefit cost (Note 17)	<b>657,461</b>	543,738	561,193
Dividend income (Note 9)	<b>(409,612)</b>	(350,056)	(343,869)
Unrealized foreign exchange gains	<b>(327,811)</b>	(25,803)	(328,198)
Realized gain on debt investments at FVTPL (Note 10)	<b>(91,745)</b>	—	—
Research and development cost	<b>42,750</b>	—	—
Gain on redemption of UITF (Note 9)	—	(257,841)	—
Operating income (loss) before working capital changes	<b>(2,974,182)</b>	(37,555,206)	1,118,487
Decrease (increase) in:			
Accounts receivables	<b>74,688,791</b>	35,263,823	48,007,270
Contract assets	<b>(59,457,026)</b>	—	—
Real estate inventories	<b>27,108,365</b>	(6,576,656)	44,560,196
Other current assets	<b>1,999,294</b>	13,053,876	(9,306,128)
Due from a related party	<b>(39,084)</b>	(12,583)	(12,583)
Increase (decrease) in:			
Contract liabilities	<b>97,842,469</b>	—	—
Accounts payable and other liabilities	<b>(77,697,827)</b>	14,072,323	(38,210,043)
Cash flows generated from operations	<b>61,470,800</b>	18,245,577	46,157,199
Interest received	<b>16,896,131</b>	9,646,610	13,174,504
Income taxes paid, including creditable withholding taxes	<b>(885,360)</b>	(5,373,312)	(1,373,128)
Net cash flows from operating activities	<b>77,481,571</b>	22,518,875	57,958,575
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Sale of short-term investments	<b>255,823,471</b>	—	—
Redemption of UITF (Notes 9 and 10)	<b>10,197,117</b>	130,257,841	—
Acquisitions of:			
Property and equipment (Note 11)	<b>(4,027,560)</b>	(2,606,138)	(281,129)
Short-term investments (Note 5)	—	(252,573,205)	—
AFS financial assets (Note 9)	—	(140,000,000)	—
Dividends received	<b>399,628</b>	251,168	343,869
Decrease (increase) in other noncurrent assets	<b>397,791</b>	—	—
Net cash flows from (used in) investing activities	<b>262,790,447</b>	(264,670,334)	62,740
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>327,811</b>	25,803	328,198
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>340,599,829</b>	(242,125,656)	58,349,513
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>115,032,410</b>	357,158,066	298,808,553
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱455,632,239</b>	₱115,032,410	₱357,158,066

See accompanying Notes to Consolidated Financial Statements.



## **SOCRESOURCES, INC. AND SUBSIDIARY**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information, Status of Operations and Approval and Authorization for Issuance of the Consolidated Financial Statements**

##### Corporate Information

SOCResources, Inc., (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the Philippine SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land or the Subsidiary) was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010.

The registered office address of the Parent Company is 4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

##### Status of Operations

##### *Real Estate Development*

In 2011, SOC Land undertook its maiden project called "Anuva Residences in Barangay Buli, Alabang, Muntinlupa City. The project involves the development of a 2.4 hectare parcel of land that will have four tandem buildings and an estimated investment cost of 5 billion pesos to generate approximately 7 billion pesos in sales over its production cycle. Initially targeted for completion within five years from launch, the production cycle of the project is extended and re-planned for completion by 2025.

On July 12, 2011, the groundbreaking ceremony for the first tower, Anala was held and the structural works was completed in 2014.

On September 2, 2011, SOC Land's Phase 1 project was duly registered with the Board of Investments (BOI) as a New Developer of Low - Cost Mass Housing on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land was entitled to an Income Tax Holiday (ITH) for three years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, the SOC Land shall submit proof of compliance that





it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH.

On December 14, 2011, the Housing and Land Use Regulatory Board released the SOC Land's License to Sell for the Anala Tower with targeted completion date in 2015.

On August 14, 2013, SOC Land opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to SOC Land as New Developer of Low-Cost Mass Housing Project cancelled the Company's entitlement to an ITH for three years.

In 2014, SOC Land ventured into horizontal housing development through Althea Residences in Binan, Laguna with an initial offering of 214 commercial and residential lots and house and lot packages and covered by HLURB License To Sell No. 029073 released on September 22, 2014. On the same year, the second tower of Anuva Residences, the Azalea Tower with 618 units of combined studio, 1-bedroom and 2-bedroom units was offered for sale and a License To Sell was issued by HLURB on July 31, 2015.

In 2018, a portion of Althea Residences was reconfigured from 17 commercial lots into 32 townhouse and lots units that offered a better return for SOC Land. Althea was also geared for expansion on the adjoining 2.2 hectare property offering an additional 132 residential lots and house and lot packages with the necessary permits and license expected to be completed by mid-2019.

As of the end of 2018, SOC Land is also studying the feasibility of developing in other areas with potential sites in consideration in Baguio, Taft Avenue and Quezon City, among other places.

#### Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were approved and authorized for issue by the BOD on April 10, 2019.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for AFS financial assets, debt instruments designated at fair value through profit or loss (FVTPL) and equity investments at fair value through other comprehensive income (FVTOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and Subsidiary's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.

### Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).



### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiary, SOC Land. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Control is achieved where the Parent Company has all of the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of investor's returns.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized are eliminated in full.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

#### *Effective beginning or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing PFRS 17, *Insurance Contracts*, which replaces PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

- Amendments to Philippine Accounting Standard (PAS) 28, *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. 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.

- 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.

- Philippine Interpretation International Financial Reporting Interpretations Committee (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 nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

- 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 the modified retrospective approach, with an initial application date of January 1, 2018. In accordance with the transitional provisions of PFRS 9, comparative figures have not been restated.

The impact of the adoption is 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 other comprehensive income (FVTOCI). 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 (SPPI)' 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 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 following are the changes in the classifications of the Group's financial assets.

- Cash and cash equivalents, short-term investments, receivables (excluding advances to suppliers and contractors), security deposit presented under prepayments and other current assets and due from related parties 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 classified and measured as debt instruments at amortized cost beginning January 1, 2018.
- Unit investment trust funds (UITF) previously classified as available-for sale (AFS) financial assets are classified and measured as debt instruments at FVTPL beginning January 1, 2018. The Parent Company expects to sell/redeem a significant amount on a relatively frequent basis.
- Golf club shares previously classified as AFS financial assets are classified and measured as equity instruments at FVTOCI beginning January 1, 2018. The Parent Company elected to classify irrevocably its golf club shares under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.
- Listed equity investments previously classified as AFS financial assets are classified and measured as equity instruments measured at FVTOCI beginning January 1, 2018. The Parent Company expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

As a result of the change in classification of the Parent Company's UITF, the AFS reserve of ₱0.11 million related to those investments that were previously presented under accumulated OCI, was reclassified to retained earnings as at January 1, 2018, resulting in a decrease in other comprehensive income and an increase in retained earnings of ₱0.11 million.

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 the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

	Balances	PFRS 9 measurement category		
		Fair value through profit or loss	Amortized cost	Fair value through OCI
<b>PAS 39 measurement category</b>				
<b><i>Loans and receivables</i></b>				
Cash in banks and cash equivalents	₱114,912,497	₱–	₱114,912,497	₱–
Receivables	113,166,745	–	113,166,745	–
Refundable deposits	2,772,036	–	2,772,036	–
Due from related party	191,619	–	191,619	–
<b><i>AFS financial assets</i></b>				
Shares of stock	19,090,599	–	–	19,090,599
Golf club shares	24,250,000	–	–	24,250,000
UITF	10,105,372	10,105,372	–	–
	₱284,488,868	₱10,105,372	₱231,042,897	₱43,340,599



*(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 loans and other debt financial assets not held at fair value through profit or loss (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 (EIR). 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 installment contracts receivables (ICR) presented under receivables and contract assets, 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 has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR 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 probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward looking data on interest rate, unemployment rate and inflation rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of 5 years for the origination, maturity date and default date. The Group considers an ICR in default when contractual payment are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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 the repossession of the subject real estate property, 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 the amounts and timing of collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda law, cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.



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 risks 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 ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

For other financial assets such as accrued interest receivable and others, expected credit losses (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 application of the ECL model does not have significant impact on the Group's allowance for credit losses as of December 31, 2018. No provision for credit losses in 2018 using the ECL model has been recorded.

- 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 its 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 judgment, 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.

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 not yet completed as at January 1, 2018.

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC &A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine 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 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.

The SEC Memorandum Circulars 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 in the financial statements had the concerned application guideline in the PIC Q&A 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, *Accounting Policies, Change in Accounting Estimates and Error*, 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&A. Had these provisions been adopted, 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 EIR 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.

The effect of adopting PFRS 15 as at January 1, 2018, was as follows:

	December 31, 2017	Transition Adjustments	January 1, 2018
Receivables	₱119,319,759	(₱70,200,604)	₱49,119,155
Contract assets	—	70,200,604	70,200,604
Customer's deposit	(72,696,975)	(72,696,975)	—
Unearned income	2,105,565	(2,105,565)	—
Contract liabilities	—	74,802,540	74,802,540



Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on the consolidated statement of comprehensive income and consolidated statement of cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

	<b>Amounts prepared under</b>		<b>Increase</b>
	<b>PFRS 15</b>	<b>Previous PFRS</b>	<b>(Decrease)</b>
<b>ASSETS</b>			
Current Assets			
Receivables (Note 6)	₱30,401,369	₱57,145,774	(₱26,744,405)
Contract assets (Note 22)	26,744,405	–	26,744,405
Total Current Assets	57,145,774	57,145,774	–
Noncurrent Assets			
Receivables (Note 6)	₱15,000,000	₱47,712,621	(₱32,712,621)
Contract assets (Note 22)	32,712,621	–	32,712,621
Total Noncurrent Assets	47,712,621	47,712,621	–
<b>TOTAL</b>	<b>₱104,858,395</b>	<b>₱104,858,395</b>	<b>₱–</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and other current liabilities (Note 13)	₱50,579,955	₱148,422,424	(₱97,842,469)
Contract liabilities (Note 22)	97,842,469	–	97,842,469
<b>TOTAL</b>	<b>₱148,422,424</b>	<b>₱148,422,424</b>	<b>₱–</b>

The adjustments as at January 1, 2018 represents the Group's recording as contract asset (instead of sales contract receivables) any excess of progress of work over the right to an amount of consideration that is unconditional. Meanwhile, the excess of collection over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from installment contract receivables while contract liabilities are presented as customers' deposit and unearned income. The above resulted in recording of contract assets of ₱70.20 million and contract liabilities of ₱74.80 million as of January 1, 2018.

### Summary of Accounting Policies

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the balance sheet based on whether it is current and noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.





A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

•  
The Group classifies all other liabilities as noncurrent.

Deferred tax assets and deferred tax liabilities and accrued retirement benefit liability are classified as noncurrent assets and liabilities, respectively.

#### Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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



As of December 31, 2018 and 2017, the Group has no non-financial asset carried at fair value. In addition, the Group has neither assets nor liabilities with recurring and non-recurring fair value measurements.

#### Cash and Cash Equivalents

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

#### Short-term Investments

Short-term investments includes investments that the Parent Company has made that is expected to be converted into cash within one year.

#### Financial Instruments

#### ***Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### *a. Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL



*Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that SPPI and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and refundable deposits.

*Financial assets designated at fair value through OCI (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 in the consolidated statement of 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.

The Group elected to classify irrevocably its listed equity investments and golf club shares under this category.

*Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the Parent Company statement of financial position at fair value with net changes in fair value presented as "gain on debt instruments at FVTPL" (positive net changes in fair value) or "loss on debt instruments at FVTPL" (negative net changes in fair value) in profit or loss.

As of December 31, 2018, this category includes the Group's investment in UITF.



### *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 (i.e., removed from the Group's balance sheet) when:

- the rights to receive cash flows from the asset have expired; or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 of 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 its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a 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 could be required to repay.

### *Impairment of financial assets*

The Group recognizes an allowance for 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 EIR. 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.

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 ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. Both life time ECL and 12 months' ECL are calculated on either an individual basis or a collective basis, depending on the nature of the financial instruments.

For trade receivables and contract assets, 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 that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 risks 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 ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### *b. Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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 accounts payable and other current liabilities (excluding government payables).

##### *Subsequent measurement*

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

##### *Loans and borrowings*

This is the category most relevant to the Group. 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 consolidated statement of comprehensive income.

##### *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 comprehensive income.

#### *c. Offsetting of financial instruments*

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



## ***Financial Instruments – initial recognition and subsequent measurement prior to January 1, 2018***

### ***Date of Recognition***

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### ***Initial Recognition of Financial Instruments***

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVTPL), the initial measurement of financial assets includes transaction costs.

### ***“Day 1” Difference***

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of “Day 1” difference.

### ***Classification of Financial Instruments***

Financial instruments are classified as liabilities 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.

Financial assets are further classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVTPL and HTM as of December 31, 2018 and 2017.

### ***Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.



The Group's loans and receivables consist of cash and cash equivalents, receivables (excluding advances to suppliers and contractors), due from a related party and refundable deposits.

#### *AFS Financial Assets*

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVTPL. Debt securities under this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in "Unrealized valuation gains (losses) on AFS financial assets" until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in profit or loss as other expenses. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method.

The Group evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using effective interest method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

The Group's AFS financial assets consist of equity shares and golf club shares.

#### *Other Financial Liabilities*

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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.

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 the amount separately determined as the fair value of the liability component on the date of issue.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities consist of accounts payable and other liabilities, excluding taxes payable to government agencies.



### *Impairment of Financial Assets*

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

### *Financial Assets Carried at Amortized Cost*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the 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 (the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

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 is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### *AFS Financial Assets Carried at Fair Value*

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, 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, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.





Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### *Derecognition of Financial Assets and Liabilities*

##### *Financial Assets*

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

- the rights to receive cash flows from the asset have 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 rights to receive cash flows from the asset 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Real Estate Inventories

Property acquired or being constructed 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 (NRV).

Cost includes:

- Cost of land
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs



NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The amount of any write-down of inventories to NRV and all losses of inventories are recognized in profit or loss in the year the write-down or loss occurs.

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. The total costs are allocated pro-rata based on the relative size of the property sold.

#### *Repossessed Inventories*

Repossessed inventories represent the acquisition costs of properties sold but subsequently reacquired by the Group due to buyer's default on payment of monthly amortization. These are measured at fair value, which is considered as the properties' deemed cost as at reacquisition date. Any resulting gain or loss is credited or charged to "Other income" in profit or loss.

#### Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

#### Advances to Suppliers and Contractors

Advances to suppliers and contractors represent advance payments on services to be incurred in connection with the Group's operations. Advances to suppliers and contractors are recognized under "Prepayments and other current assets" account in the consolidated statement of financial position. These are charged to expense in profit or loss, or capitalized to real estate inventories in the consolidated statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

#### Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Prepayments and other current assets" account in the consolidated statement of financial position.

#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The input VAT recoverable from the taxation authority is included as part of "Prepayments and other current assets" or "Other noncurrent asset", while output VAT payable to the taxation authority is included as part of "Accounts payable and other liabilities" accounts in the consolidated statement of financial position.



### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment comprises its purchase price including, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

<u>Asset Type</u>	<u>Number of years</u>
Building	20
Office furniture and equipment	1-3
Transportation equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements except for, whichever is shorter.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

#### Common Stock

The Group has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the excess of the proceeds over the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares. Subscription receivable is presented as deduction from equity if the subscription receivable is not expected to be collected within 12 months after reporting period. Otherwise, the subscription receivable is presented as current asset.

#### Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Appropriated retained earnings represent the portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent accumulated earnings which can be declared as dividends to stockholders.

#### Other Comprehensive Income (OCI)

OCI comprises items of income and expenses, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other standards.

#### Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the common 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.



## Revenue Recognition

### ***Revenue Recognition effective January 1, 2018***

#### *Revenue from Contract with Customers*

The Group primarily derives its real estate revenue from the sale of horizontal 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 Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

#### *Real estate sales*

The Group derives its real estate revenue from sale of lots, house and lot, condominium units and parking lot. 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 Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs from project engineers. In determining that actual costs incurred, the Group estimates cost incurred on materials, labor and overhead which have not yet been billed by the contractor. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statements of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statements of financial position.



#### *Cost recognition*

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and 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.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

#### *Contract Balances*

##### *Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

##### *Costs to obtain contract*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and marketing expense" account in the statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

##### *Contract fulfillment assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.



If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs.

*Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract*

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

***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. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

*Real Estate Sales*

The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability 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. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.



The percentage-of-completion (POC) method is used to recognize income from sale of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. The Group start recognizing income under POC when the equitable interest has been transferred to the buyer, construction is beyond the 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 reliable. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated statement of financial position as part of real estate inventories and the deposit as part of as "Customers' deposits" included under the "Accounts payable and other liabilities" account in the consolidated statement of financial position.

#### *Other Income*

Other income includes gain arising from forfeiture or cancellation of prior years' real estate sales.

#### Cost and Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

#### *Cost of Real Estate Sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium 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 Group's in-house technical staff.

The cost of real estate sales recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Any changes in estimated development costs used in the determination of the amount of revenue and cost are recognized in profit or loss in the period in which the change is made.

#### *General and Administrative Expenses*

Expenses incurred in the general administration of day-to-day operation of the Group are generally recognized when the service is used or the expense arises.





### *Sales and Marketing Expenses*

Expenses incurred in the direct selling and marketing activities are generally recognized when the service is incurred or the expense arises.

### Retirement Benefits Cost

The Group recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Retirement benefits cost comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

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

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

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the consolidated statement in comprehensive loss in subsequent periods.

### Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development



Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

### Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recoverable from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Prepayments and other current assets" account in the consolidated statement of financial position.

#### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized before their expiration.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

### Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributable to equity holders of the Group by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.



Diluted earnings (loss) per share is computed in the same manner, with the net income (loss) for the year attributable to equity holders of the Group and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

#### Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.



#### Future Changes in Accounting Policies

The following standards and interpretations will become effective subsequent to 2018. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended PFRS and Philippine Interpretations to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- 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.

Early application is permitted, but not before an entity applies PFRS 15. 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 PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- 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*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*



*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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### 3. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

#### Judgments

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

#### *Existence of a contract (PFRS 15)*

The Group'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, quotation sheets and other relevant documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group 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 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.

#### *Determination of transaction price (PFRS 15)*

The Group considered the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.



*Revenue recognition method and measure of progress (PFRS 15)*

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use; and (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group'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.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

The Group's real estate sales amounted to ₱137.58 million in 2018.

*Identifying performance obligation (PFRS 15)*

The Group has various contracts to sell covering (a) serviced lot, (b) serviced lot and house, (c) condominium unit and (d) parking lot. The Group concluded that there is one performance obligation in each of these contracts because, for serviced lot, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract. For the contract covering service lot and house and condominium unit, the developer has the obligation to deliver the house or condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

*Revenue Recognition (PAS 18)*

Selecting the appropriate revenue recognition method for particular real estate transaction requires certain judgments based on the following, among others:

- *Buyer's continuing commitment to the sales agreement*  
Collectability 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 gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

For sale of real estate properties, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*  
The Group commences the recognition of revenue from sale of uncompleted projects where the POC method is used when the POC, as determined by project engineers employed by the Group, is already beyond the preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the house unit foundation are finished).

The Group's real estate sales amounted to ₱64.93 million in 2017 and ₱156.77 million in 2016.



#### *Assessment of Impairment of Nonfinancial Assets*

The Group assesses impairment on other current assets and property and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is computed using the asset's fair value less costs to sell or value-in-use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value of estimated future net cash inflows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

As of December 31, 2018 and 2017, there were no impairment indicators that would lead to impairment analysis.

#### *Operating Leases - The Group as Lessee*

The Group has entered into a lease for its administrative office location. The Group has determined that all the significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, these leases are accounted for as operating leases.

#### Estimates and Assumptions

The key estimates concerning the future and other key sources of estimation uncertainty at 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.

#### *Impairment Losses on Receivables – PAS 39*

The Parent Company reviews the balance of receivables at each reporting date to assess whether impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Parent Company's assessment of the accounts since their inception.

There was no allowance for impairment losses on receivables as of December 31, 2017. The carrying amount of receivables amounted to ₱119.32 million as of December 31, 2017 (see Note 6).



*Impairment of AFS Financial Assets – PAS 39*

The Parent Company treats financial assets at FVTOCI as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or when is ‘prolonged’ requires judgment. The Parent Company treats ‘significant’ generally as 20% or more of the cost of financial assets and ‘prolonged’ if greater than six months. In addition, the Parent Company evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Parent Company also considers the ability of the investee to provide dividends.

The carrying amounts of AFS financial assets amounted to ₱53.45 million as of December 31, 2017 (see Note 9). The change in the fair value of the financial assets is recorded as “Unrealized valuation gains on AFS financial assets” account in the equity section of the consolidated statements of financial position. As of December 31, 2017, the unrealized valuation gains on AFS financial assets amounted to ₱14.45 million, respectively (see Note 9).

*Revenue and Cost Recognition*

The Group’s revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group’s revenue and cost from real estate sales recognized based on the percentage of completion is determined based on actual costs incurred to date over the estimated total costs to complete the project reconciled with the engineer’s judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

The Group estimates the POC of ongoing projects using input method for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the Group’s project engineer as well as management’s monitoring of the costs, progress and improvements of the projects.

Real estate sales and cost of real estate sales amounted to ₱137.58 million and ₱65.72 million in 2018, ₱64.93 million and ₱33.41 million in 2017 and ₱156.77 million and ₱113.66 million in 2016, respectively (see Notes 7 and 22).

*Provision for ECL (PFRS 9) - Effective starting January 1, 2018*

The Group uses a vintage analysis to calculate ECLs for trade receivables and contract assets. The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR pool.

The vintage analysis is initially based on the Group’s historical observed default rates. The Group calibrates the vintage to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, bank lending rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions 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 and contract assets is disclosed in Note 6.





No allowance for ECL was recognized in 2018. The carrying values of receivables as of December 31, 2018 amounted to ₱45.40 million (see Note 6).

*Measurement of Net Realizable Value of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate inventories at cost amounted to ₱1,066.9 million and ₱1,092.9 million as of December 31, 2018 and 2017, respectively. In 2018 and 2017, the Group assessed that the NRV of real estate inventories is higher than cost, hence the Group did not recognize any losses on write down of real estate inventories (see Note 7).

*Recognition of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and reduces the amounts to the extent that they are no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group recognized deferred income tax asset amounting to ₱0.69 million and ₱5.57 million as of December 31, 2018 and 2017, respectively (see Note 18).

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#### 4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	<b>₱39,035,047</b>	₱47,512,928
Cash equivalents	<b>416,597,192</b>	67,519,482
	<b>₱455,632,239</b>	₱115,032,410

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱8.4 million, ₱1.7 million and ₱2.6 million in 2018, 2017 and 2016, respectively.

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#### 5. Short-Term Investments

In 2017, the Parent Company acquired investments in government securities bearing interest ranging from 2.85% to 3.00%, maturing in 2018. The Parent Company sold the short-term investments. Interest earned amounted to ₱2.76 million and ₱3.25 million in 2018 and 2017, respectively (nil in 2016).



## 6. Receivables

	2018	2017
Installment contract receivables	<b>₱3,631,778</b>	₱74,438,231
Advances to:		
Officers and employees	<b>19,181,478</b>	19,792,193
Suppliers and contractors	<b>6,012,926</b>	6,153,014
Agents	<b>2,047,642</b>	1,031,968
Other receivables	<b>14,527,545</b>	17,904,353
	<b>45,401,369</b>	119,319,759
Less current portion of receivables	<b>(30,401,369)</b>	(57,477,913)
	<b>₱15,000,000</b>	₱61,841,846

- a. Installment contract receivables arises from sale of real estate and is collectible in monthly installments over a period ranging from one to 10 years which bears monthly interest rates of 14.0% to 16.0% in 2018 and 2017 computed on the diminishing balance.

Interest income earned amounted to ₱6.5 million, ₱7.9 million and ₱10.6 million in 2018, 2017 and 2016, respectively.

- b. Advances to officers and employees are noninterest-bearing and will generally be settled through liquidation and salary deduction, respectively. These receivables will be settled within the next financial year.
- c. Advances to suppliers and contractors are payments made to suppliers as contracts with them generally require advance payment. The amount will be applied as part of the full payment of the contracted price.
- d. Other receivables consists mostly of receivables from unit owners and Condominium Corporation.

## 7. Real Estate Inventories

	2018	2017
Condominium and residential units	<b>₱588,109,747</b>	₱592,595,104
Subdivision projects for development	<b>341,723,243</b>	340,795,837
Lot inventory	<b>137,075,258</b>	159,478,083
	<b>₱1,066,908,248</b>	₱1,092,869,024

A summary of the movement in real estate inventories is set out below:

	2018	2017
Balances at beginning of year	<b>₱1,092,869,024</b>	₱1,082,121,596
Development costs incurred	<b>24,513,196</b>	25,614,877
Reposessed inventories	<b>15,241,968</b>	18,544,300
Disposals recognized as cost of real estate sales	<b>(65,715,940)</b>	(33,411,749)
	<b>₱1,066,908,248</b>	₱1,092,869,024



## 8. Prepayments and Other Current Assets

	2018	2017
Input VAT - net of noncurrent portion (Note 12)	<b>₱35,996,245</b>	₱33,215,691
Prepaid taxes	<b>27,483,604</b>	22,931,918
Refundable deposits (Note 25)	<b>3,195,444</b>	2,772,036
Others	<b>144,865</b>	104,258
	<b>₱66,820,158</b>	₱59,023,903

Refundable deposits are composed of security deposits related to the Group's lease agreement and utility deposits to Manila Electric Corporation.

## 9. Equity Investments at FVTOCI/AFS Financial Assets

	2018	2017
Listed equity investments	<b>₱17,040,036</b>	₱19,090,599
Golf club shares	<b>35,250,000</b>	24,250,000
Unit investment trust funds (UITF)	–	10,105,372
	<b>₱52,290,036</b>	₱53,445,971

As of December 31, 2017, the Group's AFS financial assets pertain to investments in shares of stock of various publicly-listed companies, golf club shares and UITF investments. Listed equity investments and golf club shares are classified and measured as equity instruments measured at FVTOCI while UITF is classified and measured at FVTPL beginning January 1, 2018.

The fair values of the shares of stock are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange.

The fair value of quoted club share is determined by reference to published price quotation.

Dividend income earned from equity investments at FVTOCI/AFS financial assets amounted to ₱0.41 million, ₱0.35 million and ₱0.34 million in 2018, 2017 and 2016, respectively.

Realized gain on redemption of UITF amounted to ₱0.26 million in 2017 (nil in 2016).

The roll forward of net changes in fair value of equity investments at FVTOCI/AFS financial assets during the years ended December 31 are as follows:

	2018	2017
Balance at beginning of year	<b>₱14,449,049</b>	₱13,712,536
Adoption of PFRS 9	<b>(105,372)</b>	–
Balance at beginning of year, as adjusted	<b>14,343,677</b>	13,712,536
Fair value adjustments	<b>7,299,437</b>	994,354
Unrealized valuation gain on certain AFS investments reclassified from other comprehensive income to profit or loss	–	(257,841)
Balances at end of year	<b>₱21,643,114</b>	₱14,449,049



## 10. Debt Investments at FVTPL

This account pertains to investment in UITF from China Banking Corporation (CBC), previously classified as available-for sale (AFS) financial assets, which was reclassified and measured as debt instruments classified at FVTPL beginning January 1, 2018. The reconciliation of the carrying amounts of debt investments at FVTPL as of December 31, 2018 follows:

Balance at beginning of year	₱–
Adoption of PFRS 9	10,105,372
Balance at beginning of year, as adjusted	10,105,372
Fair value adjustments	91,745
Disposal during the year	(10,197,117)
Balances at end of year	₱–

## 11. Property and Equipment

### December 31, 2018

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱10,568,419	₱15,037,828	₱5,499,981	₱66,176,504
Additions	–	1,319,221	1,535,041	1,173,298	–	4,027,560
Disposals	–	–	(62,635)	–	–	(62,635)
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>20,053,280</b>	<b>12,040,825</b>	<b>16,211,126</b>	<b>5,499,981</b>	<b>70,141,429</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	–	5,407,847	9,214,559	13,825,825	2,861,584	31,309,815
Depreciation and amortization (Notes 14 and 15)	–	936,587	636,754	342,967	955,900	2,872,208
Disposals	–	–	(19,885)	–	–	(19,885)
<b>Balances at end of year</b>	<b>–</b>	<b>6,344,434</b>	<b>9,831,428</b>	<b>14,168,792</b>	<b>3,817,484</b>	<b>34,162,138</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱13,708,846</b>	<b>₱2,209,397</b>	<b>₱2,042,334</b>	<b>₱1,682,497</b>	<b>₱35,979,291</b>

### December 31, 2017

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱9,453,520	₱13,762,035	₱5,499,981	₱63,785,812
Additions	–	–	1,330,345	1,275,793	–	2,606,138
Disposals	–	–	(215,446)	–	–	(215,446)
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>18,734,059</b>	<b>10,568,419</b>	<b>15,037,828</b>	<b>5,499,981</b>	<b>66,176,504</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	–	4,471,145	8,964,331	13,762,035	1,905,684	29,103,195
Depreciation and amortization (Notes 14 and 15)	–	936,702	465,674	63,790	955,900	2,422,066
Disposals	–	–	(215,446)	–	–	(215,446)
<b>Balances at end of year</b>	<b>–</b>	<b>5,407,847</b>	<b>9,214,559</b>	<b>13,825,825</b>	<b>2,861,584</b>	<b>31,309,815</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱13,326,212</b>	<b>₱1,353,860</b>	<b>₱1,212,003</b>	<b>₱2,638,397</b>	<b>₱34,866,689</b>

As of December 31, 2018 and 2017, the cost of fully depreciated property and equipment amounted to ₱19.0 million and ₱22.1 million, respectively. These are retained in the records and still used by the Group until these are disposed or the Group vacates the leased premises.



## 12. Other Noncurrent Asset

Other noncurrent asset consist of input VAT that is expected to be offset against output VAT in more than one year. As of December 31, 2018 and 2017 deferred input VAT amounted to ₱17.9 million and ₱27.5 million, respectively.

## 13. Accounts Payable and Other Liabilities

	2018	2017
Accrued contractors' payables	<b>₱38,012,562</b>	₱38,117,214
Accounts payable - trade	<b>10,415,146</b>	4,187,366
Retention payables (Note 26)	<b>861,630</b>	6,579,480
Accrued expenses	<b>797,711</b>	5,881,972
Government payables	<b>492,906</b>	814,775
Customers' deposits and unearned income	—	72,696,975
	<b>₱50,579,955</b>	₱128,277,782

- Accrued contractors' payables represent accruals for billings of various contractors in relation to the Anuva and Althea Project. These accruals are reclassified to accounts payable once billings are actually received.
- Accounts payable includes billings of various suppliers and contractors for liabilities incurred in relation to the project and office administrative functions. Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days.
- Retention payables represent the amount retained by the Group as security for any defects and damages on the construction of Anala arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Anala and the payment of the last billing. Retention payable is expected to be settled within the next financial year.
- Government payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund, withholding tax payables and are remitted the month following the month of withholding.
- Customers' deposits and unearned income include collections received from buyers which (a) have not met the revenue recognition criteria and/or (b) have met the revenue recognition criteria but the collections received are greater than the recognized instalment contracts receivable based on the percentage-of-completion. This is reclassified to contract liabilities in 2018 (see Note 22).

## 14. General and Administrative Expenses

	2018	2017	2016
Personnel costs	<b>₱17,155,866</b>	₱14,332,014	₱12,927,854
Property management expense	<b>15,056,283</b>	—	3,446,488
Professional fees	<b>4,841,573</b>	4,539,331	4,102,886
Research and development expenses (Forward)	<b>4,472,601</b>	3,237,382	2,894,414
Travel and transportation	<b>₱4,108,080</b>	₱6,162,977	₱8,333,946



	2018	2017	2016
Rent and utilities (Note 25)	2,844,627	2,672,171	3,992,098
Depreciation and amortization (Note 11)	2,815,068	2,417,031	2,604,688
Taxes and licenses	2,377,972	4,800,610	4,402,618
Outside services	1,558,801	2,049,722	2,688,842
Telecommunications and postage	1,328,307	1,085,619	1,133,431
Dues and subscription	788,870	790,151	825,475
Repairs and maintenance	635,758	613,383	669,447
Supplies	618,274	792,439	849,018
Exploration cost	356,745	—	—
Entertainment and representation	221,139	186,617	746,425
Trainings and seminars	206,350	219,595	298,897
Insurance	60,437	53,957	709,652
Interest, penalties and charges	—	5,100,832	4,300,000
Others	1,637,277	1,749,121	1,444,759
	<b>₱61,084,028</b>	<b>₱50,802,952</b>	<b>₱56,370,938</b>

Others include bank charges and other miscellaneous costs.

Personnel costs consist of:

	2018	2017	2016
Salaries and wages	₱14,683,750	₱12,355,838	₱11,029,065
Short term employee benefits	1,814,655	1,432,438	1,337,596
Retirement benefits cost (Note 17)	657,461	543,738	561,193
	<b>₱17,155,866</b>	<b>₱14,332,014</b>	<b>₱12,927,854</b>

## 15. Sales and Marketing Expenses

	2018	2017	2016
Commissions and incentives	₱10,927,096	₱8,365,312	₱4,830,254
Consultancy fees	8,141,387	7,268,606	2,958,462
Product presentation	2,347,192	4,485,533	4,350,491
Advertising	1,868,652	805,368	861,542
Rent and utilities (Note 25)	706,140	914,643	833,708
Travel and transportation	218,322	237,899	146,761
Telecommunications and postage	67,206	334,330	243,899
Depreciation and amortization (Note 11)	57,140	5,035	80,587
Others	178,429	38,934	35,189
	<b>₱24,511,564</b>	<b>₱22,455,660</b>	<b>₱14,340,893</b>

Others include expenses from meetings, janitorial fees and other expenses directly attributable to sales and marketing.



## 16. Other Income - Net

	2018	2017	2016
Forfeited buyer deposits	<b>₱3,708,245</b>	₱7,312,900	₱19,163,258
Write-off of other assets	<b>(3,150,911)</b>	(7,473,163)	—
Gain on repossession	<b>1,147,589</b>	4,170,772	15,398,166
Penalty income and late payment charges	<b>1,028,533</b>	477,394	602,679
Others - net	<b>5,603,125</b>	900,261	5,705,123
	<b>₱8,336,581</b>	₱5,388,164	₱40,869,226

- Forfeited buyer deposits are recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. These pertain to deposits that did not reach the collection threshold.
- Gain on repossession represents the difference between the fair value of the repossessed inventories and the carrying value of the ICR and any amount refundable to the buyer at the date of repossession.
- Penalties are additional fees imposed on customers due to their failure to make payments on time.
- Others pertain to the reversal of long outstanding payables as the Group assessed that these will no longer be collected by the suppliers, among others.

## 17. Retirement Benefit Obligation

The Group has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 (“Retirement Pay Law”), an act amending article 287 of Presidential Decree No. 442 (“Labor Code of the Philippines”), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2018.

Retirement benefits cost recognized in the consolidated statements of comprehensive income are as follows:

	2018	2017	2016
Current service cost	<b>₱435,961</b>	₱380,962	₱382,704
Interest cost	<b>221,500</b>	162,776	178,489
	<b>₱657,461</b>	₱543,738	₱561,193

Amounts recognized in other comprehensive income pertaining to actuarial gain (loss) amounted to ₱1,171,399, (₱29,453) and ₱96,525, in 2018, 2017 and 2016, respectively.

Movement in the actuarial gains on defined benefit plan is as follows:

	2018	2017	2016
Balances at beginning of year	<b>₱348,621</b>	₱383,857	₱188,093
Actuarial gains (losses) during the year	<b>881,200</b>	(35,236)	195,764
Balances at end of year	<b>₱1,229,821</b>	₱348,621	₱383,857



Changes in the present value of the retirement benefit obligation are as follows:

	2018	2017
Beginning	<b>₱4,795,410</b>	₱4,222,219
Current service cost	<b>435,961</b>	380,962
Interest cost	<b>221,500</b>	162,776
Actuarial loss (gain) due to:		
Experience adjustments	<b>(479,471)</b>	183,250
Change in demographic assumptions	<b>195,069</b>	(15,237)
Change in assumptions	<b>(886,997)</b>	(138,560)
Ending	<b>₱4,281,472</b>	₱4,795,410

The principal assumptions as of used to determine retirement benefit obligations for the plan are shown below:

	2018	2017
Discount rate	<b>7.00%-7.31%</b>	4.30%-5.82%
Future salary increase	<b>3.00%-5.00%</b>	3.00%-10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming all other assumptions were held constant:

December 31, 2018:

	Increase (decrease) in basis points (bps)	Effect on retirement benefit obligation
Discount rate	<b>100 bps</b> <b>(100 bps)</b>	<b>(₱111,985)</b> <b>128,027</b>
Future salary increase rate	<b>100 bps</b> <b>(100 bps)</b>	<b>133,309</b> <b>(118,122)</b>

December 31, 2017:

	Increase (decrease) in basis points (bps)	Effect on retirement benefit obligation
Discount rate	<b>100 bps</b> <b>(100 bps)</b>	<b>(₱216,058)</b> <b>250,785</b>
Future salary increase rate	<b>100 bps</b> <b>(100 bps)</b>	<b>245,848</b> <b>(216,237)</b>

The estimated weighted average duration of benefit payment is 18 years and 17 years as of December 31, 2018 and 2017, respectively.

Shown below is the maturity profile of the undiscounted benefit payments:

	2018	2017
Less than one year	<b>₱3,615,068</b>	₱2,394,725
More than one year to 10 years	<b>719,370</b>	1,824,727
More than 10 years to 30 years	<b>11,560,798</b>	14,347,825





## 18. Income Taxes

- a. The Parent Company has no provision for current income tax in 2018, 2017 and 2016. The Subsidiary's current provision for income tax represents MCIT in 2018, 2017 and 2016.
- b. The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2018	2017	2016
Provision for (benefit from) income tax computed at statutory tax rate	<b>₱3,926,011</b>	(₱6,845,899)	₱8,141,396
Additions to (reductions in) income tax resulting from:			
Movements in deductible temporary differences, NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	<b>3,854,257</b>	6,496,413	(8,931,466)
Interest income subjected to final tax	<b>(3,357,676)</b>	(1,502,417)	(1,314,158)
Nondeductible expenses	<b>978,066</b>	5,479,081	3,580,517
Nontaxable income	<b>(150,407)</b>	(182,369)	(103,161)
Provision for income tax	<b>₱5,250,251</b>	₱3,444,809	₱1,373,128

The components of the Group net deferred income tax assets (liabilities) are as follows:

	2018	2017
Deferred income taxes recognized in profit or loss		
Deferred income tax assets:		
Retirement benefit obligation	<b>₱404,059</b>	₱307,699
NOLCO	<b>289,775</b>	1,397,404
Excess MCIT over RCIT	—	3,863,616
	<b>693,834</b>	5,568,719
Deferred income tax liabilities:		
Gain on repossession	<b>(6,214,958)</b>	(5,870,682)
Difference between tax and book basis of accounting for real estate transactions	<b>(1,364,395)</b>	(1,674,766)
Unrealized foreign exchange gain	<b>(289,775)</b>	(191,432)
	<b>(7,869,128)</b>	(7,736,880)
	<b>(7,175,294)</b>	(2,168,161)
Deferred income tax liabilities recognized in other comprehensive income:		
Fair value changes of AFS financial assets	<b>(3,498,750)</b>	(1,848,750)
Actuarial gains on defined benefit plan	<b>(295,982)</b>	(5,783)
	<b>(3,794,732)</b>	(1,854,533)
	<b>(₱10,970,026)</b>	(₱4,022,694)



- c. The Group's deductible temporary differences, carryforward benefits of NOLCO for which no deferred income tax assets were recognized consists of the following:

	2018		2017	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
NOLCO	₱33,611,173	₱10,083,352	₱40,023,610	₱12,007,083
Pension liability	3,921,215	1,176,365	3,789,024	1,136,707
Allowance for impairment losses on financial assets at FVTOCI	7,263	2,179	7,263	2,179
	₱37,539,651	₱11,261,896	₱43,819,897	₱13,145,969

- d. Unused NOLCO and excess MCIT over RCIT that can be claimed as deduction against future taxable income and RCIT due, respectively, follows:

#### NOLCO

Year Incurred	Balance as of December 31, 2017	Addition (Applied)	Expired	Balance as of December 31, 2018	Tax effect	Available Until
2015	₱22,943,608	₱—	(₱22,943,608)	₱—	₱—	2018
2016	10,748,890	—	—	10,748,890	3,224,667	2019
2017	10,989,125	—	—	10,989,125	3,296,738	2020
2018	—	12,839,075	—	12,839,075	3,851,722	2021
	₱44,681,623	₱12,839,075	(₱22,943,608)	₱34,577,090	₱10,373,127	

#### Excess MCIT over RCIT

Year Incurred	Balance as of December 31, 2017	Addition	Application	Balance as of December 31, 2018	Tax effect	Available Until
2016	₱1,213,840	₱—	₱1,213,840	₱—	₱—	2018
2017	1,373,128	—	1,373,128	—	—	2019
2018	1,276,648	—	1,276,648	—	—	2020
	₱3,863,616	₱—	₱3,863,616	₱—	₱—	

## 19. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.



In the normal course of business, the Group has significant related party transactions as follows:

	Amount/volume		Outstanding balance		Terms	Conditions
	2018	2017	2018	2017		
<i>Affiliate</i>						
South China Petroleum International (SCPI)						
Due from a related party	<b>¥39,084</b>	¥12,583	<b>¥230,703</b>	¥191,619	Due and demandable	Unsecured; No impairment

- SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.
- Salaries and short-term employee benefits of key management personnel amounted to ¥3.9 million, ¥4.2 million and ¥4.2 million in 2018, 2017 and 2016, respectively.

## 20. Equity

### a. Common Stock

The Parent Company's authorized, issued and outstanding common shares as of December 31, 2018 and 2017 are as follows:

	No. of Shares	Amount
Authorized - ¥1 par value	1,000,000,000	¥1,000,000,000
Issued	600,559,569	¥600,559,569
Subscribed*	306,000,000	306,000,000
Treasury	(4,639,000)	(4,961,650)
Total issued and outstanding	901,920,569	¥901,597,919

\*Includes subscription receivable amounting to ¥229.50 million as December 31, 2018 and 2017.

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ¥1.0 billion composed of one billion shares with par value ¥1.0 per share.

### b. Retained Earnings

On December 8, 2016, the BOD approved a resolution earmarking ¥600.0 million and ¥145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea projects with a target completion in 2021 and the Parent Company's agricultural projects from 2020 to 2025, respectively.



Retained earnings that are not available for dividend declaration are as follows:

	2018	2017	2016
Restricted for treasury shares	<b>₱4,961,650</b>	₱4,961,650	₱4,961,650
Recognized deferred income tax assets	<b>289,775</b>	191,432	184,691
	<b>₱5,251,425</b>	₱5,153,082	₱5,146,341

c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. The program ended last December 22, 2013 purchasing a total of 4,639,000 shares for ₱4.9 million.

## 21. Basic/Diluted Earnings (Loss) Per Share

	2018	2017	2016
Net income (loss)	<b>₱7,836,453</b>	(₱26,264,471)	₱25,764,860
Weighted average number of shares	<b>901,597,919</b>	901,597,919	901,597,919
Basic/Diluted Earnings (Loss) per Share	<b>₱0.0087</b>	(₱0.0291)	₱0.0286

There are no dilutive potential common shares outstanding as of December 31, 2018, 2017 and 2016.

## 22. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives its real estate revenue from sale of lots, house and lot, condominiums and parking space.

The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

Segments	For the year ended December 31, 2018			
	Lot/House and Lot	Condominium	Parking Lot	Total
<b>Type of goods</b>				
Sale of lot and house and lot	₱111,859,740	₱—	₱—	₱111,859,740
Sale of condominium unit	—	23,909,029	—	23,909,029
Sale of parking lot	—	—	1,807,170	1,807,170
	<b>₱111,859,740</b>	<b>₱23,909,029</b>	<b>₱1,807,170</b>	<b>₱137,575,939</b>
<b>Timing of revenue recognition</b>				
Goods transferred over time	₱111,859,740	₱23,909,029	₱1,807,170	₱137,575,939



b. Contract balances

The Group's contract balances as at December 31, 2018 and January 1, 2018 are as follows:

	December 31	January 1
Contract assets	<b>₱59,457,026</b>	₱70,200,604
Contract liabilities	<b>97,842,469</b>	74,802,540

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Breakdown as to current and noncurrent portion of the amount recorded under "Contract assets" account as of December 31, 2018 follows:

Contract assets - current	₱26,744,405
Contract assets - noncurrent	32,712,621
	<b>₱59,457,026</b>

*Contract liabilities*

As disclosed in Note 2, the Group adopted PFRS 15 and resulted to reclassification of customers' deposits to "Contract liabilities" amounting to ₱97.84 million.

As at December 31, 2018, contract liabilities amounted to ₱97.84 million. These are expected to be recognized as revenue in the following year. Contract liabilities as of January 1, 2018 amounting to ₱74.80 million were recognized as revenue in 2018.

c. Performance obligations (PO)

The following are the PO of the Group:

(a) *House and lot*

For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(b) *Lot*

The developer performs significant activities of land development in accordance with the approved subdivision plan. This includes, but is not limited to, provision of drainage, sewerage, water and electricity system which integrates the common areas and saleable lots. These development activities, however, are not distinct promises but rather necessary and required inputs relative to the developer's promise to deliver the residential lot.



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## 23. Financial Instruments

### Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due from related parties, refundable deposits, AFS financial assets/equity investments at FVTOCI. The main purpose of the Group's financial instruments is to finance its operations. The Group has other financial instruments such as accounts payable and other liabilities which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, liquidity risk, equity price risk and foreign exchange risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

#### *Credit Risk*

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Group to incur a financial loss.

The Group trades only with recognized, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. In the real estate industry, title to the property is transferred only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of installments/deposits made by the customer in favor of the Group. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, and refundable deposits, is equivalent to the carrying amount of these financial assets in the consolidated statement of financial position. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure as of December 31, 2018 and 2017 equal to the carrying value of the instruments. Receivables from sale of real estate have minimal credit risk and are effectively collateralized by the respective units sold since the title to the real estate properties are not transferred to the buyers until full payment is made. Consequently, an impairment analysis is performed at each reporting date using a vintage analysis to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

- a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
- b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
- c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

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 risks 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 ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

For receivables and contract assets, an impairment analysis is performed at each reporting date using vintage analysis to measure ECLs. The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given ICR pool. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross domestic income
- Bank lending rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The Group evaluated the credit quality of the ICR pool through a ratio of default occurrences of each month for the past 5 years to the number of receivable issuances during each year. The analysis resulted to low PD rates as the Group experienced minimal default occurrences in the past. In addition, the Group expects to recover the defaulted accounts through subsequent disposal of repossessed inventories at an amount higher than the contractual cash flows due and defaulted.

The application of the ECL model does not have significant impact on the Group's allowance for credit losses as of December 31, 2018. No provision for credit losses in 2018 using the ECL model has been recorded.

The aging per class of financial assets and the expected credit loss as of December 31, 2018 follows:

	Financial Assets				Total
	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Simplified Approach	
<b>Amortized Cost</b>					
Cash in banks and cash equivalents*	<b>₱455,470,476</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱455,470,476</b>
Receivables**	—	—	—	39,388,443	39,388,443
Contract assets	—	—	—	59,457,026	59,457,026
Due from a related party	230,703	—	—	—	230,703
Refundable deposits	3,195,444	—	—	—	3,195,444
	<b>₱458,896,623</b>	<b>₱—</b>	<b>₱—</b>	<b>₱98,845,469</b>	<b>₱557,742,092</b>

\*Excludes cash on hand.

\*\*Excluding advances to suppliers and contractors.



Set out below is the information about credit risk exposure on the Group's financial assets using a vintage analysis as of December 31, 2018.

	Current	Days Past Due				Total Receivables and Contract Assets and ECL
		0-30 Days	31-60 Days	61-90 Days	Over 90 Days	
Estimated total gross carrying amount at default	₱75,570,048	₱6,192,916	₱492,060	₱274,608	₱16,315,837	₱98,845,469
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected credit loss	₱-	₱-	₱-	₱-	₱-	₱-

The table below shows the credit quality by class of financial asset based on the Group's rating system as of December 31, 2017:

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Total
	High Grade	Standard Grade		
<b>Loans and receivables:</b>				
Cash and cash equivalents*	₱114,912,497	₱-	₱-	₱114,912,497
Receivables**	39,017	94,318,827	18,808,901	113,166,745
Due from a related party	-	191,619	-	191,619
Refundable deposits	2,772,036	-	-	2,772,036
	₱117,723,550	₱94,510,446	₱18,808,901	₱231,042,897

\*Excluding cash on hand.

\*\*Excluding advances to suppliers and contractors.

The Group considers its cash in bank as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECL relating to cash in banks is considered as immaterial. Other receivables consist of advances to officers and employees and others. The Group evaluated its other receivables as high grade since these are collected through salary deductions or deducted to employees final pay. The ECL relating to this financial asset is considered as immaterial.

A high grade financial asset pertains to a counterparty that is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies. Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets. Past due but not impaired financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

The aging analysis of financial assets that are past due but not impaired as of December 31, 2017 follows:

Less than 30 days	₱1,180,617
31-60 days	-
61-90 days	178,324
More than 90 days	17,449,960
	₱18,808,901





### *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The following tables summarize the maturity profile of the Group's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Group's financial liabilities based on contractual undiscounted payments.

#### December 31, 2018

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	₱39,035,047	₱416,597,192	₱—	₱—	₱455,632,239
Receivables*	19,166,549	261,391	—	15,000,000	34,427,940
Contract assets	—	26,744,405	—	32,712,621	59,457,026
Due from a related party	230,703	—	—	—	230,703
Refundable deposits	3,195,444	—	—	—	3,195,444
Equity instruments at FVTOCI:					
Shares of stock	—	—	—	17,040,036	17,040,036
Golf club shares	—	—	—	35,250,000	35,250,000
	61,627,743	443,602,988	—	100,002,657	605,233,388
<b>Financial Liabilities</b>					
Other financial liabilities:					
Accounts payable and other liabilities**	861,630	49,225,419	—	—	50,087,049
Liquidity position	₱60,766,113	₱394,377,569	₱—	₱100,002,657	₱555,146,339

\*Excluding advances to suppliers and contractors

\*\*Excluding government payables and customers' deposits and unearned income

#### December 31, 2017

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	₱115,032,410	₱4,098,888	₱—	₱—	₱119,131,298
Short-term investments	—	—	255,823,471	—	255,823,471
Receivables*	18,808,901	25,317,940	7,198,058	61,841,846	113,166,745
Due from a related party	191,619	—	—	—	191,619
Refundable deposits	2,772,036	—	—	—	2,772,036
AFS financial assets:					
Shares of stock	—	—	—	19,090,599	19,090,599
Golf club shares	—	—	—	24,250,000	24,250,000
UITF	—	10,105,372	—	—	10,105,372
	136,804,966	39,522,200	263,021,529	105,182,445	544,531,140
<b>Financial Liabilities</b>					
Other financial liabilities:					
Accounts payable and other liabilities**	6,603,170	48,162,862	—	—	54,766,032
Liquidity position (gap)	₱130,201,796	(₱8,640,662)	₱263,021,529	₱105,182,445	₱489,765,108

\*Excluding advances to suppliers and contractors

\*\*Excluding government payables and customers' deposits and unearned income



### *Equity Price Risk*

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's AFS financial assets in equity securities. The Group measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

The Group measures the sensitivity of its domestic equity investments at FVTOCI/AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

In 2018 and 2017, changes in fair value of equity instruments held as equity investments at FVTOCI/AFS financial assets due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱5.2 million and ₱5.3 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

### *Foreign Currency Risk*

Foreign currency risk is the risk where the value of the Group's financial instrument diminishes due to changes in foreign exchange rates. The Group's foreign currency risk relates to its US\$-denominated cash. The Group seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Group currently does not enter into derivative transactions to hedge its currency exposure.

The Group recognized foreign exchange gain (loss) of ₱0.33 million, ₱0.03 million and ₱0.33 million for the years ended December 31, 2018, 2017 and 2016. The exchange rate of Peso to US\$ as of December 31, 2018, 2017 and 2016 used in translating the US\$-denominated financial instruments is ₱52.58, ₱49.93 and ₱49.72, respectively.

The following table demonstrates the impact on the Group's net loss before income tax of reasonably possible changes in the US\$ (all other variables held constant). There is no other impact on the Group's equity other than those already affecting profit or loss as follows:

2018		2017	
Movement in US\$ rates	Effect on net income	Movement in US\$ rates	Effect on net income
+5%	₱326,042	+3%	₱185,369
-5%	(326,042)	-3%	(185,369)

### Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

### *Cash and Cash Equivalents, Due from a Related Party, Refundable Deposits and Accounts Payable and Other Liabilities*

The carrying amounts of cash and cash equivalents, due from related parties, refundable deposits and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.



### *Receivables*

Fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar instruments.

### *AFS financial assets/Equity Instruments at FVTOCI*

Fair value of AFS financial assets/equity instruments at FVTOCI are based on closing prices, published price and net asset value per unit as of the reporting date.

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the fair value of the Group's financial instruments:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Equity investments at FVTOCI				
Shares of stock	₱17,040,036	₱17,040,036	₱—	₱—
Golf club shares	35,250,000	35,250,000	—	—
AFS financial assets				
Shares of stock	—	—	19,090,599	19,090,599
Golf club shares	—	—	24,250,000	24,250,000
UITF	—	—	10,105,372	10,105,372
Installment contract receivables	3,631,778	4,169,043	74,438,231	85,450,217
<b>Total</b>	<b>₱55,921,814</b>	<b>₱56,459,079</b>	<b>₱127,884,202</b>	<b>₱138,896,188</b>

The Group's financial instrument carried at fair value consists of equity shares which has been determined by reference to the price of the most recent transaction at the end of reporting period (Level 1), golf club shares which has been determined by reference to published price quotation, and UITF which has been determined by reference to net asset value per unit at the end of reporting period (Level 2).

As of December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2018 and 2017.



The following table pertains to the account balances which the Group considers as its core economic capital:

	2018	2017
Common stock	<b>₱600,559,569</b>	₱600,559,569
Subscribed common stock - net	<b>76,500,000</b>	76,500,000
Additional paid-in capital	<b>72,272,140</b>	72,272,140
Retained earnings	<b>869,748,464</b>	861,806,639
Treasury stock	<b>(4,961,650)</b>	(4,961,650)
	<b>₱1,614,118,523</b>	₱1,606,176,698

## 24. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments, as follows:

- The real estate development segment, which is engaged in the real estate business.
- Investment pertain to the activities of the Parent Company as a holding entity.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the consolidated financial statements. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's Chief Operating Decision Maker.

The following tables regarding business segments present assets and liabilities, revenue and profit information for each of the three years in the period ended December 31, 2018.

### December 31, 2018

	Real Estate Development	Investments	Total	Eliminations	Consolidated
<b>Segment results</b>					
Income (loss) before income tax	<b>₱18,767,443</b>	<b>(₱5,680,739)</b>	<b>₱13,086,704</b>	<b>₱-</b>	<b>₱13,086,704</b>
Provision for income tax	<b>5,250,251</b>	<b>-</b>	<b>5,250,251</b>	<b>-</b>	<b>5,250,251</b>
Net loss	<b>₱13,517,192</b>	<b>(₱5,680,739)</b>	<b>₱7,836,453</b>	<b>₱-</b>	<b>₱7,836,453</b>
<b>Assets</b>					
Segment assets	<b>₱1,316,917,478</b>	<b>₱1,484,948,143</b>	<b>₱2,801,865,621</b>	<b>(₱1,001,200,241)</b>	<b>₱1,800,665,380</b>
Investments	<b>-</b>	<b>322,298,000</b>	<b>322,298,000</b>	<b>(322,298,000)</b>	<b>-</b>
	<b>₱1,316,917,478</b>	<b>₱1,807,246,143</b>	<b>₱3,124,163,621</b>	<b>(₱1,323,498,241)</b>	<b>₱1,800,665,380</b>
<b>Other segment information</b>					
Segment liabilities	<b>₱1,156,555,253</b>	<b>₱8,318,910</b>	<b>₱1,164,874,163</b>	<b>(₱1,001,200,241)</b>	<b>₱163,673,922</b>
Depreciation and amortization	<b>2,284,640</b>	<b>587,568</b>	<b>2,872,208</b>	<b>-</b>	<b>2,872,208</b>
Interest income	<b>7,731,902</b>	<b>9,924,646</b>	<b>17,656,548</b>	<b>-</b>	<b>17,656,548</b>



December 31, 2017

	Real Estate Development	Investment	Consolidated	Eliminations	Total
Segment results					
Loss before income tax	(P14,440,921)	(P8,378,741)	(P22,819,662)	P-	(P22,819,662)
Provision for income tax	3,444,809	-	3,444,809	-	3,444,809
Net loss	(P17,885,730)	(P8,378,741)	(P26,264,471)	P-	(P26,264,471)
Assets					
Segment assets	P1,481,505,794	P1,387,093,361	P2,868,599,155	(P1,110,528,901)	P1,758,070,254
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	P1,481,505,794	P1,709,391,361	P3,190,897,155	(P1,432,826,901)	P1,758,070,254
Other segment information					
Segment liabilities	P1,240,925,460	P6,699,327	P1,247,624,787	(P1,110,528,901)	P137,095,886
Depreciation and amortization	2,291,245	130,821	2,422,066	-	2,422,066
Interest income	7,908,897	4,987,979	12,896,876	-	12,896,876

December 31, 2016

	Real Estate Development	Investment	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	P39,875,829	(P12,737,841)	P27,137,988	P-	P27,137,988
Provision for income tax	1,373,128	-	1,373,128	-	1,373,128
Net income (loss)	P38,502,701	(P12,737,841)	P25,764,860	P-	P25,764,860
Assets					
Segment assets	P1,514,422,594	P1,486,419,796	P3,000,842,390	(P1,235,877,150)	P1,764,965,240
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	P1,514,422,594	P1,808,717,796	P3,323,140,390	(P1,558,175,150)	P1,764,965,240
Other segment information					
Segment liabilities	P1,350,217,365	P4,087,463	P1,354,304,828	(P1,235,877,150)	P118,427,678
Depreciation and amortization	2,664,760	20,515	2,685,275	-	2,685,275
Interest income	10,613,167	2,582,569	13,195,736	-	13,195,736

## 25. Registration with the BOI

As disclosed in Note 1, SOC Land's current project is the Anuva Residences. The Project has been divided into two development phases with Phase 1 comprising of Tandem Buildings 1 and 2 and Phase 2 comprising of the other two buildings.

On September 2, 2011, Phase 1 project was duly registered with the BOI as a New Developer of Low-Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an ITH for three years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH. The compliance with the socialized housing requirement shall be completed within the ITH entitlement period of SOC Land.

On August 14, 2014, the Subsidiary has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to the Subsidiary as New Developer of Low-Cost Mass Housing Project which cancelled the Subsidiary's entitlement to an ITH for three years.



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## 26. Contracts and Commitments

The Group has the following significant commitments and agreements:

### Construction Agreements and Purchase Commitments

The Group entered into various construction-related contracts for the Anala and Althea Project. These contracts pertain to construction management, general construction works, exterior wall construction works, land development works, mechanical works and electrical and auxiliary works. The contracts for the Anala Project commenced on various dates in 2011 and 2012, with terms ranging from 3 weeks to 2 years. These contracts expired on various dates in 2012 until May 2015, the anticipated turnover date of Anala. The contracts relating to the Althea Project ranges from 120 to 180 days.

These agreements require down payment of 15% to 20% of the contract price while the balance will be settled through progress billings. The agreements also include a provision whereby the Group shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱0.86 million and ₱6.6 million as of December 31, 2017 and 2016, respectively (see Note 13). These are expected to be settled in 2018.

### Lease Agreements

- a. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of 12 months. In line with the contract, the Parent Company paid a security deposit, which is classified under “Prepayments and other current assets” (see Note 8). Minimum lease payments within a year under this contract is ₱0.2 million.
- b. On January 1, 2017, the Subsidiary entered into a lease contract with E. Zobel, Inc. for the lease of office space at 2/F Enzo Building, 399 Sen. Gil Puyat Avenue, Makati City. The contract is for the period January 1, 2017 to December 31, 2017. The lease agreement is renewable on a yearly basis. The Subsidiary renewed the lease for another year.
- c. The Group paid security deposit amounting to ₱0.3 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition. Minimum lease payments within one year amounted to ₱1.7 million.

The Group also entered into a lease contract with a third party contractor to provide service vehicle to Company officers. The contract is renewable every six months. Minimum lease payments within one year amounted to ₱0.7 million.

The related rent expense recognized by the Group amounted to ₱3.6 million, ₱3.6 million and ₱4.8 million in 2018, 2017 and 2016, respectively (see Notes 14 and 15).

