

for
AUDITED FINANCIAL STATEMENTS

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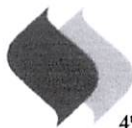
COMPANY INFORMATION		
Company's Email Address	Company's Telephone Number	Mobile Number
socinfo@southchinaresourcesinc.com.ph	804-1978	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
362	05/25	12/31

CONTACT PERSON INFORMATION			
The designated contact person <i>MUST</i> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ronna C. De Leon	ronnadeleon_soc@yahoo.com.ph	804-1978	N/A

CONTACT PERSON's ADDRESS
4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200

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





SOCResources, Inc.

4th 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 financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control 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 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

SUBSCRIBED AND SWORN to before me this April 19 day of 2018 affiants exhibiting to me the government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes	OSCA	29858	March 25, 2009	Makati City	N/A
Wilfrido P. Reyes	Passport	EB8746273	Jul 23, 2013	DFA, Manila	Jul 22, 2018
Belen R. Castro	Passport	EB0366990	May 21, 2014	DFA, Manila	May 20, 2018
Zosimo L. Padro, Jr.	IBP	36869	N/A	Manila	N/A

Doc. No.: 24;
Page No.: 1;
Book No.: 30;
Series of 2018.

ATTY. VIRGILIO R. BATALLA

NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88

UNTIL DECEMBER 31, 2018 - ROLL OF ATTY. NO. 49348
MCLE COMPLIANCE NO. V-0026670 Notary Public
IBP O.R. No. 706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607619- JAN 03, 2018- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUNITER

Revenue and Costs Recognition

The Group applies the percentage-of-completion (POC) method in determining the real estate revenue and costs. The POC is based on the proportion of costs incurred to date over the total estimated cost of the real estate project. The cost of real estate sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs account for 75% of the total consolidated revenue and 100% of the total consolidated cost of real estate sales, respectively, for the year ended December 31, 2017. The estimation of the total cost of the real estate project requires technical inputs by third party project development engineers. In addition, the Group requires a certain percentage of the buyer's payments from the total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. It is management's assumption that economic benefits will flow into the Group because of the buyers' continuing commitment to the sales agreement. This matter is significant to our audit because the assessment of the stage of completion and the level of buyer's equity involves significant management judgment as disclosed in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's processes in evaluating the POC and the cost accumulation process, as well as in calculating and updating the total estimated costs. We also performed tests of the relevant controls on these processes, and assessed the competence, capabilities and objectivity of the project engineers with reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced the accumulated costs to the supporting documents such as the notices of award to contractors, billing statements, accomplishment reports, payment vouchers and official receipts. We visited selected project sites and made relevant inquiries with project engineers. We performed a test computation of management's calculation of the POC. For selected projects, we obtained the approved total estimated costs and the supporting details such as the duration of the work, terms of payment and other inclusions in the contract price. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We also inspected supporting documents such as sales and collection reports, and the related official receipts.

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 year ended December 31, 2017, 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, 2017 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.



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-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621237, January 9, 2018, Makati City

April 13, 2018



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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-A (Group A),

October 1, 2015, valid until September 30, 2018

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 6621237, January 9, 2018, Makati City

April 13, 2018



SOCRESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱115,032,410	₱357,158,066
Short-term investments (Note 5)	255,823,471	—
Receivables (Note 6)	57,477,913	75,635,832
Real estate inventories (Note 7)	904,056,020	895,840,042
Due from a related party (Note 18)	191,619	179,036
Prepayments and other current assets (Note 8)	59,023,903	68,390,280
Total Current Assets	1,391,605,336	1,397,203,256
Noncurrent Assets		
Receivables - net of current portion (Note 6)	61,841,846	78,848,862
Real estate inventories - net of current portion (Note 7)	188,813,004	186,281,554
Available-for-sale (AFS) financial assets (Note 9)	53,445,971	40,860,708
Property and equipment (Note 10)	34,866,689	34,682,617
Other noncurrent asset (Note 11)	27,497,408	27,088,243
Total Noncurrent Assets	366,464,918	367,761,984
TOTAL ASSETS	₱1,758,070,254	₱1,764,965,240
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 12)	₱128,277,782	₱114,205,459
Noncurrent Liabilities		
Retirement benefit obligation (Note 16)	4,795,410	4,222,219
Deferred tax liability	4,022,694	—
Total Noncurrent Liabilities	8,818,104	4,222,219
Total Liabilities	137,095,886	118,427,678
Equity		
Common stock - ₱1 par value (Note 19)		
Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares	600,559,569	600,559,569
Subscribed - 306,000,000 shares in 2017 and 2016 (net of subscription receivable of ₱229,500,000 in 2017 and 2016)	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated (Note 19)	745,000,000	745,000,000
Unappropriated	116,806,639	143,071,110
Other comprehensive income:		
Unrealized valuation gains on AFS financial assets (Note 9)	14,449,049	13,712,536
Actuarial gains on defined benefit plan (Note 16)	348,621	383,857
Treasury stock (Note 19)	(4,961,650)	(4,961,650)
Equity	1,620,974,368	1,646,537,562
TOTAL LIABILITIES AND EQUITY	₱1,758,070,254	₱1,764,965,240

See accompanying Notes to Consolidated Financial Statements.



SOCRESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Real estate sales	₱64,931,959	₱156,770,447	₱250,260,691
Interest income (Notes 4, 5 and 6)	12,896,876	13,195,736	4,867,872
Dividend income (Note 9)	350,056	343,869	273,350
Gain on redemption of Unit Investment Trust Fund (UITF) (Note 9)	257,841	—	—
Foreign exchange gains - net	25,803	328,198	287,439
Other income - net (Note 15)	5,388,164	40,869,226	16,098,064
	83,850,699	211,507,476	271,787,416
COSTS AND EXPENSES			
Cost of real estate sales (Note 7)	(33,411,749)	(113,657,657)	(195,967,763)
General and administrative expenses (Note 13)	(50,802,952)	(56,370,938)	(66,942,563)
Sales and marketing expenses (Note 14)	(22,455,660)	(14,340,893)	(28,973,782)
	(106,670,361)	(184,369,488)	(291,884,108)
INCOME (LOSS) BEFORE INCOME TAX	(22,819,662)	27,137,988	(20,096,692)
PROVISION FOR INCOME TAX (Note 17)			
Current	1,276,648	1,373,128	1,213,840
Deferred	2,168,161	—	—
	3,444,809	1,373,128	1,213,840
NET INCOME (LOSS)	(26,264,471)	25,764,860	(21,310,532)
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net gains on AFS financial assets, net of deferred income tax (Note 9)	736,513	8,114,806	4,268,083
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains (loss) on defined benefit plan (Note 16)	(35,236)	195,764	78,566
	701,277	8,310,570	4,346,649
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱25,563,194)	₱34,075,430	(₱16,963,883)
Basic/Diluted Earnings (Loss) Per Share (Note 20)	(₱0.0291)	₱0.0284	(₱0.0235)

See accompanying Notes to Consolidated Financial Statements.



SOCRESOURCES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Common Stock (Note 19)		Additional Paid-in Capital	Retained Earnings (Note 19)		Other Comprehensive Income			Total
	Issued	Subscribed		Appropriated	Unappropriated	Unrealized Valuation Gains on AFS Financial Assets - net (Note 9)	Actuarial Gains on Defined Benefit Plan (Note 16)	Treasury Stock (Note 19)	
BALANCES AT DECEMBER 31, 2014	₱600,489,569	₱76,517,500	₱72,272,140	₱500,000,000	₱383,616,782	₱1,329,647	₱109,527	(₱4,961,650)	₱1,629,373,515
Net loss	-	-	-	-	(21,310,532)	-	-	-	(21,310,532)
Other comprehensive income	-	-	-	-	-	4,268,083	78,566	-	4,346,649
Total comprehensive income (loss)	-	-	-	-	(21,310,532)	4,268,083	78,566	-	(16,963,883)
Common stock issuance	70,000	(70,000)	-	-	-	-	-	-	-
Collection of subscription receivable	-	52,500	-	-	-	-	-	-	52,500
BALANCES AT DECEMBER 31, 2015	600,559,569	76,500,000	72,272,140	500,000,000	362,306,250	5,597,730	188,093	(4,961,650)	1,612,462,132
Net income	-	-	-	-	25,764,860	-	-	-	25,764,860
Other comprehensive income	-	-	-	-	-	8,114,806	195,764	-	8,310,570
Total comprehensive income	-	-	-	-	25,764,860	8,114,806	195,764	-	34,075,430
Appropriations for the Subsidiary's project	-	-	-	600,000,000	(600,000,000)	-	-	-	-
Appropriations for agricultural project	-	-	-	145,000,000	(145,000,000)	-	-	-	-
Reversal of prior appropriations	-	-	-	(500,000,000)	500,000,000	-	-	-	-
BALANCES AT DECEMBER 31, 2016	600,559,569	76,500,000	72,272,140	745,000,000	143,071,110	13,712,536	383,857	(4,961,650)	1,646,537,562
Net loss	-	-	-	-	(26,264,471)	-	-	-	(26,264,471)
Other comprehensive income (loss)	-	-	-	-	-	736,513	(35,236)	-	701,277
Total comprehensive income (loss)	-	-	-	-	(26,264,471)	736,513	(35,236)	-	(25,563,194)
BALANCES AT DECEMBER 31, 2017	₱600,559,569	₱76,500,000	₱72,272,140	₱745,000,000	₱116,806,639	₱14,449,049	₱348,621	(₱4,961,650)	₱1,620,974,368

See accompanying Notes to Consolidated Financial Statements.



SOCRESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P22,819,662)	P27,137,988	(P20,096,692)
Adjustments for:			
Depreciation and amortization (Note 10)	2,422,066	2,685,275	2,344,875
Provision for impairment loss on AFS financial assets	—	—	7,835,749
Gain on redemption of UITF (Note 9)	(257,841)	—	—
Unrealized foreign exchange gains	(25,803)	(328,198)	(287,439)
Dividend income (Note 9)	(350,056)	(343,869)	(273,350)
Interest income (Notes 4, 5 and 9)	(12,896,876)	(13,195,736)	(4,867,872)
Retirement benefit cost (Note 16)	543,738	561,193	507,064
Gain on repossession (Note 15)	(4,170,772)	(15,398,166)	(5,428,035)
Operating income (loss) before working capital changes	(37,555,206)	1,118,487	(20,265,700)
Decrease (increase) in:			
Accounts receivables	35,263,823	48,007,270	(41,902,172)
Real estate inventories	(6,576,656)	44,560,196	162,735,641
Due from a related party	(12,583)	(12,583)	(16,052)
Prepayments and other current assets	13,053,876	(9,306,128)	(7,272,650)
Increase (decrease) in accounts payable and other liabilities	14,072,323	(38,210,043)	(77,416,007)
Cash flows generated from operations	18,245,577	46,157,199	15,863,060
Interest received	9,646,610	13,174,504	4,867,872
Income taxes paid (including creditable withholding taxes)	(5,373,312)	(1,373,128)	(1,213,840)
Net cash flows from operating activities	22,518,875	57,958,575	19,517,092
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Short-term investments (Note 5)	(252,573,205)	—	—
AFS financial assets (Note 9)	(140,000,000)	—	—
Property and equipment (Note 10)	(2,606,138)	(281,129)	(4,886,443)
Proceeds from redemption of UITF (Note 9)	130,257,841	—	—
Dividends received (Note 9)	251,168	343,869	273,350
Net cash flows from (used in) investing activities	(264,670,334)	62,740	(4,613,093)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of capital stock	—	—	52,500
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	25,803	328,198	287,439
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(242,125,656)	58,349,513	15,243,938
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	357,158,066	298,808,553	283,564,615
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P115,032,410	P357,158,066	P298,808,553

See accompanying Notes to Consolidated Financial Statements.



SOCRESOURCES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (the Project). The Project involves the development of a 2.4-hectare community situated near Sucat Interchange and will have four tandem buildings. The total estimated cost of the Project is ₱2.0 billion and is targeted for completion within five years from the start of its construction.

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 (Anala) commenced thereafter. Anala was completed in 2014, together with the parking lots and the amenities facing the first building. In May 2016, the Group has started the turn over of Anala to its buyers.

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 is 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, 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 SOC Land's License to Sell for the Project.

On August 14, 2013, SOC Land has 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 which will cancel SOC Land's entitlement to an ITH for three years.

In 2014, SOC Land launched a house and lot/lots only project that will be known as Althea Residences (Althea) which is located in Binan, Laguna with an initial offer of 214 choice lots, commercial and residential combined.

The second tandem building of Anuva (Azalea) was formally launched in 2014 and is expected to have sales of 476 units combined of studio, 1 bedroom and 2 bedroom units.

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were approved and authorized for issue by the BOD on April 13, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for available-for-sale (AFS) financial assets 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).

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 for the adoption of the first time amendments, which are effective for annual periods beginning on or after January 1, 2017. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the consolidated financial statements.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to Philippine Accounting Standards (PAS) 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed on the next page. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of these standards and interpretations are not expected to have significant impact on the consolidated financial statements.

Effective January 1, 2018

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

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified



retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective application.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Company is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Company to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment), when that disposal is not in the ordinary course of business.

The Company is currently assessing the impact of this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation on International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition 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 on IFRIC-23, *Uncertainty over Income Tax Treatments*

Deferred effectivity

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



Summary of Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and with 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 Group has made that is expected to be converted into cash within one year.

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.



Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current 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 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Financial Instruments

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 (FVPL), 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 FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial liabilities are classified as financial liabilities at FVPL 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 FVPL and HTM as of December 31, 2017 and 2016.

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 FVPL. 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.

Reposessed Inventories

Reposessed 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:

Asset Type	Number of years
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 excluding goodwill, 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.

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 that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion 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 and Cost Recognition

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.

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.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend Income

Dividend income is recognized when the Group's right to receive the payment is established, usually upon declaration of the dividends.

Gain on Sale of AFS Financial Assets

Realized gain or loss on sale of AFS financial assets is recognized in profit or loss when the Group disposes its AFS financial assets.

Other Income

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

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.

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.



Commission Expense

Commissions paid to sales or 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. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Sales and marketing expenses" account in the consolidated statement of comprehensive income. Commission expense incurred but not yet paid as of reporting date is presented as part of "Accounts payable and other liabilities" in the consolidated statement of financial position.

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.

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.

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

Revenue Recognition

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).

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.

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 POC is determined based on actual costs incurred to date over the estimated total costs to complete the project reconciled with the project engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

Real estate sales and cost of real estate sales amounted to ₱64.9 million and ₱33.4 million in 2017, ₱156.8 million and ₱113.7 million in 2016 and ₱250.3 million and ₱196.0 million in 2015, respectively.

Estimation of Allowance for Impairment of Loans and Receivables

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts.

There are no allowance for impairment losses on loans and receivables as of December 31, 2017 and 2016. Receivables due from a related party amounted to ₱119.5 million and ₱154.7 million as of December 31, 2017 and 2016, respectively (see Notes 6 and 18).



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 ₱1,092.9 million and ₱1,082.1 million as of December 31, 2017 and 2016, respectively. In 2017 and 2016, 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 ₱5.6 million and ₱11.2 million as of December 31, 2017 and 2016, respectively (see Note 17).

4. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	₱47,512,928	₱59,792,734
Cash equivalents	67,519,482	297,365,332
	₱115,032,410	₱357,158,066

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 ₱1.7 million, ₱2.6 million and ₱2.1 million in 2017, 2016 and 2015, respectively.

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. Interest earned during the year amounted to ₱3.3 million.



6. Receivables

	2017	2016
Installment contract receivables	₱74,438,231	₱116,819,864
Advances to:		
Officers and employees	19,792,193	19,258,164
Suppliers and contractors	6,153,014	6,201,177
Agents	1,031,968	1,056,607
Other receivables	17,904,353	11,148,882
	119,319,759	154,484,694
Less current portion of receivables	(57,477,913)	(75,635,832)
	₱61,841,846	₱78,848,862

- 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 interest rates of 14.0% to 16.0% in 2017 and 2016 computed on the diminishing balance.

Interest income earned amounted to ₱7.9 million, ₱10.6 million and ₱2.8 in 2017, 2016 and 2015, 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

	2017	2016
Condominium and residential units	₱592,595,104	₱577,738,822
Subdivision projects for development	340,795,837	334,782,960
Lot inventory	159,478,083	169,599,814
	1,092,869,024	1,082,121,596
Less current portion of real estate inventories	904,056,020	895,840,042
	₱188,813,004	₱186,281,554

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

	2017	2016
Balances at beginning of year	₱1,082,121,596	₱1,111,283,626
Development costs incurred (Note 24)	25,614,877	20,561,570
Reposessed inventories	18,544,300	63,934,057
Disposals recognized as cost of real estate sales	(33,411,749)	(113,657,657)
	₱1,092,869,024	₱1,082,121,596



8. Prepayments and Other Current Assets

	2017	2016
Input VAT - net of noncurrent portion (Note 11)	₱33,215,691	₱46,813,687
Prepaid taxes	22,931,918	18,835,254
Refundable deposits (Note 24)	2,772,036	2,687,786
Others	104,258	53,553
	₱59,023,903	₱68,390,280

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

9. AFS Financial Assets

	2017	2016
Shares of stock	₱19,090,599	₱20,200,708
Golf club shares	24,250,000	20,660,000
Unit investment trust funds (UITF)	10,105,372	—
	₱53,445,971	₱40,860,708

The Group's AFS financial assets pertain to investments in shares of stock of various publicly-listed companies, golf club shares and UITF investments.

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 price is indicative of actual market transactions on an arm's length basis.

The fair value of quoted club share is determined by reference to published price quotation. The price is indicative of actual market transactions on an arm's length basis.

Dividend income earned from equity securities classified as "AFS financial assets" amounted to ₱0.4 million in 2017 and ₱0.3 million in 2016 and 2015, respectively.

In 2017, ₱130.3 million UITF were redeemed. Gain on redemption of UITF amounted to ₱0.3 million.

The rollforward of net changes in fair value of AFS financial assets during the years ended December 31 are as follows:

	2017	2016
Balances at beginning of year	₱13,712,536	₱5,597,730
Fair value adjustments, net of deferred income tax	994,354	8,114,806
Unrealized valuation gains recycled to profit or loss	(257,841)	—
Balances at end of year	₱14,449,049	₱13,712,536



10. Property and Equipment

December 31, 2017

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

December 31, 2016

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱9,288,463	₱13,762,035	₱5,383,909	₱63,504,683
Additions	-	-	165,057	-	116,072	281,129
Balances at end of year	16,336,217	18,734,059	9,453,520	13,762,035	5,499,981	63,785,812
Accumulated depreciation and amortization						
Balances at beginning of year	-	3,534,442	8,254,248	13,675,577	953,653	26,417,920
Depreciation and amortization (Notes 13 and 14)	-	936,703	710,083	86,458	952,031	2,685,275
Balances at end of year	-	4,471,145	8,964,331	13,762,035	1,905,684	29,103,195
Net book values	₱16,336,217	₱14,262,914	₱489,189	₱-	₱3,594,297	₱34,682,617

As of December 31, 2017 and 2016, the cost of fully depreciated property and equipment amounted to ₱22.1 million and ₱20.2 million, respectively. These are retained in the records and still used by the Parent Company until these are disposed or the Parent Company vacate the leased premises.

11. 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, 2017 and 2016 deferred input VAT amounted to ₱27.5 million and ₱27.1 million, respectively.

12. Accounts Payable and Other Liabilities

	2017	2016
Customers' deposits and unearned income	₱72,696,975	₱51,037,088
Accrued contractors' payables	38,117,214	40,003,016
Retention payables (Note 24)	6,579,480	7,278,248
Accrued expenses	5,881,972	4,866,227
Accounts payable - trade	4,187,366	4,876,900
Government payables	814,775	6,143,980
	₱128,277,782	₱114,205,459



- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. 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.

13. General and Administrative Expenses

	2017	2016	2015
Personnel costs	₱14,332,014	₱12,927,854	₱13,216,495
Travel and transportation	6,162,977	8,333,946	7,152,471
Interest, penalties and charges	5,100,832	4,300,000	425,284
Taxes and licenses	4,800,610	4,402,618	6,176,227
Professional fees	4,539,331	4,102,886	3,816,688
Research and development expenses	3,237,382	2,894,414	4,033,140
Rent and utilities (Note 24)	2,672,171	3,992,098	5,519,119
Outside services	2,049,722	2,688,842	6,059,891
Depreciation and amortization (Note 10)	2,417,031	2,604,688	2,075,998
Telecommunications and postage	1,085,619	1,133,431	981,633
Supplies	792,439	849,018	770,206
Dues and subscription	790,151	825,475	1,118,053
Repairs and maintenance	613,383	669,447	462,000
Trainings and seminars	219,595	298,897	211,871
Entertainment and representation	186,617	746,425	252,580
Insurance	53,957	709,652	352,723
Provision for impairment loss on AFS financial assets	—	—	7,835,749
Property management expense	—	3,446,488	4,482,147
Others	1,749,121	1,444,759	2,000,288
	₱50,802,952	₱56,370,938	₱66,942,563

Others include bank charges and other miscellaneous costs.



Personnel costs consist of:

	2017	2016	2015
Salaries and wages	₱12,355,838	₱11,029,065	₱11,278,801
Short term employee benefits	1,432,438	1,337,596	1,430,630
Retirement benefits cost (Note 16)	543,738	561,193	507,064
	₱14,332,014	₱12,927,854	₱13,216,495

14. Sales and Marketing Expenses

	2017	2016	2015
Commissions and incentives	₱8,365,312	₱4,830,254	₱18,073,326
Product presentation	4,485,533	4,350,491	910,093
Consultancy fees	7,268,606	2,958,462	6,599,886
Rent and utilities (Note 24)	914,643	833,708	1,615,338
Advertising	805,368	861,542	1,077,541
Telecommunications and postage	334,330	243,899	70,261
Travel and transportation	237,899	146,761	335,621
Depreciation and amortization (Note 10)	5,035	80,587	268,877
Others	38,934	35,189	22,839
	₱22,455,660	₱14,340,893	₱28,973,782

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

15. Other Income - Net

	2017	2016	2015
Forfeited buyer deposits	₱7,312,900	₱19,163,258	₱7,911,436
Gain on repossession	4,170,772	15,398,166	5,428,035
Penalty income and late payment charges	477,394	602,679	2,045,693
Write-off of other assets	(7,473,163)	—	—
Others - net	900,261	5,705,123	712,900
	₱5,388,164	₱40,869,226	₱16,098,064

- 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.
- 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.
- Penalty 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 Company assessed that these will no longer be collected by the suppliers in 2016, among others.



16. 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, 2017.

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

	2017	2016	2015
Current service cost	₱380,962	₱382,704	₱316,836
Interest cost	162,776	178,489	190,228
	₱543,738	₱561,193	₱507,064

Amounts recognized in other comprehensive income pertaining to actuarial gain (loss) amounted to (₱29,453), ₱96,525 and ₱78,566, in 2017, 2016 and 2015, respectively.

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

	2017	2016
Beginning	₱4,222,219	₱3,757,551
Current service cost	380,962	382,704
Interest cost	162,776	178,489
Actuarial gain (loss) due to:		
Experience adjustments	183,250	(58,447)
Change in demographic assumptions	(15,237)	—
Change in assumptions	(138,560)	(38,078)
Ending	₱4,795,410	₱4,222,219

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

	2017	2016
Discount rate	4.30%-5.82%	3.60%-5.34%
Future salary increase	3.00%-10.00%	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, 2017:

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



December 31, 2016:

	Increase (decrease) in basis points (bps)	Effect on retirement benefit obligation
Discount rate	100 bps	(₱182,446)
	(100 bps)	211,934
Future salary increase rate	100 bps	207,367
	(100 bps)	(182,350)

The estimated weighted average duration of benefit payment is 17 years as of December 31, 2017 and 2016.

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

	2017	2016
Less than one year	₱2,394,725	₱2,293,732
More than one year to 10 years	1,824,727	1,789,573
More than 10 years to 30 years	14,347,825	11,589,990

17. Income Taxes

- The Parent Company has no provision for current income tax in 2017, 2016, and 2015. The Subsidiary's current provision for income tax represents MCIT in 2017, 2016 and 2015.
- 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:

	2017	2016	2015
Provision for (benefit from) income tax computed at statutory tax rate	(₱6,845,899)	₱8,141,396	(₱6,029,008)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	5,479,081	3,580,517	3,219,028
Nontaxable income	(182,369)	(103,161)	(82,005)
Interest income subjected to final tax	(1,502,417)	(1,314,158)	(730,889)
Movements in deductible temporary differences, NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	6,496,413	(8,931,466)	4,836,714
Provision for income tax	₱3,444,809	₱1,373,128	₱1,213,840



- c. The components of the Group net deferred tax asset (liabilities) are as follows:

	2017	2016
Deferred income taxes recognized in profit or loss		
Deferred tax assets:		
NOLCO	₱1,397,404	₱11,199,511
Excess MCIT over RCIT	3,863,616	—
Retirement benefit obligation	307,699	—
	5,568,719	11,199,511
Deferred tax liabilities:		
Difference between tax and book basis of accounting for real estate transactions	(1,674,766)	(6,395,370)
Gain on repossession	(5,870,682)	(4,619,450)
Unrealized foreign exchange gain	(191,432)	(184,691)
	(7,736,880)	(11,199,511)
	(2,168,161)	—
Deferred income tax liabilities recognized in other comprehensive income:		
Fair value changes of AFS financial assets	(1,848,750)	—
Actuarial gains on defined benefit plan	(5,783)	—
	(1,854,533)	—
	(₱4,022,694)	₱—

- d. The Group's deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized consists of the following:

	2017	2016
NOLCO	₱40,049,413	₱55,653,959
Accrued expenses	—	4,453,774
Retirement benefit obligation	3,789,023	4,222,219
Excess MCIT over RCIT	—	2,959,109

- e. 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, 2016	Addition (Applied)	Expired	Balance as of December 31, 2017	Tax effect	Available Until
2014	₱59,267,361	(₱13,180,441)	(₱46,086,920)	₱—	₱—	2017
2015	22,969,411	—	—	22,969,411	6,890,823	2018
2016	10,748,890	—	—	10,748,890	3,224,667	2019
2017	—	10,989,125	—	10,989,125	3,296,738	2020
	₱92,985,662	(₱2,191,316)	(₱46,086,920)	₱44,707,426	₱13,412,228	



Excess MCIT over RCIT

Year Incurred	Balance as of December 31, 2016	Addition	Expired	Balance as of December 31, 2017	Tax effect	Available Until
2014	₱372,141	₱-	(₱372,141)	₱-	₱-	2017
2015	1,213,840	-	-	1,213,840	1,213,840	2018
2016	1,373,128	-	-	1,373,128	1,373,128	2019
2017	-	1,276,648	-	1,276,648	1,276,648	2020
	₱2,959,109	₱1,276,648	(₱372,141)	₱3,863,616	₱3,863,616	

- f. On December 19, 2017, RA No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax laws and includes several provisions that will generally affect business on a prospective basis, management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date, except for the deferred tax liability on unrealized gain on changes in fair value of the Group's investment in golf club shares which are subjected to the new capital gains tax rate of 15%.

18. 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
	2017	2016	2017	2016		
South China Petroleum International (SCPI) Due from a related party	₱12,583	₱12,583	₱191,619	₱179,036	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 ₱4.2 million, ₱4.2 million and ₱4.3 million in 2017, 2016 and 2015, respectively.

19. Equity

a. Common Stock

The Parent Company's authorized, issued and outstanding common shares as of December 31 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	4,961,650	(4,961,650)
Total issued and outstanding		₱901,597,919

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.

In 2015, 70,000 shares subscribed shares were fully paid and issued. Collection from such shares in 2015 amounted to ₱52,500.

b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects.

On December 8, 2016, the BOD approved a resolution for the reversal of the 2011 appropriation of retained earnings and further 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 Project and the Parent Company's agricultural projects, respectively. The construction of the second tandem building of Anuva project, "Azalea" is expected to be completed on the 4th quarter of 2018.

The retained earnings are restricted for dividend declaration for the portion pertaining to deferred income tax assets and unrestricted earnings of subsidiaries.

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.



20. Basic/Diluted Earnings (Loss) Per Share

	2017	2016	2015
Net income (loss)	(₱26,270,254)	₱25,764,860	(₱21,310,532)
Weighted average number of shares	901,597,919	901,597,919	905,645,387
Basic/Diluted Loss per Share	(₱0.0291)	₱0.0286	(₱0.0235)

There are no dilutive potential common shares outstanding as of December 31, 2017, 2016 and 2015.

21. 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. 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 refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties to its financial assets.

Credit Risk Management

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, receivables, due from related parties and refundable deposits, management monitors these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

Credit Risk Exposures

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, due from related parties, AFS financial assets and refundable deposits, is



equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position. The maximum exposure to credit risk for due from related parties is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position, which is secured by collateral.

Credit Risk Concentration Profile

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

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

The tables below show the credit quality by class of financial asset based on the Group's rating system:

December 31, 2017

	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	But Not Impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱114,912,497	₱—	₱—	₱114,912,497
Receivables	39,017	100,471,841	18,808,901	119,319,759
Due from a related party	—	191,619	—	191,619
Refundable deposits	2,772,036	—	—	2,772,036
	₱117,723,550	₱100,663,460	₱18,808,901	₱237,195,911

*Excluding cash on hand.

December 31, 2016

	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	But Not Impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱357,068,154	₱—	₱—	₱357,068,154
Receivables	29,500	116,819,863	37,635,331	154,484,694
Due from a related party	—	179,036	—	179,036
Refundable deposits	2,687,786	—	—	2,687,786
	₱359,785,440	₱116,998,899	₱37,635,331	₱514,419,670

*Excluding cash on hand.

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 follows:

	2017	2016
Less than 30 days	₱1,180,617	₱4,056,093
31-60 days	—	240,791
61-90 days	178,324	86,840
More than 90 days	17,449,960	33,251,607
	₱18,808,901	₱37,635,331



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 tables below 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, 2017

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	P115,032,410	P4,098,888	P-	P-	P119,131,298
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	2,765,484	-	-	-	2,765,484
AFS financial assets:					
Shares of stock	-	-	-	20,200,708	20,200,708
Golf club shares	-	-	-	24,250,000	24,250,000
UITF	-	10,105,372	-	-	10,105,372
	136,798,414	39,522,200	7,198,058	106,292,554	289,811,226
Financial Liability					
Other financial liability:					
Accounts payable and other liabilities*	6,603,170	45,252,692	-	-	51,855,862
Liquidity position (gap)	P132,234,261	(P5,730,492)	P7,198,058	P106,292,554	P239,994,381

*Excluding government payables and customers' deposits and unearned income

December 31, 2016

	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	P357,158,066	P-	P-	P-	P357,158,066
Receivables	37,635,331	33,439,684	4,560,817	78,848,862	154,484,694
Due from a related party	179,036	-	-	-	179,036
Refundable deposits	2,687,786	-	-	-	2,687,786
AFS financial assets:					
Shares of stock	-	-	-	20,200,708	20,200,708
Golf club shares	-	-	-	20,660,000	20,660,000
	397,660,219	33,439,684	4,560,817	119,709,570	555,370,290
Financial Liability					
Other financial liability:					
Accounts payable and other liabilities*	9,277,895	47,746,496	-	-	57,024,391
Liquidity position (gap)	P388,382,324	(P14,306,812)	P4,560,817	P119,709,570	P498,345,899

*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 AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

In 2017 and 2016, changes in fair value of equity instruments held as AFS financial assets due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱5.3 million and ₱4.1 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 ₱0.03 million, ₱0.33 million ₱0.3 million for the years ended December 31, 2017, 2016 and 2015. The exchange rate of Peso to US\$ as of December 31, 2017, 2016 and 2015 used in translating the US\$-denominated financial instruments is ₱49.93, ₱49.72 and ₱47.06, 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:

2017		2016	
Movement in US\$ rates	Effect on net income	Movement in US\$ rates	Effect on net income
+3%	(₱185,369)	+4%	(₱245,547)
-3%	185,369	-4%	245,547

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

Fair value of AFS financial assets 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:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Shares of stock	₱19,090,599	₱19,090,599	₱20,200,708	₱20,200,708
Golf club shares	24,250,000	24,250,000	20,660,000	20,660,000
UITF	10,105,372	10,105,372	—	—
Installment contract receivables	85,450,217	74,438,231	116,819,864	130,312,030
Total	₱138,896,188	₱127,884,202	₱157,680,572	₱171,172,738

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.

As of December 31, 2017 and 2016, 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 2017 and 2016.

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

	2017	2016
Common stock	₱600,559,569	₱600,559,569
Subscribed common stock - net	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings	861,800,856	888,071,111
Treasury stock	(4,961,650)	(4,961,650)
	₱1,606,170,915	₱1,632,441,170



22. 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, 2017.

December 31, 2017

	Real Estate Development	Investment	Consolidated	Eliminations	Total
Segment results					
Loss before income tax	(P14,440,921)	(P8,378,741)	(P22,819,661)	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	P1,806,571,323	P3,196,435,550	(P1,432,826,901)	P1,763,608,649
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	2,291,445	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	10,614,167	2,582,569	13,195,736	-	13,195,736



December 31, 2015

	Real Estate Development	Investment	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	₱273,527	(₱20,370,219)	(₱20,096,692)	₱-	(₱20,096,692)
Provision for income tax	1,213,840	-	1,213,840	-	1,213,840
Net loss	(₱940,313)	(₱20,370,219)	(₱21,310,532)	₱-	(₱21,310,532)
Assets					
Segment assets	₱1,512,541,637	₱1,490,719,084	₱3,003,260,721	(₱1,234,526,298)	₱1,768,734,423
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	₱1,512,541,637	₱1,813,017,084	₱3,325,558,721	(₱1,556,824,298)	₱1,768,734,423
Other segment information					
Segment liabilities	₱1,386,928,338	₱3,870,252	₱1,390,798,590	(₱1,234,526,298)	₱156,272,292
Depreciation and amortization	2,331,976	12,899	2,344,875	-	2,344,875
Interest income	2,788,419	2,079,453	4,867,872	-	4,867,872

23. 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 will cancel the Subsidiary's entitlement to an ITH for three years.

24. 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 ₱6.6 million and ₱7.3 million as of December 31, 2017 and 2016, respectively (see Note 12). 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 amounting ₱86,184, 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.

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, ₱4.8 million and ₱7.1 million in 2017, 2016 and 2015, respectively (see Notes 13 and 14).

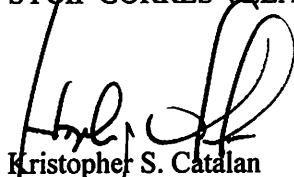


**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE OF ALL
EFFECTIVE STANDARDS AND INTERPRETATIONS**

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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated April 13, 2018. 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-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621237, January 9, 2018, Makati City

April 13, 2018



SOCRESOURCES, INC. AND SUBSIDIARY

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES**

Schedule I : Reconciliation of Retained Earnings Available for Dividend Declaration
(Part 1, 4C, Annex 68-C)

Schedule II : Schedule of All Effective Standards and Interpretations (Part 1, 4J)



SOCRESOURCES, INC. AND SUBSIDIARY**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Unappropriated retained earnings, beginning		₱301,328,972
Add (less) adjustments:		
Deferred income tax assets, beginning	(184,691)	
Treasury shares	(4,961,650)	(5,146,341)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		296,182,631
Net loss during the period closed to retained earnings	(8,378,741)	
Less: Deferred income tax assets	<u>6,741</u>	
Net income actual/realized during the year		8,385,482
TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END		₱287,797,149



SOCRESOURCES, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*		✓	

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		
	Amendment to PFRS 12, Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Bearer Plants			✓

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations				
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



SOCResources, Inc. and Subsidiary

**Consolidated Financial Statements
December 31, 2017 and 2016
and Years Ended December 31, 2017, 2016
and 2015**

and

Independent Auditor's Report