COVER SHEET

1 3 3 8 2 8

SEC Registration Number

P R I M E X C O R P O R A T I O N

(Company's Full Name)

G / F R I C H B E L T T E R R A C E S 1 9 A N N A P O -
L I S S T ., G R E E N H I L L S , S A N J U A N , M M

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

Mr. Ericson O. Ang

(Contact Person)

722-5417/722-8078

(Company Telephone Number)

1 2 *Month* **3 1** *Day*

(Fiscal Year)

2 0 - I S

(Form Type)

0 6 *Month* **2 8** *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

16

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

NOTICE OF ANNUAL STOCKHOLDERS MEETING

NOTICE IS HEREBY GIVEN that the Annual meeting of Stockholders of **PRIMEX CORPORATION** will be held at the Verbena Function Rooms A and B of the Marco Polo Hotel, Meralco Ave., Ortigas Center, Pasig City, Metro Manila, on June 28, 2019 at 3:00 p.m. to consider and approve the matters set forth in the following Agenda:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting held on June 22, 2018
4. Presentation of Annual Report
5. Election of the Board of Directors (including Independent Directors)
6. Ratification of the Acts of the Board of Directors and Officers of the Corporation adopted in the ordinary course of business since the Annual Stockholders Meeting of 2018
7. Appointment of External Auditor
8. Consideration of such other business as may properly come before the meeting
9. Adjournment

The record date for the determination of the stockholders entitled to notice of and to vote at said meeting is fixed at the close of business hours of April 30, 2019.

Please bring any form of valid identification in order to facilitate registration.

KARLVIN ERNEST L. ANG
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [   ] Preliminary Information Statement

   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter: **PRIMEX CORPORATION**

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **133828**

5. BIR Tax Identification Code: **420-000-188-756**

6. **G/F RICHBELT TERRACES 19 ANNAPOLIS ST., GREENHILLS, SAN JUAN** **1502**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code: **(632) 722-80-78**

8. **June 28, 2019, 3:00 pm; Verbena Room AB, Marco Polo Ortigas, Meralco Ave., Ortigas Center, Pasig**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   May 25, 2019

10. In case of Proxy Solicitations:

   Name of Person Filing the
   *Statement/Solicitor:*____

   Address and Telephone
   *No.:*____

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON	**1,661,666,665**

12. Are any or all of registrant's securities listed in a Stock Exchange?

   Yes _x_ No ____

   If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

   COMMON SHARES **PHILIPPINE STOCK EXCHANGE**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

INFORMATION REQUIRED IN INFORMATION STATEMENT

Date, Time and Place of Annual Meeting of Security Holders

June 28, 2019, 3:00 p.m.
Verbena AB Function Room
Marco Polo Hotel
Ortigas Center
Pasig City, Metro Manila

Complete Address of Principal Office of Registrant

Ground Floor, Richbelt Terraces
19 Annapolis St., Greenhills
San Juan, Metro Manila

Approximate date on which the Information Statement is first to be sent or given out to security holders

May 25, 2019

Dissenter's Right of Appraisal

With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall have voted against a proposed corporate action and shall, within thirty (30) days after the annual meeting at which such stockholder voted against the corporate action, make a written demand on the Registrant for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code. The Issuer is not aware of any matters to be taken up during the stockholders meeting that will entitle a shareholder to exercise a Right of Appraisal as provided in Title X of the Corporation Code.

Voting Securities and Principal Holders Thereof

The number of shares outstanding and entitled to vote in the stockholders' meeting as of April 30, 2019 is 1,661,666,665 common shares**.** Foreign ownership in the company's common shares of stock as of April 30, 2019 is 19,925,901 shares or 1.199 % of total shares. The record date for purposes of determining stockholders entitled to vote in the meeting is April 30, 2019. Stockholders are entitled to cumulative voting in the election of directors, as provided in the Corporation Code. There are no conditions precedent for the exercise of the cumulative voting rights in the election of directors.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than election to office, there is no matter to be acted upon in which any director, executive officer, or nominee for election as director, is involved or has a direct, indirect or substantial interest. There is also no incumbent director who has informed the Company in writing that he/she intends to oppose any action to be taken at the Annual Stockholders' Meeting.

Security Ownership of Certain Record and Beneficial Owners

The persons known to the Registrant to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the registrant's voting securities as of April 30, 2019 are as follows:

Title of Class	Name/Address of Record/ Beneficial Owner	Amount & Nature shareholdings	Citizenship	Percent of Class
Common	Ernesto O. Ang 6 Young St. Corinthian Gardens Quezon City	2,325,000 (Direct) 376,623,330 (Indirect)	Filipino	0.140 22.665
Common	Eduardo O. Ang Suite 303, 1109 Narra St., Manila	62,500,000 (Direct) 137,778,335 (Indirect)	Filipino	3.761 8.292
Common	Emilio O. Ang 51 Flamengo St. Green Meadows Quezon City	159,895,000 (Indirect)	Filipino	9.623
Common	Edgard O. Ang Suite 14-A Greenrich Mansion Lourdes St., Pasig	193,235,000 (Indirect)	Filipino	11.629
Common	Ericson O. Ang Ph-B Richbelt Terraces Annapolis St. Greenhills, S.J.	198,618,330 (Indirect)	Filipino	11.953

* Indirect shares of Mr. Ernesto O. Ang are lodged under Highvalue Holdings, Inc., which Mr. Ernesto O. Ang, owns and controls.
* Indirect shares of Atty. Ericson O. Ang are lodged under 5 Calibre Holdings, Inc. , which is owned and controlled by Atty. Ericson O. Ang.
* Indirect shares of Mr. Edgard O. Ang are lodged under Excellar Holdings Inc. which he owns and controls.
* Indirect shares of Mr. Emilio O. Ang are lodged under High Integritas Holdings Inc. which he owns and controls.
* Indirect shares of Mr. Eduardo O. Ang are lodged under EA Hok Ki Holdings Corp. which he owns and controls.

Voting Trust Holders of 5% or more

Registrant has no voting trust holders of 5% or more of its total outstanding capital stock.

Security ownership of Management

Title of class	Name of owner	Position	Amount & nature of ownership	Citizenship	Percentage
Common	Ernesto O. Ang	Chairman/ President	2,325,000 (Direct) 376,623,330 (Indirect)	Filipino	0.140 % 22.665 %
Common	Eduardo O. Ang	Director	62,500,000 (Direct) 137,778,335 (Indirect)	Filipino	3.761 % 8.292 %

Common	Emilio O. Ang	Exec .VP. & Director	159,895,000 (Indirect)	Filipino	9.623 %
Common	Edgard O. Ang	Treasurer & Director	193,235,000 (Indirect)	Filipino	11.629 %
Common	Ericson O. Ang	Vice-Pres. & Director	198,618,330 (Indirect)	Filipino	11.953 %
Common	Karlvin Ernest L. Ang	Corporate Secretary	400,000 (direct)	Filipino	0.024 %
Common	Jossie O. Chan	Director	6,750,000 (direct)	Filipino	0.406 %
Common	Willy G. Ong	Independent Director	20,000(direct)	Filipino	0.001 %
Common	Benito Chua Co Kiong	Independent Director	5,000(direct)	Filipino	0.000 %

As of April 30, 2019, the total number of common shares owned by all Directors and Officers as a group unnamed is 1,105,649,995 which is equivalent to 66.539 % of the total outstanding number of common shares of the registrant.

Change in Control

Registrant has no knowledge of any arrangement which may result in a change in control of the Registrant.

Directors and Executive Officers

The Directors of the Company are elected to hold office for one (1) year until the next annual meeting or until their respective successors have been elected and qualified. The incumbent directors were elected during the annual stockholders' meeting held last June 22, 2018 wherein all the directors were present. The names of the incumbent directors and executive officers of the company and their respective periods of service, ages, current positions held and business experience during the past five years are as follows:

Directors	**Age**	**Citizenship**	**Period served**
Ernesto O. Ang	72	Filipino	1986 to present
Eduardo O. Ang	75	Filipino	1986 to present
Emilio O. Ang	66	Filipino	1986 to present
Edgard O. Ang	59	Filipino	1998 to present
Ericson O. Ang	56	Filipino	1998 to present
Jossie O. Chan	63	Filipino	1995 to present
Karlvin Ernest l. Ang	38	Filipino	2009 to present
Benito Chua Co Kiong*	66	Filipino	2009 to present
Willy G. Ong*	54	Filipino	2014 to present

* Independent Director

Nomination Committee Members:

Chairman:	Ernesto O. Ang
Members:	Atty. Ericson O. Ang
	Mr. Benito Chua Co Kiong

Audit Committee Members:

Chairman:	Mr. Benito Chua Co Kiong
Members:	Mr. Ernesto O. Ang
	Mr. Emilio O. Ang

Compensation/Remuneration Committee Members:

Chairman:	Ernesto O. Ang
Members:	Willy G. Ong
	Eduardo O. Ang

Corporate Governance Committee Members:

Chairman:	Willy G. Ong
Members:	Eduardo O. Ang
	Benito Chua Co Kiong

Related Party Transactions Committee Members:

Chairman:	Eduardo O. Ang
Members:	Willy G. Ong
	Benito Chua Co Kiong

Lead Director: Benito Chua Co Kiong

Executive Officers	**Age**	**Citizenship**	**Position**
Ernesto O. Ang	72	Filipino	President
Emilio O. Ang	66	Filipino	Vice-President
Edgard O. Ang	59	Filipino	Treasurer
Ericson O. Ang	56	Filipino	Vice-President-Legal
Karlvin Ernest L. Ang	38	Filipino	EVP/Corporate Secretary

Ernesto O. Ang , 72 years old, Filipino, has been the President and Chairman of the Board of the Company since its inception. He is concurrently a Director of the following corporations: Omega Lumber Corporation, Primex Development Corporation, Primex Domains, Inc., Omega Fishfarm Corporation, Primex Realty Corporation, Primex Land, Inc., Meycauyan Market Corporation and Richville Development Ltd.

Eduardo O. Ang, 75 years old, Filipino, is a Director of the company since 1986. He is the General Manager of the Omega Lumber Corporation. He also is a Director of Primex Development Corporation, Primex Realty Corporation and Primex Land Inc.

Emilio O. Ang, 66 years old, Filipino, has been with the company since 1986 as Director and Vice-President. He is the Managing Director of Farmlake Corporation and Omega Fisheries Corporation. He also holds directorship in Omega Lumber Corporation, Primex Development Corporation, Primex Domains, Inc., Primex Realty Corporation and Primex Land, Inc.

Edgard O. Ang , 59 years old, Filipino, is the Treasurer and Chief Financial Officer of the Company. He is also a Director of Primex Domains, Inc., Primex Realty Corporation, Primex Land, Inc., and Primex Development Corporation.

Ericson O. Ang , 56 years old, Filipino, is the Vice-President for Legal Affairs of the company. He is concurrently a Director of Primex Domains, Inc., Primex Realty Corporation, Primex Land, Inc. and Primex Development Corporation.

Jossie O. Chan, 63 years old, Filipino, a Director of the company since 1995. She is also a Director of Omega Lumber Corporation, Primex Domains, Inc., Primex Realty Corporation and Primex Land, Inc.

Karlvin Ernest L. Ang, 38 years old, Filipino, corporate secretary, he is the Chairman and President of Novelty Specialist, Inc. and Chairman of Head High Venture Holdings Corporation. He is an alumnus of the De la Salle University where he graduated with a Bachelor's Degree in Business Management.

Benito Chua Co Kiong, 66 years old, Filipino, is the President of BNC Ingredients Corporation and the former Vice-President for Sales (1979-2002) of Malabon Long life Trading Corporation. He holds a Bachelor of Science degree Major in Chemical Engineering from Adamson University. He is a member of various prestigious business/professional associations, including the American Chamber of Commerce, Canadian Chamber of Commerce, Management Association of the Philippines and the Makati Business Club. Mr. Chua Co Kiong was nominated as an independent director by Mr. Ernesto O. Ang, with which he has no relations. Mr. Co Kiong was also appointed the Lead Director.

Willy G. Ong, 54 years old, Filipino, is concurrently the President of Willex Printing and also the Vice President of Sureprint Packaging Corporation. Mr. Ong holds a Bachelor of Science degree in Industrial Management Engineering from the De La Salle University. He was previously the Production head, Desktop Publishing Division (1988-1992) of Microprint, a large printing company in San Francisco, California, USA.

Nominees for Election as Members of the Board of Directors (including Nominees for Independent Directors)

In the approval of nominations for independent directors, the company has a Nomination Committee composed of three (3) members of the Board of Directors, one of whom is an independent director. The committee evaluates the qualifications of all nominees to the Board of Directors, including the independent directors. After the nomination, the committee shall prepare a final list of candidates which shall contain all the information about all the nominees. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent director/s. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders meeting.

The foregoing procedures are essentially based on the guidelines prescribed in SRC Rule 38 covering the Guidelines on Nomination and Election of Independent Directors.

The following nominees for independent director have possessed all the qualifications and none of its disqualifications:

Willy G. Ong – nominated for re-election as Independent director by Atty. Ericson O. Ang with whom he has no relations.

Benito Chua Co Kiong – nominated for re-election as independent director by Mr. Ernesto O. Ang with whom he has no relations.

Significant Employees

There is no person, other than the executive officers, who is expected by the Registrant to make significant contributions to the business.

Family Relationship

The following directors/executive officers of the Company are siblings: Ernesto O. Ang, Eduardo O. Ang, Emilio O. Ang, Edgard O. Ang, Ericson O. Ang and Jossie O. Chan while Mr. Karlvin Ernest L. Ang is the eldest son of company President Ernesto O. Ang.

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors and officers were involved during the past five (5) years up to latest date in any bankruptcy proceeding. Neither have they been convicted by final judgement in any criminal proceeding, or been subject to any order, judgement or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or likewise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative bodies to have violated a securities or commodities law.

Certain Relationship and Related Transactions

On March 30, 2015, the Company entered into an agreement to purchase Php 140,000,000.00 worth of shares of stock representing a 70 % stake in Primex Realty Corporation, an affiliated company also dealing in real estate development. On January 17, 2018, the Company acquired full ownership and control of Primex Realty Corporation, thereby making it a wholly-owned subsidiary.

Since the date of the last annual meeting of security holders, no director has resigned nor declined to stand for re-election to the Board of Directors because of a disagreement with the company on any matter relating to the company's operations, policies or practices.

Executive Compensation

SUMMARY COMPENSATION TABLE (in Thousands)	2019 (Estimated)		2018		2017	
	Salary/Fee	Bonus	Salary/Fee	Bonus	Salary/Fee	Bonus
Directors	90		90		90	
Officers: ERNESTO O. ANG Chairman & President EMILIO O. ANG Exec. Vice-Pres. EDGARD O. ANG Treasurer & CFO ERICSON O. ANG Vice-President- Legal KARLVIN ERNEST ANG Corporate Secretary		236		236		236
Total Officers	P 5,458		P 5,458		P 5,458	
All other directors / officers as a group unnamed	5,548	P 236	P 5,548	P 236	P 5,458	P 236

The Top Five (5) highly compensated executive officers are:

Ernesto O. Ang	President/CEO
Emilio O. Ang	Vice-President
Ericson O. Ang	Vice-President-Legal
Edgard O. Ang	Treasurer-CFO
Karlvin Ernest L. Ang	Corporate Secretary/EVP

There are currently no separate employment contracts between the Registrant and its named executive officers other than the regular employment agreements that all officers are subject to. There are no outstanding warrants or stock options held by the directors or executive officers. Started in the year 2006, it was agreed that each director shall receive a fixed annual per diem of Php 10,000.00 only.

Independent Public Accountant

The accounting firm of Sycip Gorres Velayo & Co. has been the Company's independent Public Accountant since 1995. The same firm is being recommended for appointment by the stockholders on June 28, 2019. There was no event where the company and SGV had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. Representatives of the said firm are expected to be present at the security holders' meeting to respond to appropriate questions they can shed light on.

In compliance with SRC rule 68, paragraph 3(b)(iv), the external auditors of the financial statements of the Company shall be rotated every five (5) years. The incumbent external auditor of the company, starting in 2015, is Ms. Jennifer D. Ticlao while the Audit Committee of the Company is chaired by independent director Benito Chua Co Kiong and has Ernesto O. Ang and Emilio O. Ang as members. The Independent Public Accountants are willing to stand for re-election.

Action with Respect to Reports

The Company will submit to the shareholders for approval the following:

1. Minutes of the Regular Stockholders Meeting held on June 22, 2018; The Minutes reflect the following: i) election of members of the Board for 2017-2018; ii) approval of the annual report.
2. 2018 Annual Report with Audited Financial Statements;

3. Ratification of the acts of the Board of Directors and officers of the corporation during the year 2018 including:

a. Approve the holding of Annual Stockholders Meeting on June 22, 2018;
b. Appointment and election of executive officers and committee chairmen;
c. Approve and authorize the release of the Company's Financial Statements for the years 2017, 2016 and 2015 as audited by its external auditors;
d. Approval of Grant of Right of Way unto the Manila Electric Company for the installation of service wires over the lot/property on Mt. MK2 St., Richdale Subdivision, covered by Tax Declaration no. 163-2016004194 located at Mt. McKinley St., Richdale Subdivision;
e. approve the sale of company vehicle identified as Mitsubishi Montero Sport;
f. Approved the appointment of a consultant, or qualified individual or financial institution, for the purpose of negotiating and entering into an agreement, subject to board and shareholder approval, for the sale of assets and/or equity shares of the company for the purpose of a Joint Development Agreement and/or Joint Venture Agreement;
g. Approved the declaration of a cash dividend to all holders of the company's common shares at P 0.055 per share
h. Secure the refund of service advances from the Manila Electric Co. in connection with service deposits of Richdale project.
i. Approve the application with the Manila Electric Co. for the additional installation of 16 street lamps in the Richdale Subdivison.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade and business.

Amendments of Charter, By-laws and other documents

The Company has amended its by-laws to incorporate the procedures for the nomination and election of independent directors in accordance with the requirements of SRC Rule 38, including the qualifications and disqualifications of Independent Directors. Also amended is the number of directors which was increased to Nine (9), inclusive of two (2) Independent directors. In a special stockholders meeting held on January 29, 2016, stockholders representing more than two-thirds of the shareholders of the company approved a resolution for the change in par value of the company's common stock from Php 1.00/share to Php 0.20/share.

Voting Procedures

The foregoing matters will require the affirmative vote of a majority of the shares of the Company present or represented and entitled to vote at the Annual Meeting. Likewise, directors shall be elected upon the majority vote of the shares present or represented and entitled to vote at the Annual Meeting. The election is executed through balloting, show of hands or viva voce or by other means approved by the stockholders.

Only stockholders of record at the close of business on April 30, 2019 of the 1,661,666,665 Common shares of the Company may vote at the Stockholders' Meeting. Each share of stock outstanding is entitled to one vote. Cumulative voting shall be allowed in the election of the members of the Board of Directors.

Atty. Ericson O. Ang, Compliance Officer of the Company, shall be authorized to count the votes to be cast. In past meetings of stockholders, considering that the number of nominees is the same as the number of board seats, no actual balloting was undertaken.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is duly signed in the City of San Juan, Metro Manila on May 23 , 2019

PRIMEX CORPORATION
By:

KARLVIN ERNEST L. ANG
Corporate Secretary

PRIMEX CORPORATION
a PRIME EXPONENT in choice real estate

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRIMEX CORPORATION and its subsidiary** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternatives 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 auditors, appointed by the stockholders, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

ERNESTO O. ANG
President / Chairman of the Board

EDGARD O. ANG
Treasurer

Signed this 15th day of April, 2019

MAY 02 2019

SUBSCRIBED AND SWORN TO before me, this ______ day of May 2019, in QUEZON CITY affiant exhibiting to me their TIN 108-929-290 & 108-929-273 respectively.

Doc. No. 47
Page No. 10
Book No. 10
Series of 2019

JOEL G. GORDOLA
Notary Public
Roll No. 25103
ADM. No. NP-098
Unit 1,- 878 Quirino Highway Gulod
Novaliches Quezon City
Until Dec. 31, 2019
IBP No. AR 37221392 / 1-3-19
PTR No. 7328315 / 1-3-19
MCLE No. VI-00

REPORT ACCOMPANYING INFORMATION STATEMENT
REQUIRED UNDER SEC RULE 17

Audited Consolidated Financial Statements

The audited consolidated financial statements of the registrant as of December 31, 2018 and the Statement of Management's Responsibility for Financial Statements are attached hereto.

General Nature and Scope of Business

Primex Corporation was incorporated on July 17, 1986 and is primarily engaged in the real estate business in all its aspects, to purchase, lease, or in any manner dispose of or deal with lands and other real properties. The Company listed its common shares in the Philippine Stock Exchange on August 10, 2001. The company has completed two high-end residential projects, namely Goldendale Village in Malabon and The Richdale in Antipolo Cty. The company has real estate held for future development situated in various strategic locations geared for both horizontal and vertical developments. The Company's thrust in real estate development is primarily geared towards consumers belonging to the upper-income brackets.

Management's Discussion and Analysis of Financial Condition and Results of Operation

For the interim period ended March 31, 2019

For the first three months of the year 2019 ended March 31, the Company recorded only Php 2.654 M in actual Real estate sales of the Richdale, as compared with the No sales posted for the same period last year. This minimal sales amount was an offshoot of the self-imposed moratorium on real estate sale of Goldendale Subdivision due to the continued significant rise in real estate prices. However, due to the cancellation and refund of a sale from the Stratosphere, thus, resulting in a reversal in realized gross profit from sales of Php 14.042 M as against none earned for the same period last year. Total Expenditures for the 3-month period was up by 130 %, from Php 8.133 M of the same period last year to Php 18.793 M. Salaries, Bonuses and Employees' Benefits was 33 % more, from Php 1.187 M to Php 1.579 M due to the hiring of employees on temporary status ; Taxes and Licenses increased by 260 % than the same period last year, from Php 2.750 M to Php 9.901 M on account of early payment of real estate taxes ; Reduced utilization of company heavy equipment in real estate development was responsible for the 36 % decrease in Gas & Oil, from Php 0.170 M to Php Php 0.109 M; Security service expense, which was Php 0.100 M in the same period last year, was up to Php 0.152 M due to the additional deployment of the number of security guards per property site; there were no Professional Fees paid for the same period last year as compared to Php 0.205 M for the same period this year on account of fees paid for public relations services while Repairs and Maintenance was down by 60 %, from Php 0.141 M to Php 0.056 M on account of less repairs; The Php 0.737 M spent under Miscellaneous expense was 120 % more this same period this year at Php 1.622 M . While Rental Expense for the same period last year was nil as this rental expense has yet to be paid during the 1st quarter as compared with the Php 0.696 M spent last year.

Revenues from Other Income sources earned during the 1st quarter amounted to Php 24.668 M, up two and a half times from the Php 7.444 M earned during the same period last year. Interest Income increased 7-fold, from Php 1.402 M to Php 11.697 M on account of more installment sales contracts. Rental Income, which was nil for the same period last year, rose to Php 0.696 M, as some rental payment has not yet been received during the same period last year. In view of the actual minimal real estate sales and the reversal and refund of the sale from the Stratosphere during the 3-month period, the Company incurred a loss before tax of Php 8.166 M, as compared with the Php 0.688 M loss incurred during the same period last year.

Financial Condition

The Company's Balance sheet reflects a very minimal changes in Total resources. Total Assets, which stood at Php 2,143.373 M as of yearend 2018, is now pegged at Php 2,195.086 million. Cash on hand, which stood at Php 42.093 M at yearend 2018, was up to Php 50.763 M as of March 31, 2019. Contract Receivables decrease by 44 %, from Php 194.688 M to Php 108.635 M due to minimal real estate sales. Accounts and other payables and Total Current Liabilities remains basically unchanged.

Full Fiscal Years

2018

For the year 2018 ended December 31, the Company recorded consolidated real estate sales of Php 233.508 M. This is composed of Php 3.913 M. from the Richdale while Php 229.594 M. was attributable to real estate sales from the Stratosphere project of its majority-controlled affiliate, Primex Realty Corporation. This total sales amount is almost identical to the Php 233.829 of 2017 and is 58 percent less than the Php 554.850 M in 2016. Total rental Income reached Php 11.083 M., a 950 % rise from the Php 1.049 M. of the previous year and 200% more than that the no rental earned in 2016. Interest Income reached Php 19.639 M. more than twice the Php 9.391 M. in 2017 and 2016's Php 9.251 M. Cost of Real Estate sales ballooned to Php130.178 M., of which only Php 7.649 M. was spent by the parent company, as against the Php 99.054 M. incurred in 2017 and the Php 294.369 M. in 2016. Expenses in operation for the year amounted to Php 25.903 M., with the Company recording its expense account at Php 13.425 M. This was 14% and 12.6% more than the Php 24.129 M. and Php 25.674 M. of the two prior years. Salaries, wages and employee benefit expense amounted to Php 6.6751 M., of which the parent Company spent Php 2.887 M., which is almost the same as the Php 5.989 M. in 2017 and the Php 5.694 M. in 2016. The Php 4.928 M. in Depreciation expense drop by 12 % from the previous year's level of Php 5.604 M. and by 9% from 2016 level of Php 5.413 M. on account of construction equipment involved in the development of the Stratosphere project. From Php 0.719 and Php 1.745 M the two previous years, Interest expense rose to Php 3.128 M. on account of bank loans of the two companies. Rent expense, which amounted to Php 3.412 M. was due to lease payment for the showroom of the Stratosphere. Taxes and licenses amounted to Php 9.637 M, which is 50 % more than the Php 6.463 M in 2017 and 90 % more than the Php 5.062 M in 2016. Broker's Fee paid out for the year amounted to Php 5.691 M., 92% of which was paid out for the sale of units of the Stratosphere. Light, water and dues jumped to Php 1.434 M. from Php 1.250 M the previous year but 43 % less than the Php 2.545 M in 2016 was primarily due to development activities of the Stratosphere. Gas & Oil expense increased by 46% and double from 2017 and 2016 amounts due to higher petroleum product prices. Retirement rose to Php 0.390 M. since this expense covers employees from both companies. Selling and Marketing expense was nil as compared with the Php 3.037 M the previous year and Php 0.299 M in 2016 The previous 2 years' Selling and Marketing expense was due to the selling of units of the Stratosphere. Professional Fees reached Php 1.026 M., up 12 and 16 %, respectively, from the two previous years due to audit fees, actuarial and legal consultation fees incurred by the two companies starting in 2016. Security, messengerial & janitorial services was higher by 16 % in 2018 on account of the deployment of additional security guards. Repairs & Maintenance continues to increase, 46 % from 2017 amounts and more than double from 2016 levels due to addtional equipments that requires more maintenance.. Communication and transportation expense drop by 39 % to Php 0.164 M. from 2017's Php 0,272 M. and by 36 % from the Php 0.256 M in 2016, due to scale down of operations of the affiliate company. Entertainment, amusement and recreation decreased to Php 0.238 M, from Php 2.958 M the previous year and Php 0.162 M. in 2016. Insurance expense was up by 27% from the Php 0.187 M. of 2016, with the difference attributable to the affiliate company. Training and Development was down by 30% on account of lower seminar fees.

The Company's Balance Sheet reflects a very significant change as of December 31, 2018. Total Assets, which stood at Php 2,223,327.175 M as of yearend 2017 declined to Php 2,143.373 M as of December 31, 2018. Cash, which was Php 16.008 M as of yearend 2017 was up to Php 42.093 M. Receivables decreased by 11 %, from Php 218.759 M to Php 194.688 M, solely on account of maturity and payment of receivables of the affiliate Likewise, the 6 % drop in Real estate held for sale was on account of units sold of the Stratosphere..

In summation, although real estate sales for 2018 and 2017 remains basically at the same Php 233 M level, the increased cost of real estate sales and services and higher operating expenses caused the 9.3 % decline in income for 2018.

2017

For the year 2017 ended December 31, the Company recorded a consolidated real estate sales of Php 233.829 M. This is composed of Php53.071 M. from sales of the Goldendale, Php 5.374 M. from the Richdale, Php 80.357 M from the sale of its Panghulo property while Php 66.454 M. was attributable to real sales from the Stratosphere project of its now wholly-owned affiliate, Primex Realty Corporation. This 2017 real estate sales represents a 58 % decline from the Php 554.850 M. registered in 2016 and a 20 % increase from the Php 195.272 M. in 2015. The decrease in real estate sales can be attributed to a temporary self-imposed moratorium on real estate sales at Goldendale until prices stabilizes due to the continued significant rise in real estate prices and on account of still unrecognized sales of units of the Stratosphere based on prescribed accounting standards. Total rental Income reached Php 25.126 M., almost unchanged from the Php 25.157 M. earned of the previous year but 62 % more than those earned in 2015. Interest Income from banks remained basically unchanged. Cost of Real Estate sales and services amounted to Php 99.054 M., as against the Php 294.369 M. incurred in 2016 and the Php 98.084 M. in 2015. Operating expenses for the year amounted to Php 38.971 M. This was 31 % and 52 % more than the Php 29.720 M. and Php 25.596 M. of the two prior years. Salaries, wages and employee benefits expense amounted to Php 5.989 M., which is almost the same as the Php 5.694 M. in 2016 and 28 % higher than the Php 4.681 M. in 2015. The Php 5.604 M. in Depreciation expense was almost the same as the previous year's level of Php 5.413 M. and by 19 % more from 2015 level of Php 4.921 M. on account of construction equipment involved in the development of the Stratosphere project. Interest expense amounted to Php 0.719 M., down from the Php 1.745 M in 2016 and 2015's Php 1.220 M on account of the pre-payment of loans. Rent expense amounted to Php 3.412 M. due to lease payment for the showroom of the Stratosphere. The amount is 5 % lower from 2016 levels and 32 % higher than those in 2015. The Php 6.463 M under Taxes and licenses was 27 % higher for the year than the Php 5.062 M of the previous year. Commission paid out for the year amounted to Php 0.745 M., which is 24 % of the Php 3.106 M paid in 2016 and 40 % of the Php 1.882 M in 2015. Light, water and dues decreased to Php 1.250 M. from the Php 2.545 M in 2016 but 10 % higher from 2015 levels. Gas & Oil expense ballooned to Php 1.826 M from the Php 0.145 M. of the previous year and the Php 1.596 M in 2015. Retirement expense remained at the Php 0.300 level for both 2017 and 2016. Selling and Marketing expense incurred amounted to Php 3.037 M from the Php 0.299 M in 2016 and the Php 1.434 M. in 2015 due to advisory and research fees. Professional Fees incurred amounted to Php 0.914 M. from the Php 0.879 M of the previous year and the Php 1.161 M. of 2015 due to audit fees, actuarial and legal consultation fees incurred by the two companies starting in 2015. Security, messengerial & janitorial services was lower by 15 % and 23 % respectively from the two previous years on account of the decreased number of security guards deployed. Repairs & Maintenance grew 30 % from 2016 amounts and 39 % from 2015 levels due to additional maintenance and repairs. Communication and transportation expense reflects minimal changes at the Php 0.270 level. Entertainment, amusement and recreation jumped to Php 2.958 M., from Php 0.162 M the previous year, with Primex Realty Corporation accounting for almost all of the increase. Insurance expense was up by 94% from the Php 0.187 M. of 2016, with the difference attributable to the affiliate company. Training and Development was up by 89 % on account of additional seminar fees.

The Company's Balance Sheet reflects significant changes as of December 31, 2017. Total Assets, which stood at Php 1,874.071 M as of yearend 2016 jumped to Php 2,223.327 M as of December 31, 2017. Cash, which was Php 46.117 M as of yearend 2016 was down to Php 16.008 M. Receivables increased by 50 %, from Php 144.132 M to Php 217.155 M, majority on account of receivables of the affiliate Likewise, the 25 % rise in Real estate held for sale and the 7-fold increase in other current assets, respectively was attributable to the Company's stake in Primex Realty Corporation..

In summation, the 58 % decline in real estate sales attributed to a temporary self-imposed moratorium on real estate sales at Goldendale until prices stabilized due to the continued significant rise in real estate prices and several still unrecognized sales of units of the Stratosphere based on prescribed accounting standards resulted in the 52 % reduction in Net Income of the Company, from Php 185 M in 2016 to Php 89 M this year.

2016

For the twelve months of 2016 ended December 31, the Company recorded a consolidated total revenues of Php 589.775 M., which is 160 % more than the Php 222.231 M. last year and 30 times more than the total revenues earned in 2014. Consolidated real estate sales totaled Php 297.707 M. This is composed of Php 6.787 M. from sales of the Goldendale, Php 2.019 M. from the Richdale, Php 10.488 M from its Panghulo property while Php 261.523 M. was attributable to revenues from real estate sales from the Stratosphere project of its majority-controlled affiliate, Primex Realty Corporation. This significant increase represents a 52% rise from the Php 195.272 M. registered in 2015 and an almost 22-fold increase over the Php 12.923 M. in 2014. Total rental Income reached Php 25.157 M., a 63 % rise from the Php 15.480 M. of the previous year and 400% more than the Php 4.929 M earned in 2014. Interest Income amounted to Php 9.263 M, which is 19 % lower than the Php 11.435 M. in 2015, but 9 times more than the Php 0.919 M. in 2014. Cost of Real Estate sales rose to Php 126.733 M., of which only Php 7.649 M. was spent by the parent company, as against the Php 98.084 M. incurred in 2015 and the Php 4.755 M. in 2014. Expenses in operation for the year amounted to Php 29.720 M., with the Company recording its expense account at Php 13.425 M. This was 16 % and 152 % more than the Php 25.596 M. and Php 11.752 M. of the two prior years. Salaries, wages and employee benefit expense amounted to Php 5.694 M., which is 21 % more the Php 4.681 M. in 2015 and almost double the Php 2.875 M. in 2014. The Php 5.413 M. in Depreciation expense rose by almost 10 % from the previous year's level of Php 4.921 M. and by one and a half times more from 2014 level of Php 2.143 M. on account of construction equipment involved in the development of the Stratosphere project. Rent expense, which was not incurred in 2014, amounted to Php 3.602 M., which is 39 % higher than the Php 2.574 M. in 2015. This is due to rental fees for the showroom of the Stratosphere. Taxes and licenses, which remained almost the same in 2014 and 2015 at the Php 1.9 M levels, rose to Php 5.062 M. due to the significant increase in real estate sales of the Stratosphere project. From none in 2014, Broker's Fee paid out for the year amounted to Php 3.106 M., a jump of 65 % from the Php 1.882 M. paid out in 2015, with 92% of the sales commission paid out for the sale of units of the Stratosphere. Light, water and dues jumped to Php 2.545 M. from PHP 1.138 M. on account of development activities of the Stratosphere. Gas & Oil expense was down to Php 0.145 M. from the Php 1.596 M of 2015 and the Php 2.404 M of 2014 as the cost of petroleum products was capitalized as development cost. Retirement decreased to Php 0.340 M from the Php 1.596 M. spent last year and the Php 0.174 M. incurred in 2014. Coming from none incurred in 2014, Selling and Marketing expense amounted to Php 0.299 M., down 80 % from the Php 1.434 M. of 2015. Professional Fees reached Php 0.879 M., lesser by 24 % from the Php 1.161 M last year but 61 % more than the 0.543 M in 2014. Security, messengerial & janitorial services was lower by 9 % in 2016 from 2015 levels but 270% higher than the Php 0.221 M. in 2014. Repairs & Maintenance continues to decrease, from Php 0.355 M. in 2014, it was 9 % less in 2015 and 15 % less in 2016 due to newer equipment that requires lesser maintenance and repairs. Communication and transportation expense rose by 93% to Php 0.276 M. from 2014's Php 0,143 M. and by 140% from the Php 0.115 M in 2013, due to the developmental operations of the affiliate company. Entertainment, amusement and recreation was 20 % less for the year at Php 0.162 M., but 39 % more than the Php 0.116 M of 2014. Insurance expense was down by 21 % from the Php

0.238 M. of 2015, with the difference attributable to the affiliate company. Training and Development was down by 17 % on account of lower seminar fees.

The Company's Balance Sheet reflects a 22 % change as of December 31, 2016. Total Assets, which stood at Php 1,530.972 M as of yearend 2015 jumped to Php 1,874.071 M as of December 31, 2016. Cash, which was Php 29.706 M as of yearend 2015 was up to Php 46.117 M., of which Php 5.871 belongs to the subsidiary. Receivables was up by 4-fold, from Php 36.716 M to Php 148.532 M, solely on account of receivables also of the subsidiary, which has receivables totaling Php 139.582 M. Likewise, the 9.6 % rise in Real estate held for sale and the 31 % increase in total current assets, respectively was attributable to the Company's majority stake in Primex Realty Corporation..

In summation, the strategic move made by the Company for majority control of its affiliate in the year 2015 was the compelling reason that saw the company's total revenues rose by more than 160 % to Php 589.775 M. and by 171 % more in Income to Php 263.94 M., from the Php 97.33 M. recorded for 2015.

*There are no known Trends, Events or Uncertainties that might have any material impact on the liquidity of the Company.
*There are no known Trends, Events, or Uncertainties that may have a material impact on sales.
*There are no significant elements of income or loss arising from continuing operations.
*There has not been any seasonal aspects that have had a material effect on the financial condition or results of the Company's operations.
*There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
*There are no material commitments for capital expenditures.
*There are no material events and uncertainties known to management that would impact or change the reported financial information and condition of the company.
*****There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company's Top key performance indicators:

1.Sales Volume Growth

The Company registered a consolidated Real Estate sales of Php 233,508 M., as compared with the Php 233.829 M. for the twelve months of 2017 and the Php 554.850 M of 2016. This translates to an almost identical level with the total sales of 2017 and a 58 % drop from that of 2016 .

2. Revenue Growth

Total revenues for the twelve month period ended December 31, 2018 amounted to Php 290.135 M as compared with the Php 268.399 M in the twelve months period of 2017 and 2016's Php 589.775 M., or minimal changes from 2017 levels and 50 % off 2016 levels.

3. Realized Gross Profit on Sales

For its sales efforts, the Company was able to realize Gross Profit on sales of Php 130.178 M as compared with the Php 134.775 M. of 2017 and the Php 260.481 M for 2016. This is the amount of real estate sales less the cost of development. 2018's realized gross profit from sales is almost the same as that of 2017 but only half of that of 2016's.

4. Operating Margin

For the twelve month period of 2018, the Company incurred operating expenses of Php 38.917 M, as compared with the Php 38.971 M spent in 2017 and the Php 29.720 M incurred in 2016. This resulted in an operating income from sales of Php 61.284 M as compared with the Php 95.085 M operating income of 2017 and the Php 229.015 M operating income from sales of 2016.

5. Asset Growth

Over the twelve months of 2018, total assets declined from Php 2,223.327 M. , to Php 2,143.37 M in December 31, 2018.

Plan of Operation for 2019 and Prospects for the future

The Company may resume selling of its Goldendale Subdivision within the year after its self-imposed moratorium on real estate sales at Goldendale. The Company is waiting for real estate prices to stabilize due to the continued significant rise in real estate prices. This development and the projected sizable increase in the amount of sales from the Stratosphere from still unrecognized sales based on prescribed accounting standards is projected to result in increased sales and revenues levels for the year 2019 above the 2016 accomplishments of the Company, which is a historical record high for the Company.

The Company has started the development of the Primex Tower, a 50-storey world-class office condominium along EDSA and Connecticut st. in upscale Greenhills. This development will significantly boost the recurring income portfolio of the Company for many years.

With the aforesaid, the Company sees bright prospects for a robust 2019 not only in terms of real estate sales but also in profitability .

Securities and Shareholders

The Company has 16 stockholders as of April 30, 2019. The Company's shares of common stock are traded on the Philippine Stock Exchange. Below is a history of the trading prices of said shares for each quarter of the past three years.

			Low		High
2016	First Quarter	Php	8.40		8.70
	Second Quarter	8.50		10.70	
	Third Quarter		2.08		3.46
	Fourth Quarter		2.97		4.56
2017	First Quarter	Php	3.53		5.05
	Second Quarter	3.80		4.86	
	Third Quarter		3.86		6.37
	Fourth Quarter		5.21		7.41
2018	First Quarter	Php	3.78		5.89
	Second Quarter	2.48		4.70	
	Third Quarter		2.92		4.58
	Fourth Quarter		2.99		4.05
2019	First Quarter	Php	2.41		2.48

*	The par value of the Company's common stock was changed from Php 1.00 per share to Php 0.20 per share during the 3rd quarter of 2016. The price of the company's common shares that was last traded on the First board of the Philippine Stock Exchange was transacted at Php 2.75 per share on May 10, 2019.

*	The price of the company's common shares closed on a price of Php 2.75 per share on the First board of the Philippine Stock Exchange on May 10, 2019.

The Top 20 stockholders of the Company as of April 30, 2019:

	Name of stockholder	Class	No. of shares	Percentage
1.	PCD NOMINEE CORP.(FIL)		546,877,264	32.911 %
2.	HIGHVALUE HOLDINGS, INC.		376,623,330	22.665 %
3.	5 CALIBRE HOLDINGS, INC.		198,618,330	11.953 %
4.	EXCELLAR HOLDINGS INC.		193,235,000	11.629 %
5.	HIGH INTEGRITAS HOLDINGS INC.		159,895,000	9.623 %
6.	EA HOK KI HOLDINGS CORP.		137,778,335	8.292 %
7.	PCD NOMINEE CORP (NON-FILIPINO)		20,025,901	1.205 %
8.	CO, HELEN		12,500,000	0.752 %
9.	CHAN, JOSSIE O.		6,750,000	0.406 %
10.	DY, GONZALO C.		3,250,000	0.196 %
11.	DY, GLORIA A.		3,250,000	0.196 %
12.	CO, KATHRYN		2,500,000	0.150 %
13.	GOCHECO, DORIS		325,000	0.020 %
14.	BORJA, GEORGE C.		20,000	0.001 %
15.	GARCIA, LEIGH LAUREN P.		13,500	0.001 %
16.	ARANAS, KENNEDY		5,000	0.000 %
17.	GAN, RUBEN M.		5	0.000 %

* Highvalue Holdings, Inc. is owned and controlled by Mr. Ernesto O. Ang, President and CEO and Chairman of the Board of the Company.
* 5 Calibre Holdings, Inc. is owned and controlled by Atty. Ericson O. Ang, VP-Legal and Director of the Company.
* Excellar Holdings Inc. is owned and controlled by Edgard O. Ang, CFO and Director of the Company.
* High Integritas Holdings Inc. is owned and controlled by Emilio O. Ang, Vice Pres. And Director of the Company.
* EA Hok Ki Holdings Corp. is owned and controlled by Eduardo O. Ang, Director of the Company.

*There are no transaction that relates to an acquisition, business combination, or other reorganization that will have an effect on the amount and percentage of present holdings of the registrant's equity owned beneficially by (i) beneficial owner of more than 5% of registrant's common equity; (ii) each director and nominee; (iii) all directors and officers as a group and the registrant's present commitments to such persons with respect to the issuance of shares.

Dividends

A cash dividend of Php 0.0055 for every common share of stock was declared in 2018. However, in lieu of cash, the company's Board of Directors have previously approved the payment of the cumulative dividends of its preferred shares in the form of common shares. The same preferred shares have since been converted to common shares.

The company’s cumulative dividends of 3 years 2 months on its Preferred shares in the amount of Php 15,833,333.000 were paid out in the form of 6,333,333 common shares at a per share value of Php 2.50. Likewise, the 100,000,000 preferred shares were converted into common shares.

Dividends may be declared from the surplus profits of the corporation at such time/s and in such percentage as the Board of Directors may deem proper. No dividends shall be declared that will impair the capital of the corporation.

Recent Issuance of Securities Constituting an Exempt Transaction

The Board of Directors of the company approved the conversion of its 100,000,000 Preferred shares into common shares at the rate of One (1) common share for every preferred share held, effective December 10, 2003. The Board of Directors also approved the payment of the three years and two months cumulative dividends on the preferred shares in the amount of Fifteen million eight hundred thirty three thousand three hundred thirty three pesos (Php 15,833,333.000) in the form of Common shares with a per share value of Two pesos and fifty centavos (Php 2.50), in lieu of cash. This has resulted in the issuance of 6,333,333 common shares to the preferred shareholders.

On August 15, 2014, the Company issued Seventeen million (17,000,000) shares of common stock of the company at a price of Php 3.50 per share in favor of a private placement investor. The shares have already been issued and listed at the Philippine Stock Exchange.

On October 10, 2016, the Company accepted an offer for private placement of 45,000,000 shares of common stock at Php 4.00/share. These shares are also already listed at the Philippine Stock Exchange.

Compliance with leading practice on Corporate Governance

On August 27, 2002, the Company submitted to the Securities and Exchange Commission its Manual of Corporate Governance in accordance with SEC Memorandum Circular no.2, Series of 2002. The company also appointed a Compliance Officer who undertakes quarterly feedback sessions with the Chairman of the Board to discuss governance-related issues.

The Company has formally adopted the leading practices on good governance in its Manual of Corporate Governance and has substantially complied with the rules and principles contained therein. The Manual was revised and adopted on Feb. 15, 2011 and on April 08, 2015 to incorporate added provisions promulgated by the Securities and Exchange Commission.

The Company plans to adopt whatever new principles and practices that may improve its corporate governance. All the directors and officers of the Company have annually attended seminars and training programs to further improve governance within the company. The latest amended Manual on Good Corporate Governance was filed with the Securities and Exchange Commission on May 31, 2017.

External Audit Fees

The aggregate fees billed for the last two (2) fiscal years for professional services rendered by the Company's external auditors for the audit of its financial statements or for services that are normally provided in connection with statutory and regulatory filings are:

Year 2017 = Php 714,286.00 Year 2018 = Php 803,572.00

There are no other assurance or related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

Prior to the commencement of audit work, the external auditors present their program and schedule to the Audit Committee which include discussion of issues and concerns regarding the audit work to be done.

UNDERTAKING TO PROVIDE ANNUAL REPORT

THE REGISTRANT UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH STOCKHOLDER WITH A COPY OF ITS ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST TO THE REGISTRANT ADDRESSED TO:

MR. KARLVIN ERNEST L. ANG
CORPORATE SECRETARY
PRIMEX CORPORATION
Ground Floor, Richbelt Terraces, 19 Annapolis St., Grenhills
San Juan , Metro Manila

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2019 AND DEC. 31,2018

	UNAUDITED	AUDITED
	31-Mar-19	**31-Dec-18**
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	50,763,559	42,093,963
RECEIVABLES	108,635,659	194,688,031
CONTRACT ASSETS	20,043,594	22,759,156
REAL ESTATE HELD FOR SALE & DEVELOPMENT COST	1,532,875,357	1,469,026,913
OTHER CURRENT ASSETS	229,188,176	224,036,801
TOTAL CURRENT ASSETS	1,941,506,345	1,952,604,864
NONCURRENT ASSETS		
CONTRACT ASSETS - NET OF CURRENT PORTION	63,594,475	63,594,475
INVESTMENT PROPERTIES	83,843,530	83,843,530
PROPERTY AND EQUIPMENT	8,350,434	9,614,821
DEFERRED TAX ASSETS	29,200,432	29,200,432
OTHER NONCURRENT ASSETS	68,591,078	4,514,916
TOTAL NONCURRENT ASSETS	253,579,949	190,768,174
TOTAL ASSETS	**2,195,086,294**	**2,143,373,038**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
SHORT-TERM LOANS	330,000,000.00	200,000,000.00
ACCOUNTS AND OTHER PAYABLES	744,400,304	814,472,075
CONTRACT LIABILITIES	122,645,777	122,645,777
INCOME TAX PAYABLE	8,915,851	8,915,851
TOTAL CURRENT LIABILITIES	1,205,961,932	1,146,033,703
NONCURRENT LIABILITIES		
LONG-TERM LOANS	2,000,000	2,000,000
PENSION LIABILITY	5,629,811	5,629,811
REFUNDABLE DEPOSITS	13,584,274	12,984,274
TOTAL NONCURRENT LIABILITIES	21,214,085	20,614,085
TOTAL LIABILITIES	1,227,176,017	1,166,647,788
STOCKHOLDERS' EQUITY		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PRIMEX CORP.		
CAPITAL STOCK	332,333,333	332,333,333
ADDITIONAL PAID-IN CAPITAL	223,000,000	223,000,000
RETAINED EARNINGS	372,917,438	381,732,411
OTHER EQUITY RESERVES	39,821,375	39,821,375
REMEASUREMENT GAIN ON DEFINED BENEFIT OBLIGATION	(161,869)	(161,869)
TOTAL STOCKHOLDERS' EQUITY	967,910,277	976,725,250
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**2,195,086,294**	**2,143,373,038**

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018

	UNAUDITED	
	Jan. 1 - March 31,2019	**Jan. 1 - March 31,2018**
INCOME		
REALIZED GROSS PROFIT	(14,042,605)	-
TOTAL INCOME	(14,042,605)	-
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
SALARIES, BONUSES, AND EMPLOYEES BENEFITS	1,579,523	1,187,227
TAXES, LICENSES, AND FEES	9,901,290	2,750,518
GAS AND OIL	109,855	170,626
DEPRECIATION EXPENSE	1,313,507	2,002,110
BROKER'S FEE	101,557	1,043,920
SECURITY SERVICES	152,176	100,333
PROFESSIONAL FEE	205,357	-
REPAIRS AND MAINTENANCE	56,125	141,051
MISCELLANEOUS	1,622,917	737,928
INTEREST EXPENSE	3,054,880	
RENTAL EXPENSES	696,000	
TOTAL	18,793,187	8,133,714
NET INCOME (LOSS) FROM OPERATION	(32,835,792)	(8,133,714)
OTHER INCOME - NET		
OTHER INCOME	69,713	322,384
INTEREST INCOME	11,697,449	1,402,481
RENTAL INCOME	12,901,783	5,720,030
TOTAL	24,668,945	7,444,895
INCOME (LOSS) BEFORE INCOME TAX	(8,166,846)	(688,819)
PROVISION FOR INCOME TAX		
CURRENT	648,128	669,650
TOTAL	648,128	669,650
NET/CONSOLIDATED INCOME (LOSS) AFTER TAX	**(8,814,974)**	**(1,358,469)**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(8,814,974)**	**(1,358,469)**
ATTRIBUTABLE TO NON-CONTROLLING INTEREST		
TOTAL	(8,814,974)	(1,358,469)
COMPUTATION OF EPS IS AS FOLLOWS		
NET INCOME (LOSS)	(8,814,974)	(1,358,469)
DIVIDED BY WEIGHTED AVERAGE NUMBER OF COMMON SHARES	1,661,666,665	1,661,666,665
EARNINGS PER SHARE	(0.0053)	(0.0008)

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF MARCH 31,2019 AND 2018

	UNAUDITED	
	31-Mar-19	**31-Mar-18**
CAPITAL STOCK P0.20 PAR VALUE		
AUTHORIZED - 4,500,000,000 SHARES		
ISSUED AND OUTSTANDING	332,333,333	332,333,333
SUBSCRIBED AND OUTSTANDING		
TOTAL CAPITAL STOCK	332,333,333	332,333,333
ADDITIONAL PAID-IN CAPITAL	223,000,000	223,000,000
ACTUARIAL GAIN/(LOSS) ON DEFINED BENEFIT OBLIGATION	(161,869)	58,349
RETAINED EARNINGS		
Balance at Beginning of Year	381,732,411	455,172,509
Other Equity Reserve	39,821,375	
Net Income	(8,814,974)	(1,358,469)
Balance at End of Year	412,738,812	453,814,040
TOTAL STOCKHOLDERS' EQUITY	**967,910,277**	1,009,205,722

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED AGING OF CONTRACT RECEIVABLES
AS OF MARCH 31,2019

	< 30 DAYS	30 - 60 DAYS	> 60 DAYS	TOTAL
	98,200,830	207,212	5,527,605	103,935,647
CONTRACT RECEIVABLES	98,200,830	207,212	5,527,605	103,935,647

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF MARCH 31,2019 AND 2018

	31-Mar-19	**31-Mar-18**
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME (LOSS)	(8,814,974)	(1,358,469)
ADJUSTMENT FOR:		
DEPRECIATION/AMORTIZATION	1,313,507	2,002,110
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL		
CHANGES IN OPERATING ASSETS AND LIABILITIES		
DECREASE (INCREASE) IN:		
RECEIVABLES	86,052,372	36,935,954
CONTRACT ASSET	2,715,562	
REAL ESTATE HELD FOR SALE AND DEVELOPMENT	(63,848,444)	(23,384,338)
LAND AND IMPROVEMENT		(37,808)
OTHER CURRENT ASSETS	(5,151,375)	(5,072,310)
INCREASE (DECREASE) IN:		
ACOUNTS AND OTHER PAYABLES	(70,071,771)	(17,353,998)
REFUNDABLE DEPOSIT	600,000	2,122,937
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(57,205,123)	(6,145,922)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(ACQUISITION) DISPOSALS OF PROPERTY AND EQUIPMENT	(49,120)	(136,040)
DECREASE (INCREASE) IN:		
INVESTMENT IN PRC		
OTHER NONCURRENT ASSETS	(64,076,162)	(554,500)
RECEIVABLES-NET OF CURRENT PORTION		(313,510)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(64,125,282)	(1,004,050)
CASH FLOWS FROM FINANCING ACTIVITIES:		
INCREASE (DECREASE) IN CAPITAL	-	
SHORT TERM LOAN	130,000,000	
PROCEEDS FROM ISSUANCE OF CAPITAL STOCK	-	
DIVIDEND PAID		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	130,000,000	-
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANK	8,669,595	(7,149,972)
CASH ON HAND AND IN BANK AT BEGINNING OF YEAR	42,093,963	16,008,082
CASH ON HAND AND IN BANK AT END OF QUARTER	**50,763,559**	8,858,110

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	3	3	8	2	8					

C O M P A N Y   N A M E

PRIMEX CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

GROUND FLOOR, RICHBELT TERRACES, 19 ANNAPOLIS STREET, GREENHILLS, SAN JUAN, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
primexgroup_pc@yahoo.com	722-5417 / 722-8078	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
20	06/22	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ernesto O. Ang	primexgroup_pc@yahoo.com	722-5400	–

CONTACT PERSON's ADDRESS

G/F Richbelt Terraces, 19 Annapolis St., Greenhills, San Juan

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do 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.*

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Adoption of PFRS 9, Financial Instruments

Effective January 1, 2018, the Group adopted Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments* using the modified retrospective approach. PFRS 9, which replaced Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group's adoption of PFRS 9 is a key audit matter as it involves the exercise of significant management judgment and estimation.

1. Classification and Measurement of Financial Assets

As at January 1, 2018, the Group classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. The financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were also classified based on the PFRS 9 classification criteria.

The Group's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the consolidated financial statements.

The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the approved business models for the Group's portfolios of financial assets. We compared the parameters set within the business models with the investment/risk management policies of the Group.

We evaluated the disclosures on the adoption of the PFRS 9 classification criteria made in the consolidated financial statements.

2. Expected Credit Loss (ECL)

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

The Group's carrying value of receivables and contract assets amounted to ₱194.69 million and ₱86.35 million, respectively, as of December 31, 2018.

Refer to Notes 2 and 5 to the consolidated financial statements for the disclosure on the Group's transition adjustments and details of the allowance for expected credit losses using the ECL model, respectively.

Audit response

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

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

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

We test computed the transition adjustments and recalculated impairment provisions on a sample basis. We evaluated the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves the application of significant judgment and estimation in the following areas: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) application of the input method as the measure of progress in determining real estate revenue; and (4) determination of the actual costs incurred as cost of sales.

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

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

In measuring the progress of its performance obligation over time, the Group uses the input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the actual costs incurred as accumulated by the accounting department including estimates of the costs incurred on materials, labor and overhead which have not yet been billed by the contractor, and the estimation of the total costs of the real estate project which requires technical inputs from project engineers.

The disclosures related to the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

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

For the identification of the documentation for sale of real estate property that would meet the requirements of PFRS 15, our audit procedures included, among others, the involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the documentation against previous court decisions, buyers' behavior and industry practices.

For the buyers' equity, 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.

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

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

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) and SEC Form 17-A for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. A-816-A (Group A),
January 31, 2019, valid until May 31, 2019
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

April 15, 2019

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017 (As restated - see Note 2)
ASSETS		
Current Assets		
Cash (Notes 4 and 22)	**₱42,093,963**	₱16,008,082
Receivables (Notes 5 and 22)	**194,688,031**	218,759,439
Contract assets (Note 6)	**22,759,156**	–
Real estate held for sale and development - at cost (Note 7)	**1,469,026,913**	1,566,634,488
Other current assets (Note 9)	**224,036,801**	261,052,653
Total Current Assets	**1,952,604,864**	2,062,454,662
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 22)	**–**	67,619,988
Contract assets - net of current portion (Note 6)	**63,594,475**	–
Investment properties (Note 8)	**83,843,530**	62,958,916
Property and equipment (Note 10)	**9,614,821**	13,513,551
Deferred tax assets - net (Note 18)	**29,200,432**	12,265,142
Other noncurrent assets (Note 9)	**4,514,916**	4,514,916
Total Noncurrent Assets	**190,768,174**	160,872,513
	₱2,143,373,038	₱2,223,327,175
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Notes 12 and 22)	**₱200,000,000**	₱–
Accounts and other payables (Notes 11, 13 and 22)	**814,472,075**	1,171,975,994
Contract liabilities (Note 6)	**122,645,777**	–
Income tax payable	**8,915,851**	11,670,471
Total Current Liabilities	**1,146,033,703**	1,183,646,465
Noncurrent Liabilities		
Long-term loans (Notes 12 and 22)	**2,000,000**	–
Pension liability (Note 15)	**5,629,811**	4,838,982
Refundable deposits (Notes 11 and 22)	**12,984,274**	9,427,536
Total Noncurrent Liabilities	**20,614,085**	14,266,518
Total Liabilities	**1,166,647,788**	1,197,912,983
Equity (Note 14)		
Equity attributable to equity holders of the Parent Company		
Capital stock	**332,333,333**	332,333,333
Additional paid-in capital	**223,000,000**	223,000,000
Retained earnings	**381,732,411**	415,291,406
Other equity reserve	**39,821,375**	(10,661,455)
Remeasurement gain (loss) on defined benefit plan (Note 15)	**(161,869)**	118,078
	976,725,250	960,081,362
Non-controlling interests (Note 21)	**–**	65,332,830
Total Equity	**976,725,250**	1,025,414,192
	₱2,143,373,038	₱2,223,327,175

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE AND OTHER INCOME			
Sales (Note 17)	**₱233,508,332**	₱233,829,727	₱554,850,035
Interest income from real estate sales (Notes 5 and 6)	**19,639,338**	9,391,481	9,251,579
Rent income (Note 8)	**11,083,935**	1,049,141	–
Miscellaneous income (Note 16)	**25,903,899**	24,129,497	25,674,347
	290,135,504	268,399,846	589,775,961
COSTS AND EXPENSES			
Cost of real estate sales and services (Notes 7 and 17)	**130,178,862**	99,054,042	294,369,741
Operating expenses (Note 17)	**38,917,339**	38,971,454	29,720,020
Interest expense (Notes 11 and 12)	**3,128,028**	719,025	1,745,950
	172,224,229	138,744,521	325,835,711
INCOME BEFORE INCOME TAX	**117,911,275**	129,655,325	263,940,250
PROVISION FOR INCOME TAX (Note 18)	**35,523,420**	40,577,677	78,832,232
NET INCOME	**82,387,855**	89,077,648	185,108,018
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on defined benefit obligation (Note 15)	**(399,924)**	164,087	(216,103)
Income tax effect (Note 18)	**119,977**	(49,226)	64,831
	(279,947)	114,861	(151,272)
TOTAL COMPREHENSIVE INCOME	**₱82,107,908**	₱89,192,509	₱184,956,746
Net income attributable to:			
Equity holders of the Parent Company	**₱82,387,855**	₱88,628,405	₱172,541,029
Non-controlling interests (Note 21)	–	449,243	12,566,989
	₱82,387,855	₱89,077,648	₱185,108,018
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱82,107,908**	₱88,741,913	₱172,412,380
Non-controlling interests (Note 21)	–	450,596	12,544,366
	₱82,107,908	₱89,192,509	₱184,956,746
Basic/Diluted Earnings Per Share (Note 19)	**₱0.0496**	₱0.0533	₱0.1067

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Parent Company							
	Capital Stock (Note 14)	**Additional Paid-in Capital**	**Retained Earnings** (Note 14)	**Other Equity Reserve** (Note 14)	**Remeasurement Gain (loss) on Defined Benefit Plan** (Note 15)	**Total**	**Non-Controlling Interests** (Note 21)	**Total**
	For the year ended December 31, 2018							
As of January 1, 2018, as previously reported	**₱332,333,333**	**₱223,000,000**	**₱415,291,406**	**(₱10,661,455)**	**₱118,078**	**₱960,081,362**	**₱65,332,830**	**₱1,025,414,192**
Effect of adoption of new accounting standards (Note 2)	–	–	**(24,555,183)**	–	–	**(24,555,183)**	–	**(24,555,183)**
As of January 1, 2018, as restated	**332,333,333**	**223,000,000**	**390,736,223**	**(10,661,455)**	**118,078**	**935,526,179**	**65,332,830**	**1,000,859,009**
Net income	–	–	**82,387,855**	–	–	**82,387,855**	–	**82,387,855**
Other comprehensive income	–	–	–	–	**(279,947)**	**(279,947)**	–	**(279,947)**
Total comprehensive income	–	–	**82,387,855**	–	**(279,947)**	**82,107,908**	–	**82,107,908**
Effect of acquisition of non-controlling interests (Note 1)	–	–	–	**50,482,830**	–	**50,482,830**	**(65,332,830)**	**(14,850,000)**
Cash dividends declared	–	–	**(91,391,667)**	–	–	**(91,391,667)**	–	**(91,391,667)**
As of December 31, 2018	**₱332,333,333**	**₱223,000,000**	**₱381,732,411**	**₱39,821,375**	**(₱161,869)**	**₱976,725,250**	**₱–**	**₱976,725,250**
	For the year ended December 31, 2017							
As of January 1, 2017	₱323,333,333	₱52,000,000	₱326,708,001	₱10,396,093	₱4,570	₱712,441,997	₱127,974,686	₱840,416,683
Net income	–	–	88,628,405	–	–	88,628,405	449,243	89,077,648
Other comprehensive income	–	–	–	–	113,508	113,508	1,353	114,861
Total comprehensive income	–	–	88,628,405	–	113,508	88,741,913	450,596	89,192,509
Effect of acquisition of non-controlling interests	–	–	–	(21,057,548)	–	(21,057,548)	(63,092,452)	(84,150,000)
Stock issuance	9,000,000	171,000,000	–	–	–	180,000,000	–	180,000,000
Stock issuance cost			(45,000)			(45,000)	–	(45,000)
As of December 31, 2017	₱332,333,333	₱223,000,000	₱415,291,406	(₱10,661,455)	₱118,078	₱960,081,362	₱65,332,830	₱1,025,414,192

(Forward)

	Equity attributable to equity holders of the Parent Company							
	Capital Stock (Note 14)	Additional Paid-in Capital	Retained Earnings (Note 14)	Other Equity Reserve (Note 14)	Remeasurement Gain on Defined Benefit Plan (Note 15)	Total	Non-Controlling Interests (Note 21)	Total
	For the year ended December 31, 2016							
As of January 1, 2016	₱323,333,333	₱52,000,000	₱155,486,972	₱–	₱133,219	₱530,953,524	₱126,006,413	₱656,959,937
Net income	–	–	172,541,029	–	–	172,541,029	12,566,989	185,108,018
Other comprehensive loss	–	–	–	–	(128,649)	(128,649)	(22,623)	(151,272)
Total comprehensive income (loss)	–	–	172,541,029	–	(128,649)	172,412,380	12,544,366	184,956,746
Effect of acquisition of non-controlling interests	–	–	–	10,396,093	–	10,396,093	(10,396,093)	–
Stock issuance cost	–	–	(1,320,000)	–	–	(1,320,000)	(180,000)	(1,500,000)
As of December 31, 2016	₱323,333,333	₱52,000,000	₱326,708,001	₱10,396,093	₱4,570	₱712,441,997	₱127,974,686	₱840,416,683

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱117,911,275**	₱129,655,325	₱263,940,250
Adjustments for:			
Depreciation and amortization (Notes 8, 10 and 17)	**4,928,671**	5,604,328	5,413,827
Interest expense (Notes 11 and 12)	**3,128,028**	719,025	1,745,950
Retirement expense (Notes 15 and 17)	**390,905**	364,238	340,553
Interest income (Notes 4, 5 and 6)	**(19,681,660)**	(9,402,767)	(9,263,507)
Operating income before changes in working capital	**106,677,219**	126,940,149	262,177,073
Decrease (increase) in:			
Receivables and contract assets	**9,785,386**	(67,881,043)	(109,802,053)
Real estate held for sale and development	**44,222,679**	(214,160,805)	(64,256,882)
Other current assets	**37,015,852**	(213,019,616)	19,049,225
Costs and estimated earnings in excess of billings on uncompleted contract	–	128,000,000	(128,000,000)
Increase (decrease) in accounts and other payables and contract liabilities	**(246,611,191)**	191,412,097	447,922,342
Cash generated from (used in) operations	**(48,910,055)**	(48,709,218)	427,089,705
Interest received	**14,596,495**	4,105,889	5,067,389
Interest paid (Note 24)	**(2,668,243)**	–	(12,461,792)
Income taxes paid, including final and creditable withholding taxes	**(44,569,700)**	(75,655,750)	(39,724,637)
Net cash provided by (used in) operating activities	**(81,551,503)**	(120,259,079)	379,970,665
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Note 8)	**(2,254,060)**	(2,157,092)	(13,824,982)
Property and equipment (Note 10)	**(716,889)**	(4,450,522)	(1,947,027)
Decrease (increase) in other noncurrent assets	–	(7,245,049)	(14,905,746)
Net cash provided by (used in) investing activities	**(2,970,949)**	(13,852,663)	(30,677,755)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loans (Notes 12 and 24)	**202,000,000**	–	70,000,000
Issuance of stocks (Note 14)	–	180,000,000	–
Payments of:			
Cash dividends (Note 14)	**(91,391,667)**	–	–
Stock issuance cost (Note 14)	–	(45,000)	(1,500,000)
Loans (Notes 12 and 24)	–	(75,952,201)	(401,382,015)
Net cash provided by (used in) financing activities	**110,608,333**	104,002,799	(332,882,015)
NET INCREASE (DECREASE) IN CASH	**26,085,881**	(30,108,943)	16,410,895
CASH AT BEGINNING OF YEAR	**16,008,082**	46,117,025	29,706,130
CASH AT END OF YEAR (Note 4)	**₱42,093,963**	₱16,008,082	₱46,117,025

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Primex Corporation (the Parent Company) is domiciled and was incorporated in the Republic of the Philippines on July 17, 1986 with a corporate life of 50 years. The Parent Company is engaged in the real estate business to purchase, lease, or in any manner dispose of or deal with land and other real property and any interest therein. The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange.

On March 30, 2015, the Board of Directors (BOD) approved the purchase of a 70% stake equivalent to 1,400,000 common shares in Primex Realty Corporation (PRC) at a par value of ₱100.00 per share. On the same date, a subscription agreement was entered into by PRC and the Parent Company whereby PRC agreed to issue the 1,400,000 common shares for a price of ₱100.00 per share (see Note 22).

On November 27, 2015, the Parent Company subscribed to an additional 18% stake in PRC. In December 2015, PRC applied to SEC for an increase in authorized capital stock, from ₱200.00 million to ₱700.00 million and has changed the par value of its stock from ₱100.00 to ₱0.20 per share, resulting in an authorized capital stock of 3,500,000,000 shares. The SEC approved the increase in authorized capital stock on March 18, 2016.

On September 7, 2017, the Parent Company entered into a subscription agreement with Primex Housing Dev't Corp. (PHDC) to purchase 41,958,000 shares at par value of ₱1.00 per share, acquiring 100% ownership in PHDC. The subsidiary was incorporated in the Republic of the Philippines on August 18, 2017.

On November 21, 2017, the Parent Company's BOD approved the purchase of a 12% stake equivalent to 300,000,000 shares in Primex Realty Corporation (PRC) at a par value of ₱0.20 per share. On November 24, 2017, the Parent Company entered into a subscription agreement to purchase 10.2% stake in PRC. Subsequently, on January 17, 2018, the Parent Company acquired the remaining 1.8% stake in PRC, thereby taking 100% control of PRC.

The effect of the increase in the additional 10.2% equity interest in 2017 is considered as a change in the Parent Company's ownership which resulted to a decrease in the equity attributable to non-controlling interests and other equity reserve amounting to ₱63.10 million and ₱21.06 million, respectively. Subsequently, the acquisition of the remaining non-controlling interest of 1.8% in 2018 increased the other equity reserve of ₱50.48 million (see Note 14).

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and its subsidiaries as follow:

	Nature of Business	December 31 **2018**	December 31 2017
Primex Realty Corporation (PRC)	Real Estate	**100.0%**	98.2%
Primex Housing Dev't Corp. (PHDC)	Real Estate	**100.0%**	100%

PRC and PHDC are both domiciled and was incorporated in the Republic of the Philippines on October 1, 1979 and August 18, 2017, respectively.

The registered office address of Primex Corporation and its subsidiaries (the Group) is at Ground Floor, Richbelt Terraces, 19 Annapolis Street, Greenhills, San Juan, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue by the BOD on April 15, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is the Parent Company's functional currency. All amounts are rounded to the nearest Philippine Peso unit unless otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries over which the Parent Company has control. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Specifically, the Parent Company controls an investee if and only if the Parent Company has all the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control or until the date when the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling Interests
Non-controlling interests (NCI) represent the portion of income and expense and net assets in subsidiaries that are not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from the equity attributable to the equity holders of the Parent Company.

Combinations of Entities Under Common Control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Adoption of New and Amended Accounting Standards and Interpretation
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2018. Unless otherwise indicated, the Group does not expect that the adoption of the said pronouncements will have a significant impact on its consolidated financial statements.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity. The adoption of PFRS 9 did not have a material impact on the Company's total liabilities, net income and OCI or on the Company's operating, investing and financing cash flows.

Classification and measurement
The measurement category and the carrying amount of financial assets and liabilities in accordance with PAS 39 and PFRS 9 as of January 1, 2018 are compared as follows:

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	Fair value through profit or loss	Amortized cost	Fair value through OCI
Loans and receivables				
Cash	₱16,008,082	₱–	₱16,008,082	₱–
Receivables*	286,379,427	–	286,379,427	–
	₱302,387,509	₱–	₱302,387,509	₱–

**Prior to recognition of expected credit loss*

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

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

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. Cash and receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning January 1, 2018.

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

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

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

The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given installment contracts receivables and contract assets pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the Probability of Default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

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

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

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

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

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

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

The use of ECL upon adoption of PFRS 9 resulted to an impairment loss of ₱0.64 million as at January 1, 2018. This resulted to a decrease in retained earnings and increase in deferred tax asset of ₱0.45 million and ₱0.19 million, respectively.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.
  On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:
  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

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

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

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

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

The Group availed of the deferral of adoption of the above provisions of PIC Q&As on accounting for significant financing component and cancellation of real estate sales. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original cost.

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

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

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

	As previously reported December 31, 2017	Reference	Adjustment	As restated January 1, 2018
Contract assets	₱–	(a)	₱95,862,645	₱95,862,645
Contract liabilities	–	(a)	269,707,599	269,707,599
Deferred tax assets	12,265,142	(b)	10,332,387	22,597,529
Real estate held for sale and development	1,566,634,488	(b)	(34,441,289)	1,532,193,199
Retained earnings*	415,291,406	(b)	(24,108,903)	391,182,503

**Before PFRS 9 transition adjustment*

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

The statement of financial position as of December 31, 2018 follows:

		Amounts prepared under		
	Reference	**PFRS 15**	Previous PFRS	Increase (Decrease)
ASSETS				
Current Assets				
Receivables (Note 5)	(a)	**₱194,688,031**	₱217,447,187	(₱22,759,156)
Contract assets (Note 6)	(a)	**22,759,156**	–	22,759,156
Real estate held for sale and development (Note 7)	(b)	**1,469,026,913**	1,519,140,923	(50,114,010)
Total Current Assets		**1,686,474,100**	1,736,588,110	(50,114,010)
Noncurrent Assets				
Receivables - net of current portion (Note 5)	(a)	–	63,594,475	(63,594,475)
Noncurrent contract assets (Note 6)	(a)	**63,594,475**	–	63,594,475
Deferred tax assets (Note 18)	(b)	**29,200,432**	14,166,229	15,034,203
Total Noncurrent Assets		**92,794,907**	77,760,704	15,034,203
Total Assets		**₱1,779,269,007**	₱1,814,348,814	(₱35,079,807)
LIABILITIES AND EQUITY				
Current Liabilities				
Contract liabilities (Note 6)	(a)	**₱122,645,777**	₱–	₱122,645,777
Accounts and other payables (Note 11)	(a)	**814,472,075**	937,117,852	(122,645,777)
Total Current Liabilities		**937,117,852**	937,117,852	–
Equity				
Retained earnings	(b)	**381,732,411**	416,812,218	(35,079,807)
Total Liabilities and Equity		**₱1,318,850,263**	₱1,353,930,070	(₱35,079,807)

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 are described below:

(a) Contract balances
The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivable, as contract asset while the excess of collection or receivable over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from installment contracts receivables while contract liabilities are presented as customers' deposit under "Accounts and other payables". For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate while for those receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

The above resulted to reclassification of Installment contracts receivable under "Receivables" by ₱95.86 million to Contract assets and reclassification of Customers' deposits of ₱269.71 million to Contract liabilities in the consolidated statements of financial position as of January 1, 2018.

(b) Cost recognition
Before the adoption of PFRS 15, cost of real estate sales was determined on the basis of the acquisition of cost of the land, plus its full development costs, which includes estimated costs for future development works, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Under PFRS 15, cost of real estate sales recognized by the Group includes the following costs allocated to sold units: actual development costs incurred during year; and fulfillment costs (i.e., land costs and connection fees) applied with the incremental POC of the project. Uninstalled materials are capitalized as asset and only form part of expense when consumed to satisfy the performance obligation.

As of January 1, 2018, the Group's change in measurement of prior years' cost of real estate sales resulted to the decrease in real estate held for sale and development and retained earnings by ₱34.44 million and ₱24.11 million, respectively, and increase in deferred tax assets by ₱10.33 million.

For the year ended December 31, 2018, due to the adoption of PFRS 15, real estate held for sale and development and cost of real estate sales and services decreased by ₱15.67 million.

PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification
The Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, PAS 1- *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position as of January 1, 2017.

	As previously reported	Adjustment	As restated
Current assets			
Real estate held for sale and development	₱1,015,456,742	₱337,016,941	₱1,352,473,683
Noncurrent assets			
Land held for future development	397,818,765	(397,818,765)	–
Investment properties	–	60,801,824	60,801,824

Land and improvements include land which are composed of land properties previously approved by the Board of Directors upon purchase, to be developed into either (1) real estate development for sale, and (2) commercial properties for leasing and for capital appreciation. Before the adoption of PIC Q&A 2018-11, these were classified as one line item under land held for future development and the classification into current and non-current asset was based on the Group's timing to start the development of the property. Upon adoption of PIC Q&A 2018-11 effective January 1, 2018, these were classified accordingly into real estate held for sale and development or investment property, as applicable.

The classification of advances to contractors and suppliers has no significant impact to the Group as all advances are attributable to inventories.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The Group has no share-based payment transactions. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, A*pplying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on

transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, I*nvestments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

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

  The amendments are not applicable to the Group since the Group has no investments in associates and joint ventures.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

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

  Since the Group's current practice is in line with the clarifications issued, the amendments have no effect on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

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

  Since the Group's current practice is in line with the clarifications issued, the interpretation has no effect on its consolidated financial statements.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

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

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

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

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

The interpretation specifically addresses the following:

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

- How an entity considers changes in facts and circumstances

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

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

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

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

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

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3*, Definition of a Business*

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

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

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

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

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

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

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

<u>Current versus Non-current Classification</u>
The Group presents assets and liabilities in 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 twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

<u>Cash</u>
Cash includes cash on hand and in banks. Cash in banks are stated at nominal amount and earn interest at prevailing bank deposit rates.

<u>Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases

or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes cash and receivables.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at fair value through OCI.

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

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

The Group does not have equity instruments at fair value through OCI.

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

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

The Group does not have financial assets at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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

ECL. The Group uses the ratings from Standard and Poor's (S&P) and Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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

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

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

The Group's financial liabilities include accounts and other payables, loans payable, advances to affiliates and refundable deposits.

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

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

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

PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

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

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

This category generally applies to loans payable.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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

<u>Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the settlement date accounting.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity financial assets, or available-for-sale (AFS) financial assets, as appropriate. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2017, the Group's financial instruments are of the nature of loans and receivables and other financial liabilities.

Day 1 profit
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 under "Interest income" unless it qualifies for recognition as some other type of asset or liability. 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 'Day 1' difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the "Interest income" account in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2017, the Group's loans and receivables include "Cash" and "Receivables".

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated as financial assets at FVPL, HTM investments, or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. The Group has no AFS financial assets.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when liabilities are derecognized.

This accounting policy applies primarily to “Accounts and other payables” account (excluding customers’ deposits, advance rent and statutory liabilities), “Refundable deposits”, “Short-term and long-term loans payable” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liability).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
A financial asset (or, where applicable, a part of a financial asset) is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

<u>Impairment of Financial Assets</u>
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is 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 has 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 borrower or a Group of borrowers 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.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss.

Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets at cost
If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

Fair Value
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.

Fair value hierarchy
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.

The Group's management determines the policies and procedures for recurring fair value measurement of financial assets.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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.

Real Estate Held for Sale and Development
Real estate held for sale and development consists of property constructed for sale, subdivision land for sale and development and land and improvements. Land and improvements classified under "Real Estate Held for Sale and Development" are properties under development and are expected to be completed within one year.

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 real estate held for sale and development and is valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and sell.

Cost includes the purchase price of land and costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Amounts paid to contractors and suppliers in advance are not part of real estate held for sale and development but presented as "Advances to contractors and suppliers" under "Other current assets" in the consolidated statement of financial position.

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

The Group currently recognizes land held for lease as a portion of real estate held for sale and development and is intended for sale. In cases when sale is made during the lease period, the Group shall assume all obligations and will indemnify the lessee for damages suffered.

Construction Materials, Parts and Supplies
Inventories are valued at the lower of cost or NRV.

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 VAT 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 net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the Group's consolidated statement of financial position.

Investment Properties
Investment properties comprise land and improvements and commercial spaces that are held to earn rentals and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of investment properties which is comprised of building is 30 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation commences once the assets are available for use and is computed on a straight-line basis over the following estimated useful lives of the assets:

	Years
Transportation equipment	5
Office furniture, fixtures and equipment	10
Leasehold improvements	5 or term of the lease, whichever is shorter

The asset's residual values, useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment loss are removed from the accounts, and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts while still in use although no further depreciation is credited or charged to current operations.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that property and equipment, investment properties and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes a formal estimate of 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, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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 recoverable amount is estimated. 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital stock and additional paid-in capital

The Group records capital stock at par value and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred which are directly attributable to the issuance of new shares are deducted from additional paid-in capital.

Retained earnings

Retained earnings represent accumulated earnings of the Group less dividends declared, and any adjustments arising from application of new accounting standards, policies on corrections of errors applied retrospectively.

Other equity reserve
Other equity reserve pertain to the additional ownership acquired from the Group's non-controlling interests.

Other Comprehensive Income (OCI)
OCI includes items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Group's OCI pertains to remeasurement losses arising from defined benefit pension plan which cannot be recycled to profit or loss.

Revenue Recognition effective January 1, 2018
Revenue from Contracts with Customers
The Group primarily derives its real estate revenue from the sale of lots and condominium units. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its retail spaces, wherein it is acting as agent.

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

Real estate sales
The Group derives its real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the costs accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

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

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

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

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

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

Contract Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue and Cost Recognition prior to January 1, 2018
Revenue 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. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes. The following specific recognition criteria must also be met before revenue is recognized:

Real estate revenue
Revenue from sales of completed real estate projects ("subdivision land held for sale and development" and "land and improvements" under real estate held for sale and development) is accounted for using the full accrual method. Under this method, the revenue is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectability of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally-financed accounts; and, (b) the downpayment comprising a substantial portion of the contract price is received

and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Revenue from sales of uncompleted real estate project ("condominium units" under real estate held for sale and development) is accounted for using percentage-of-completion (POC) method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project. Any excess of collections over the recognized receivables are included in the "Customers' deposits" account under "Accounts and other payables" in the liabilities section of the consolidated statement of financial position.

If the above criteria are not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented in "Customers' deposits" account under "Accounts and other payables" in the liabilities section of the consolidated statement of financial position.

Revenue from construction contracts and construction costs
Revenue from construction contracts is recognized using the POC method of accounting and is measured principally on the basis of the estimated proportion of costs incurred to date over the total budget for the construction (Cost-to-cost method). Contract revenue is comprised of amount of revenue agreed in the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed.

Rental income
Rental income from noncancellable operating leases is recognized on a straight-line basis over the lease term. Rental income from cancellable operating leases is recognized based on terms of the lease contract.

Interest income
Interest is recognized as it accrues using the effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Miscellaneous income
Forfeiture of collections and penalties for late payments are recognized based on the contractual terms of the agreement.

Cost of Real Estate Sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of 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 inventory 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 for revenue recognition purposes.

Operating Expenses

Operating expenses include general and administrative expenses. General and administrative expenses constitute costs of administering the business. These expenses are recognized as incurred and measured based on the amounts paid or payable.

Commission Expense

Commissions paid to sales or marketing agents on the sale of completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included under "Cost of real estate sales" in profit or loss.

Operating 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 an 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.

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

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in "Real estate held for sale and development" account in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Pension Expense

The pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning projected salaries.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the defined benefit liability
- Remeasurements of defined benefit liability

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.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Taxes

Current income tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits or unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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 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 all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is 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 as at the reporting date.

Deferred tax relating to items recognized outside of profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period adjusted for any stock dividends issued. Diluted EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period after giving effect to assumed conversion of potential common shares. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

Segment Reporting

The Group's business is organized and managed according to nature of the products and services provided comprising of construction and real estate operations. Financial information on business segment is presented in Note 23.

Provisions

Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 assessments 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These 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 disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events up to the date the consolidated financial statements were authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Revenue recognition upon adoption of PFRS 15
Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. In cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, official receipts and buyer's computation sheets would contain all the criteria to qualify as contract with customers under PFRS 15. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history of the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

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

Revenue recognition prior to adoption of PFRS 15
Revenue and cost recognition and collectability of the sales price
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale - the Group considers that initial and continuing investments by the buyer of at least 25% would demonstrate the buyer's commitment to pay; and,
- Stage of completion of the project.

Impairment testing of financial assets and contract assets upon adoption of PFRS 9
Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Distinction between real estate held for sale and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate held for sale and development). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Impairment of nonfinancial assets
The Group assesses impairment on its nonfinancial assets (i.e., property and equipment, investment properties and other current assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and,
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect the carrying amount of the assets.

As of December 31, 2018 and 2017, carrying values follow:

	2018	2017
Property and equipment (Note 10)	**₱9,614,821**	₱13,513,551
Investment properties (Note 8)	**83,843,530**	62,958,916
Construction materials, parts and supplies (Note 7)	**205,538,119**	205,538,119
Advances to contractors and suppliers (Note 7)	–	19,050,411

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed as follows:

Revenue recognition upon adoption of PFRS 15
The Group's real estate sales is based on the percentage-of-completion method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses.

Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Revenue recognition prior to adoption of PFRS 15
Revenue and cost recognition – real estate sales
The Group's revenue from real estate sales of uncompleted projects are recognized based on the POC method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of condominium units and receivables.

Management also regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of initial investment before allowing revenue recognition.

Real estate sales and cost of sales under the POC method amounted to ₱205.26 million and ₱80.44 million in 2017, respectively.

Revenue and cost recognition – construction contract
The Group's construction revenue is based on the percentage of completion measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:

(a) whether work has commenced on the contract;
(b) the stage of completion of contract activity; or
(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its on-going construction project and used the above guidance in determining whether the project's contract cost exceeds its contract revenues. There is no assurance that the use of estimates may not result in material adjustments in future periods.

Revenue from construction contracts and direct costs amounted to ₱28.57 million and ₱18.61 million in 2017 and ₱257.14 million and ₱167.64 million in 2016, respectively (see Note 17).

Provision for expected credit losses of trade receivables and contract assets – effective January 1, 2018
The Group uses vintage analysis approach to calculate ECLs for installment contracts receivables and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's receivables and contract assets is disclosed in Notes 5 and 6. As of December 31, 2018 and 2017, the carrying value of receivables and contract assets amounted to ₱194.67 million and ₱86.35 million, respectively.

Allowance for impairment losses on real estate installment contracts receivable – effective prior to January 1, 2018
The Group maintains an allowance for impairment losses at a level based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expenses for any period would differ depending on the judgments and estimates made for the year.

The installment contracts receivables are collateralized by the corresponding real estate properties sold. In cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices. As of December 31, 2017, the Group has not provided any allowance for impairment losses on its real estate installment contracts receivables. The carrying value of installment contracts receivables amounted to ₱267.39 million as of December 31, 2017 (see Note 5).

Evaluation of NRV of real estate held for sale and development
The Group reviews the NRV of real estate inventories, which are recorded under "Real estate held for sale and development" in the consolidated statement of financial position, and compares it with the cost, since assets should not be carried in excess of amounts expected to be realized from sale. Real estate held for sale and development are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in light of recent market transactions and having taken suitable external advice. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction.

The Group estimates that the NRV of real estate held for sale and development is greater than its cost. The carrying value of real estate held for sale and development amounted to ₱1,469.03 million and ₱1,566.63 million as of December 31, 2018 and 2017, respectively (see Note 7).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income on which deferred tax assets can be applied. The Group recognized deferred tax assets

amounting to ₱34.02 million and ₱16.26 million as of December 31, 2018 and 2017, respectively (see Note 18).

Estimating pension cost and obligation
The determination of the Group's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The salary increase rate was assumed taking into consideration the prevailing inflation rate and Group policy. The turnover rate was assumed based on the result of the most recent experience study of margins for fluctuations.

Those assumptions are described in Note 15. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect pension obligation. The carrying value of pension liability amounted to ₱5.63 million and ₱4.84 million as of December 31, 2018 and 2017, respectively (see Note 15).

4. Cash

	2018	2017
Cash in banks	**₱42,073,963**	₱16,008,082
Cash on hand	**20,000**	–
	₱42,093,963	₱16,008,082

Cash in banks earn interest at the respective bank deposit rate of 0.25% in 2018, 2017 and 2016.

Interest income derived from cash in banks amounted to ₱42,322, ₱11,286, and ₱11,928 in 2018, 2017 and 2016, respectively (Note 16).

5. Receivables

This account consists of:

	2018	2017
Installment contracts receivable	**₱162,898,894**	₱267,392,642
Interest receivable	**14,947,287**	9,862,122
Advances to Homeowners' Association	**4,400,000**	4,400,000
Accrued rent receivable (Note 20)	**11,475,184**	3,120,445
Others	**1,604,218**	1,604,218
	195,325,583	286,379,427
Less allowance for expected credit loss	**637,552**	–
	194,688,031	286,379,427
Less noncurrent portion	–	67,619,988
Current portion	**₱194,688,031**	₱218,759,439

The details of installment contracts receivable follow:

	2018	2017
Installment contracts receivable	**₱162,898,894**	₱268,168,120
Less unamortized discount	–	775,478
Net contracts receivable	**162,898,894**	267,392,642
Less noncurrent portion	–	63,219,988
Current portion	**₱162,898,894**	₱204,172,654

Movements in the unamortized discount of the Group's receivables as of December 31, 2017 follow:

	2017
Balance at beginning of year	₱843,294
Additions	155,311
Accretion	(223,127)
Balance at end of year	₱775,478

Installment contracts receivable are collectible in equal monthly principal installments with various terms up to a maximum of 10 years and are secured by the related property sold from real estate held for sale. The receivables bear fixed interest rates of 9.50% per annum computed on the diminishing balance of the principal, except for those that are with installment schemes within two (2) to ten (10) years. Titles to the sold units are transferred to the buyers only upon full payment of the contract price.

As of December 31, 2017, receivables with a nominal amount of ₱63.06 million, were initially recorded at fair value. These represent noninterest-bearing receivables collectible in 2 to 10 years. The fair value upon initial recognition is derived using discounted cash flow model with discount rates ranging from 3.04% to 3.79% in 2017.

The Group recognized interest income pertaining to its receivables amounting to ₱19.64 million, ₱9.39 million and ₱9.25 million in 2018, 2017 and 2016, respectively.

The Group's allowance for expected credit losses on installment contracts receivables and accrued rent receivables amounted to ₱0.63 million and ₱0.01 million, respectively, as of December 31, 2018. The carrying value of the Groups's installment contracts receivables and accrued rent receivables as of December 31, 2018 amounted to ₱162.27 million and ₱11.46 million, respectively (see Note 2).

Interest receivable pertains to the interest due from the customers with long-term interest-bearing amounts due to the Group.

Advances to Homeowners' Association pertain to receivable from Goldendale and Richdale Village Homeowners' Association to fund its daily expenses. These are unsecured and have no fixed terms in relation to these advances.

Accrued rent receivable pertains to the lease receivable from the rent of the Group's properties.

6. Contract Balances

This account consists of:

	2018
Contract assets	
Current	₱22,759,156
Noncurrent	63,594,475
	₱86,353,631
Contract liabilities	₱122,645,777

Contract assets represent the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the customer is already due for collection.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

The amount of revenue recognized in 2018 from amounts included in contract liabilities at the beginning of the year amounted to ₱71.26 million.

As of December 31, 2018, nominal amount of contract assets amounting to ₱87.34 million was recorded initially at fair value. The fair values of the contract assets were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's contract assets as of December 31, 2018 follow:

	2018
Balance at beginning of year	₱775,478
Additions	280,967
Accretion	(72,160)
Balance at end of year	₱984,285

7. Real Estate Held for Sale and Development

This account consists of:

	2018	2017 (As restated - Note 2)
Condominium units	**₱882,229,917**	₱998,018,447
Subdivision land held for sale and development	**147,127,128**	147,633,204
Land and improvements	**439,669,868**	420,982,837
	₱1,469,026,913	₱1,566,634,488

Condominium units consist of completed units within a property that is being sold in the Group's normal operating cycle.

Subdivision land held for sale and development includes properties that are being developed and have undergone development and are being sold in the normal operating cycle.

Land and improvements pertain to properties held for future development.

The movements in the real estate held for sale and development as of December 31 follow:

2018

	Condominium units	**Subdivision land held for sale and development**	**Land and improvements**	**Total**
Balances at beginning of year	**₱998,018,449**	**₱147,633,201**	**₱420,982,838**	**₱1,566,634,488**
Effect of adoption of new accounting standards (Note 2)	**(34,441,290)**	–	–	**(34,441,290)**
Balances at beginning of year, as restated	**963,577,159**	**147,633,201**	**420,982,838**	**1,532,193,198**
Construction/development costs incurred	**66,523,193**	**745,960**	**18,687,030**	**85,956,183**
Disposals recognized as cost of sales (Note 17)	**(128,926,829)**	**(1,252,033)**	–	**(130,178,862)**
Transfer to investment properties (Note 8)	**(18,943,606)**	–	–	**(18,943,606)**
Balances at end of year	**₱882,229,917**	**₱147,127,128**	**₱439,669,868**	**₱1,469,026,913**

2017

	Condominium units	Subdivision land held for sale and development	Land and improvements	Total
Balances at beginning of year, as previously stated	₱692,725,733	₱159,611,040	₱163,119,969	₱1,015,456,742
Reclassification of land held for future development (Note 2)	–	–	337,016,941	337,016,941
Balances at beginning of year, as restated	692,725,733	159,611,040	500,136,910	1,352,473,683
Additions	–	–	20,400,100	20,400,100
Construction/development costs incurred	229,304,061	695,897	44,200,872	274,200,830
Disposals recognized as cost of sales (Note 17)	(30,931,347)	(12,673,733)	(36,835,045)	(80,440,125)
Transfer	106,920,000	–	(106,920,000)	–
Balances at end of year	₱998,018,447	₱147,633,204	₱420,982,837	₱1,566,634,488

In 2017, the Group reclassified the land previously recorded under land improvements to real estate held for sale and development in connection with the newly launched project, Primex Tower amounting to ₱106.92 million.

In 2018, the Group reclassified real estate held for sale and development amounting to ₱18.94 million to investment property. This pertains to the commercial spaces in Stratosphere project.

As of December 31, 2018, real estate held for sale and development with carrying value of ₱117.31 million, were used as collateral to secure the Group's bank loans (see Note 12).

8. **Investment Properties**

Rollforward analysis of the account is as follows:

	2018		
	Commercial units	**Land and improvements**	**Total**
Cost			
Balances at beginning of year	**₱–**	**₱62,958,916**	**₱62,958,916**
Development cost	–	**2,254,060**	**2,254,060**
Transfer from real estate held for sale and development (Note 7)	**18,943,606**	–	**18,943,606**
Balances at end of year	**18,943,606**	**65,212,976**	**84,156,582**
Accumulated Depreciation			
Depreciation (Note 17)	**313,052**	–	**313,052**
Net Book Value	**₱18,630,554**	**₱65,212,976**	**₱83,843,530**

	2017 (as restated)
	Land and Improvements
Balances at beginning of year	₱60,801,824
Development cost	2,157,092
Balances at end of year	₱62,958,916

Investment properties consist of commercial spaces and land held for operating lease for third parties. Total rental income arising from investment properties amounted to ₱11.08 million, ₱1.05 million and nil in 2018, 2017 and 2016, respectively (see Note 16).

Direct operating expenses incurred from rental operations of the Group amounted to ₱0.31 million and nil in 2018 and 2017, respectively.

The fair value of investment properties amounted to ₱173.60 million as at December 31, 2018. The fair values of investment properties have been internally determined by reference to other similar transaction in the market. 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 value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity which is classified under Level 3 hierarchy.

9. **Other Assets**

	2018	2017
Current		
Construction materials, parts and supplies	**₱205,538,119**	₱205,538,119
Input VAT	**15,511,886**	33,761,886
Prepaid taxes	**2,312,452**	2,272,105
Advances to employees	**325,449**	430,132
Creditable withholding tax	**302,244**	–
Advances to contractors and suppliers	–	19,050,411
Others	**46,651**	–
	₱224,036,801	₱261,052,653

(Forward)

	2018	2017
Noncurrent		
Deposits	**₱4,511,576**	₱4,511,576
Others	**3,340**	3,340
	4,514,916	4,514,916
	₱228,551,717	₱265,567,569

Construction materials, parts and supplies pertain to materials purchased in the construction of the Group's land development project.

Input VAT represents taxes imposed on the Group for the acquisition of lots, purchase of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits.

Prepaid taxes pertain to taxes and licenses paid in advance by the Group.

Advances to employees represent advances for operational purposes and are collected through salary deduction.

Advances to contractors and suppliers represent advances and downpayments that are recouped every progress billing payment depending on the percentage of accomplishment.

Deposits consist of guarantee deposits and amounts paid to utility providers for service application.

10. Property and Equipment

The composition of and movements in this account follow:

	2018			
	Transportation Equipment	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost				
At beginning of year	**₱31,933,850**	**₱16,273,881**	**₱5,587,080**	**₱53,794,811**
Additions	**520,442**	**146,840**	**49,607**	**716,889**
At end of year	**32,454,292**	**16,420,721**	**5,636,687**	**54,511,700**
Accumulated Depreciation and Amortization				
At beginning of year	**22,763,138**	**11,951,541**	**5,566,581**	**40,281,260**
Depreciation and amortization (Note 17)	**3,633,234**	**958,934**	**23,451**	**4,615,619**
At end of year	**26,396,372**	**12,910,475**	**5,590,032**	**44,896,879**
Net Book Value	**₱6,057,920**	**₱3,510,246**	**₱46,655**	**₱9,614,821**

	2017			
	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
At beginning of year	₱27,694,057	₱16,063,152	₱5,587,080	₱49,344,289
Additions	4,239,793	210,729	–	4,450,522
At end of year	31,933,850	16,273,881	5,587,080	53,794,811
Accumulated Depreciation and Amortization				
At beginning of year	18,533,305	11,135,754	5,007,873	34,676,932
Depreciation and amortization (Note 17)	4,229,833	815,787	558,708	5,604,328
At end of year	22,763,138	11,951,541	5,566,581	40,281,260
Net Book Value	₱9,170,712	₱4,322,340	₱20,499	₱13,513,551

Depreciation expense charged to operations amounted to ₱4.62 million, ₱5.60 million and ₱5.41 million in 2018, 2017 and 2016, respectively (see Note 17).

The carrying amount of fully depreciated assets still in use amounted to ₱26.76 million and ₱18.25 million as of December 31, 2018 and 2017, respectively.

11. Accounts and Other Payables

This account consists of:

	2018	2017
Accounts payable	**₱406,213,939**	₱570,964,816
Advances to affiliates (Note 13)	**389,530,497**	324,444,227
Accrued expenses	**7,970,651**	4,088,233
Advance rent	**7,644,758**	2,263,303
Refundable deposits	**2,779,092**	–
Customers' deposits	–	269,707,599
Others	**333,138**	507,816
	₱814,472,075	₱1,171,975,994

Accounts payable are amounts due to suppliers and contractors on development costs incurred on its real estate projects under development. These are noninterest bearing and are generally settled on a 30- to 60-day term.

Accrued expenses include accruals of operating expenses and are normally settled on 15- to 60-day terms.
Advance rent pertains to payments from the lessees for the rental of the Company's properties to be applied in the next period.

Refundable deposits pertain to the sum of money that the lessee agrees to pay upon signing of lease contract which will be refunded at the end of the lease term. As of December 31, 2018, the refundable deposits amounting to ₱2.78 million are recorded at fair value, which approximates its carrying amount due to the relatively short-term nature of these transactions.

Noncurrent refundable deposits are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates for similar type of instruments. As of December 31, 2018 and 2017, the present value of the refundable deposits amounted to

₱12.98 million and ₱9.43 million, respectively. Interest expense arising from the accretion of these deposits amounted to ₱0.31 million and nil in 2018 and 2017, respectively.

Customers' deposits represent collections from buyers which are not yet recognized as revenue. These deposits will be applied against the related receivable upon recognition of revenue.

Starting January 1, 2018, the customer's deposits are presented as contract liabilities in the statements of financial position.

Other payables consist of amounts owed to the government for statutory payments such as Social Security System and Pag-ibig contributions and withholding taxes. These are remitted on a monthly basis.

12. **Short-term and Long-term Loans Payable**

This account consists of the following loans:

	2018	2017
Short-term loans payable	**₱200,000,000**	₱–

Long-term loans payable	**2018**	2017
Balance at beginning of year	**₱–**	₱75,233,176
Availments	**2,000,000**	–
Payments	–	(75,952,201)
Discount amortization	–	719,025
Balance at end of year	**₱2,000,000**	₱–

The Group entered into loan agreements with local commercial banks as follows:

a. On October 23, 2018, PRC obtained a secured 10 year loan facility from a local bank amounting to ₱2.00 million to be used for permanent working capital requirements. The principal amount is payable in 72 equal monthly amortizations commencing on November 23, 2022. The loan is subject to an interest rate of 7.12% which is subject to a monthly or quarterly repricing based on the prevailing market rate.

   Interest expense incurred amounted to ₱0.02 million in 2018.

b. On September 25, 2018, PRC obtained a short-term loan facility from a local bank amounting to ₱200.00 million to be used for permanent working capital requirements. The 50% of the principal amount is payable on the 5th and 6th month from date of borrowing. The remaining principal amount is payable in 6 equal monthly amortization commencing on the 7th month. The loan is subject to an interest rate of 4.5% which is subject to a monthly or quarterly repricing based on the prevailing market rate.

   Interest expense incurred amounted to ₱2.80 million in 2018.

Real estate held for sale and development with a carrying amount of ₱117.31 million as of December 31, 2018 were used as collateral to secure the bank loans (a) above (see Note 7).

13. **Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individuals or corporate entities.

The Group, in the regular conduct of business, has entered into transactions with related parties principally consisting of reimbursement of expenses and advances. There have been no guarantees provided or received for any related party receivables or payables.

2018

Category	**Amount/Volume**	**Receivable (Payable)**	**Terms and Conditions**
Entity under common control			
Primex Development Corporation	**(₱14,850,000)**	**(₱64,850,000)**	**Payable within 1 year; unsecured; non-interest bearing**
Stockholders			
Advances from stockholders	**(50,236,270)**	**(324,680,497)**	**Payable within 1 year; unsecured; non-interest bearing**
		(₱389,530,497)	

2017

Category	Amount/Volume	Receivable (Payable)	Terms and Conditions
Entity under common control			
Primex Land, Inc. (PLI)			
Construction revenue (Note 17)	₱28,571,429	₱–	–
Primex Development Corporation	(50,000,000)	(50,000,000)	Payable within 1 year; unsecured; non-interest bearing
Stockholders			
Advances from stockholders	(84,150,000)	(274,444,227)	Payable within 1 year; unsecured; non-interest bearing
		(₱324,444,227)	

Construction contract with PLI
Transaction with entity under common control represent contract entered with PLI for the construction and development of PLI's land into a residential subdivision. Revenue from construction contracts and direct costs amounted to ₱28.57 million and ₱18.61 million in 2017 and ₱257.14 million and ₱167.64 million in 2016, respectively (see Note 17).

Terms and condition of transactions with related parties
Related party balances at year-end are unsecured, interest-free and are expected to be settled once parties have followed through with the settlement. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash.

There are no agreements between the Group and any of its directors and key officers on providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

Compensation of Key Management Personnel
Salaries, including other short-term employee benefits and post-employment benefits of the Group's key management personnel amounted to ₱2.69 million, ₱1.82 million and ₱1.89 million for the years ended December 31, 2018, 2017 and 2016, respectively.

14. **Equity**

Paid-in Capital
Details of the Parent Company's paid-in capital as of December 31, 2018 and 2017 follow:

	2018	2017
Authorized shares	**4,500,000,000**	4,500,000,000
Par value per share	**₱0.20**	₱0.20
Issued and outstanding shares	**1,661,666,665**	1,661,666,665

On August 10, 2001, the Parent Company launched its Initial Public Offering where a total of 200,000,000 common shares were offered at an offering price of ₱2.20 per share. The registration statement was approved on July 17, 2001 by SEC.

On February 5, 2013, a subscription agreement was entered into by the Parent Company and another third party corporation for an additional subscription of 17,000,000 shares of the Parent Company's common stock for a share price of ₱3.50 per share with the excess in par value amounting to ₱42.50 million recognized as additional paid-in capital. The Parent Company's subscription receivable amounting to ₱2.00 million was collected during 2014.

On November 24, 2015, the Parent Company's BOD approved the change in par value of the Parent Company's common shares from ₱1.00 per share to ₱0.20 per share. Following the approval, on November 25, 2015, the Parent Company's BOD approved the amendment of the Articles of Incorporation to reflect the change in par value of the authorized capital stock.

Subsequently, in a special stockholders' meeting held on January 29, 2016, the Parent Company secured the approval of the stockholders on the change in par value of capital stock from ₱1.00 per share to ₱0.20 per share and the amendment of the Articles of Incorporation. The SEC approved the change in par value of the Parent Company's capital stock on August 3, 2016.

On February 21, 2017, a subscription agreement was entered into by the Parent Company and third party corporations and an individual for an additional subscription of 45,000,000 shares of the Parent Company's common stock for a share price of ₱4.00 per share with the excess in par value amounting to ₱171.00 million recognized as additional paid-in capital.

The Parent Company has 20 stockholders as of December 31, 2018 and 2017.

Retained Earnings
Retained earnings include the accumulated equity in undistributed net earnings of the consolidated subsidiaries amounting to ₱276.20 million and ₱151.69 million as of December 31, 2018 and 2017, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the subsidiaries. The issuance cost for the common stock issued by PRC in 2016 amounting to ₱1.50 million was charged against retained earnings.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱174.42 million and ₱262.78 million, respectively. The issuance cost for the common stock issued by the Parent Company in 2017 amounting to ₱0.05 million was charged against retained earnings.

On May 3, 2018, the Parent Company's BOD approved the declaration of cash dividends with an aggregate amount of ₱91.39 million to all of its stockholders of records as of July 20, 2018 and were paid on August 10, 2018.

Other Equity Reserve
The Group's other equity reserve amounting to ₱39.82 million and (₱10.66 million) in 2018 and 2017, respectively, pertain to the change in the relative interests of the controlling and non-controlling interests of the Group resulting from the acquisition of 1.8% and 10.2% stake in PRC from the Group's non-controlling interests in 2018 and 2017, respectively.

Capital Management
The primary objectives of the Group's capital management policies are to afford the financial flexibility to support its business initiatives and to maximize stakeholders value. The Group will manage its capital structure and make adjustments to it, in light of changes in economic condition. The Group's source of capital is its equity attributable to equity holders of the Parent Company totaling to ₱976.73 million and ₱960.08 million as of December 31, 2018 and 2017, respectively.

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its long-term loans that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call the loans. There have been no breaches in the financial covenants of the loans availed by the Group.

No changes were made in the Group's capital management objectives, policies or processes during the years ended December 31, 2018 and 2017.

15. Retirement Plan

The Group has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The benefits are based on the employees' years of service.

Republic Act 7641, *The New Retirement Law*, 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 Group's retirement plan meets the minimum retirement benefit specified by the law.

The components of retirement expense included under operating expenses in the consolidated statements of comprehensive income follow:

	2018	2017	2016
Current service cost	**₱132,844**	₱135,820	₱154,308
Interest cost	**258,061**	228,418	186,245
Total retirement expense (Note 17)	**₱390,905**	₱364,238	₱340,553

The amounts recognized in the consolidated statements of financial position for the pension liability represent the present value of defined benefit obligation as of reporting date.

Changes in present value of the defined benefit obligation are as follow:

	2018	2017
Balance at beginning of year	**₱4,838,982**	₱4,638,831
Current service cost	**132,844**	135,820
Interest cost	**258,061**	228,418
Remeasurement loss (gain) arising from:		
Changes in financial assumptions	**(143,078)**	(88,625)
Experience adjustments	**543,002**	(75,462)
Balance at end of year	**₱5,629,811**	₱4,838,982

The average duration of the defined benefit obligation at the end of the reporting period is 14-17 years.

The principal assumptions used to determine retirement benefits for the Group for the years ended December 31 are as follows:

	2018	2017
Discount rate	**7.24%-7.36%**	5.13%-5.60%
Salary increase rate	**5%**	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as of December 31, assuming all other assumptions were held constant.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Effect on DBO	
	Increase (decrease)	2018	2017
Discount rate	1.00%	**(₱178,432)**	(₱183,718)
	(1.00%)	**222,982**	234,612
Rate of salary increase	1.00%	**233,307**	235,912
	(1.00%)	**(202,699)**	(191,055)

The maturity analysis of the undiscounted benefit payments as of December 31 follows:

	2018	2017
More than 1 year to 5 years	**₱4,837,805**	₱4,500,569
More than 5 to 10 years	**4,713,282**	2,331,279
More than 10 to 15 years	**8,493,732**	5,035,282

16. **Miscellaneous Income**

	2018	2017	2016
Rental income (Note 20)	**₱25,430,507**	₱24,077,309	₱25,157,978
Interest income from banks (Note 4)	**42,322**	11,286	11,928
Others	**431,070**	40,902	504,441
	₱25,903,899	₱24,129,497	₱25,674,347

Rental income pertains to the Group's transactions with an affiliate in which the latter allowed the Group to lease out the properties it own, collect property rentals and assume all expenses and liabilities with regard to the undertaking at no cost to the Group.

Others pertain to income penalties earned from late payments of buyers for the scheduled installment contracts receivable payments as well as income derived from deposits resulting to forfeitures of potential real estate sales.

17. **Sales, Costs and Expenses**

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

	2018	2017	2016
Real estate	**₱233,508,332**	₱205,258,298	₱297,707,178
Construction contract (Note 13)	–	28,571,429	257,142,857
	₱233,508,332	₱233,829,727	₱554,850,035

Cost of real estate sales and services consist of:

	2018	2017	2016
Cost of real estate sales (Note 7)	**₱130,178,862**	₱80,440,125	₱126,733,607
Construction cost (Note 13)	–	18,613,917	167,636,134
	₱130,178,862	₱99,054,042	₱294,369,741

Operating expenses consist of:

	2018	2017	2016
Taxes and licenses	**₱9,637,521**	₱6,463,654	₱5,062,015
Salaries, wages and employee benefits	**6,751,139**	5,989,147	5,694,215
Commission	**5,691,392**	745,200	3,106,542
Depreciation and amortization (Notes 8 and 10)	**4,928,671**	5,604,328	5,413,827
Rent expense (Note 20)	**3,412,732**	3,412,732	3,602,329
Light, water and dues	**1,434,319**	1,250,643	2,545,213
Professional fees	**1,026,465**	914,064	879,556
Security, messengerial and janitorial services	**812,154**	698,933	823,070
Gas and oil	**633,883**	1,826,594	145,454
Repairs and maintenance	**618,884**	421,145	303,518
(Forward)			

	2018	2017	2016
Retirement (Note 15)	**₱390,905**	₱364,238	₱340,553
Insurance	**239,441**	362,203	187,920
Entertainment, amusement and recreation	**238,023**	2,958,921	162,627
Communication and transportation	**164,098**	272,926	256,018
Selling and marketing	**–**	3,037,868	299,026
Training and development	**–**	112,000	59,000
Miscellaneous	**2,937,712**	4,536,858	839,137
	₱38,917,339	₱38,971,454	₱29,720,020

Miscellaneous pertains to expenses incurred for transportation, office supplies, uniforms of employees and out-of-pocket expenses.

18. Income Taxes

Provision for income tax consists of:

	2018	2017	2016
Current - RCIT	**₱53,634,113**	₱39,382,847	₱82,050,564
Deferred	**(18,119,157)**	1,192,573	(3,222,570)
Current - Final	**8,464**	2,257	4,238
	₱35,523,420	₱40,577,677	₱78,832,232

The components of net deferred tax assets follow:

	2018	2017
Presented in profit or loss		
Deferred tax assets on:		
Deferred gross profit	**₱29,627,258**	₱12,587,492
Pension liability	**1,507,097**	1,389,825
Accrued expenses	**1,359,289**	1,395,246
Accretion of interest on receivables	**969,713**	861,507
Allowance for expected credit loss	**191,265**	–
Unearned rent	**185,679**	(32,414)
	33,840,301	16,201,656
Deferred tax liabilities on:		
Capitalized borrowing costs	**(3,254,384)**	(3,945,479)
Lease income differential between straight-line and accrual method of accounting for leases	**(1,558,008)**	(52,904)
Accretion of interest on receivables	**(9,323)**	–
	(4,821,715)	(3,998,383)
	29,018,586	12,203,273
Presented in OCI		
Deferred tax asset on:		
Remeasurement gain on defined benefit obligation	**181,846**	61,869
	₱29,200,432	₱12,265,142

A reconciliation of the statutory income tax to the effective income tax follows:

	2018	2017	2016
Statutory income tax	**₱35,373,383**	₱38,896,597	₱79,182,075
Nondeductible expenses	**154,269**	1,601,656	102,276
Deductible expenses charged to equity	–	(13,500)	(450,000)
Unrecognized deferred tax asset on NOLCO	–	94,054	–
Interest income subject to final tax	**(4,232)**	(1,130)	(2,119)
Effective income tax	**₱35,523,420**	₱40,577,677	₱78,832,232

There are no unrecognized DTA in 2018. In 2017, the Group did not recognize deferred tax assets on the NOLCO of PHDC amounting to ₱0.31 million (incurred in 2017 and expiring in 2020) as of December 31, 2017 as management assessed that there will be no sufficient future taxable profit against which this deferred tax asset can be used. The deferred tax effect of the deductible temporary differences for which no deferred tax asset have been recognized amounted to ₱0.09 million as of December 31, 2017.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the financial reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of the financial reporting date.

19. Earnings Per Share

Earnings per share amounts were computed as follows:

	2018	2017	2016
a. Net income attributable to the Parent Company	**₱82,387,855**	₱88,628,405	₱172,541,029
b. Weighted average number of outstanding common shares	**1,661,666,665**	1,661,666,665	1,616,666,665
c. Basic/diluted earnings per share (a/b)	**₱0.0496**	₱0.0533	₱0.1067

The weighted average number of outstanding common shares was retrospectively adjusted to reflect the decrease in par value of capital stock in 2016.

As of December 31, 2018, 2017 and 2016, the Group has no potentially dilutive common shares.

20. Lease Commitments

Operating Leases - Group as Lessor

The Group entered into lease agreements covering its parcels of land under real estate held for sale and development and investment properties to third parties. The leases are renewable under certain terms and conditions. The terms of the leases range from five (5) to 10 years. Accrued rent receivable amounted to ₱11.48 million and ₱3.12 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the future minimum lease receivables under noncancellable operating leases follow:

	2018	2017
Within one year	**₱42,219,131**	₱9,568,294
After one year but not more than five years	**111,831,146**	4,228,693
	₱154,050,277	₱13,796,987

In addition, the Group has transactions with an affiliate in which the latter allowed the Group to lease out the properties it own, collect property rentals and assume all expenses and liabilities with regard to the undertaking at no cost to the Group. These transactions are recorded under “Miscellaneous income” account in profit or loss.

Total rental income amounted to ₱25.43 million, ₱24.08 million and ₱25.16 million in 2018, 2017 and 2016, respectively (see Note 16).

Operating Leases - Group as Lessee

The Group entered into an operating lease agreement with Springdale Trading Corp. for the lease of a commercial space used as the Group’s showroom and for subleasing purposes. The contract runs for a period of one year and is renewable annually. Rental expense (which includes common area dues) amounted to ₱3.41 million, ₱3.41 million and ₱3.60 million in 2018, 2017 and 2016, respectively (see Note 17).

21. Partly-owned Subsidiary

In January 2018, the Parent Company acquired the remaining non-controlling interest of 1.8% in PRC for a consideration of ₱14.85 million, thereby taking 100% control in PRC.

Financial information of PRC which has material non-controlling interest is provided below:

	2017
Proportion of equity held by non-controlling interest	1.8%
Accumulated balance of material non-controlling interest	₱65,332,830
Profit allocated to material non-controlling interest	449,243

The summarized financial information of PRC before the remaining NCI was purchased is provided below. This information is based on amounts before intercompany eliminations.

Summarized statements of income are as follow:

	2017	2016
Revenue	₱86,337,070	₱286,784,841
Cost of sales	30,931,346	117,739,063
Operating and other expenses	18,583,004	20,081,667
Profit before tax	36,822,720	148,964,111
Provision for income tax	11,864,855	44,239,224
Profit for the year	₱24,957,865	₱104,724,887
Total comprehensive income	₱25,033,042	₱104,536,364
Total comprehensive income attributable to non-controlling interests	₱450,596	₱12,544,366

Summarized statements of financial position are as follow:

	2017
Current assets	₱1,348,613,189
Noncurrent assets	84,325,034
Current liabilities	797,805,555
Noncurrent liabilities	7,497,377
Total equity	₱627,635,291
Attributable to:	
Equity holders of the Parent Company	₱562,306,461
Non-controlling interests	65,332,830

Summarized cash flow information for the years then ended follows:

	2017
Operating	(₱54,707,196)
Investing	(7,480,796)
Financing	70,000,000
Net increase in cash	₱7,812,008

22. **Financial Instruments**

Fair Value Information

The fair values of cash, receivables (except installment contracts receivables), accounts and other payables and short-term loans payable approximate their carrying amounts due to relatively short-term nature of these financial instruments.

Installment contracts receivable - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 2.34% to 7.18% and 1.62% to 5.00% in 2018 and 2017, respectively. The carrying value and fair value amounted to ₱162.27 million and ₱183.86 million in 2018 and ₱267.40 million and ₱210.51 million in 2017.

Long-term loans payable - variable-rate loans that reprice monthly, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

Refundable deposits - Due to the unpredictability of timing of payment, fair value of these liabilities cannot be reasonably estimated.

Fair Value Hierarchy
The Group categorized installments contracts receivable under Level 3 as of December 31, 2018 and 2017. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a (lower) higher fair value, respectively.

The Group categorized long-term loans classified as other financial liabilities under Level 3 as of December 31, 2018 and 2017. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a lower (higher) fair value, respectively.

There have been no reclassifications between level 1, 2, and 3 categories in 2018 and 2017.

Financial Risk Management Objectives and Policies
The Group has various financial instruments such as loans and receivables and other financial liabilities which arise directly from the conduct of its operations. The main risks arising from the Group's financial instruments are credit risk and liquidity risk.

The Group reviews and approves policies for managing risks which are summarized below:

Exposures to credit and liquidity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk is primarily attributable to its installment contracts receivable and interest receivable. The Group manages its credit risk by conducting credit reviews and analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain payment structures. In addition, the Group's credit risk is minimized since the contract to sell provides the Group the right to rescind the sale, offer the same property to other parties in case of customer's default and the title of the property passes to the buyer only after the full payment of the receivable.

Financial assets comprise cash in bank and receivables. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investments in financial instruments. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. The Group's exposure to credit risk from cash in bank and receivables arise from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As of December 31, 2018 and 2017, the aging analysis of receivables presented per class, is as follows:

2018

	Current	Past Due but not Impaired						ECL	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Installments contracts receivable	**₱62,890,236**	**₱1,433,196**	**₱6,360,411**	**₱28,980,426**	**₱10,794,703**	**₱51,814,190**	**₱99,382,926**	**₱625,732**	**₱162,898,894**
Interest receivable	–	**14,947,287**	–	–	–	–	**14,947,287**	–	**14,947,287**
Advances to Homeowners' Associations	**4,400,000**	–	–	–	–	–	–	–	**4,400,000**
Accrued rent receivable	**5,696,336**	**4,694,290**	–	–	–	**1,072,739**	**5,767,029**	**11,819**	**11,475,184**
Others	–	–	–	–	–	**1,604,218**	**1,604,218**	–	**1,604,218**
	₱72,986,572	**₱21,074,773**	**₱6,360,411**	**₱28,980,426**	**₱10,794,703**	**₱54,491,147**	**₱121,701,460**	**₱637,551**	**₱195,325,583**

2017

	Neither Past Due nor Impaired	Past Due but not Impaired						Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	
Installment contracts receivable	₱259,714,648	₱902,493	₱615,451	₱613,804	₱612,174	₱4,934,072	₱7,677,994	₱267,392,642
Interest receivable	–	9,862,122	–	–	–	–	9,862,122	9,862,122
Advances to Homeowners' Associations	4,400,000	–	–	–	–	–	–	4,400,000
Accrued rent receivable	1,550,496	1,569,949	–	–	–	–	1,569,949	3,120,445
Others	–	–	–	–	–	1,604,218	1,604,218	1,604,218
	₱265,665,144	₱12,334,564	₱615,451	₱613,804	₱612,174	₱6,538,290	₱20,714,283	₱286,379,427

The table below shows the credit quality of the Group's financial assets as of December 31, 2018 and 2017:

2018

	Current	Past due but not impaired	ECL	Total
Financial assets at amortized cost				
Cash in bank	**₱42,073,963**	**₱–**	**₱–**	**₱42,073,963**
Receivables:				
Installment contracts receivable	**62,890,236**	**99,382,926**	**625,732**	**162,898,894**
Interest receivable	–	**14,947,287**		**14,947,287**
Advances to Homeowners' Associations	**4,400,000**	–		**4,400,000**
Accrued rent receivable	**4,694,290**	**6,769,075**	**11,819**	**11,475,184**
Others	–	**1,604,218**	–	**1,604,218**
	₱114,058,489	**₱122,703,506**	**₱637,551**	**₱237,399,546**

2017

	Neither Past Due nor Impaired		Past due but not	
	High Grade	Low Grade	impaired	Total
Loans and receivables				
Cash in bank	₱16,008,082	₱–	₱–	₱16,008,082
Receivables:				
Installment contracts receivable	259,714,648	–	7,677,994	267,392,642
Interest receivable	–	–	9,862,122	9,862,122
Advances to Homeowners' Associations	–	4,400,000	–	4,400,000
Accrued rent receivable	–	1,550,496	1,569,949	3,120,445
Others	–	–	1,604,218	1,604,218
	₱275,722,730	₱5,950,496	₱20,714,283	₱302,387,509

The Group considers the probability of default upon initial recognition of financial asset and assesses whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Credit risk from balances with banks is managed in accordance with the Group's policy. The Group holds cash in banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

The Group's allowance for expected credit losses on installment contracts receivables and accrued rent receivables amounted to ₱0.63 million and ₱0.01 million, respectively, as of December 31, 2018.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. In the event that there is a need in meeting its obligations, its stockholders will provide the necessary financial support in the funding requirements of the Group as they fall due.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31 based on the remaining contractual maturities and undiscounted contractual cash flows:

2018

	<30 days	**30-60 days**	**61 days- 1 year**	**>1 year**	**Total**
Other financial liabilities:					
Accounts and other payables					
Accounts payable	**₱406,213,939**	**₱–**	**₱–**	**₱–**	**₱406,213,939**
Accrued expenses	**1,588,223**	**284,394**	**2,843,943**	**3,254,091**	**7,970,651**
Advances to affiliates	–	–	**389,530,497**	–	**389,530,497**
Loans payable*	–	**202,441,096**	–	**2,976,534**	**205,417,630**
Refundable deposits	–	–	**2,779,092**	**12,984,274**	**15,763,366**
Total other financial liabilities	**₱407,802,162**	**₱202,725,490**	**₱395,153,532**	**₱19,214,899**	**₱1,024,896,083**

(Forward)

	<30 days	**30-60 days**	**61 days- 1 year**	**>1 year**	**Total**
Financial assets at amortized cost					
Cash	**₱42,093,963**	**₱–**	**₱–**	**₱–**	**₱42,093,963**
Receivables:					
Installment contracts receivable	**64,323,432**	**6,360,410**	**92,215,052**	**–**	**162,898,894**
Interest receivable	**14,947,287**	**–**	**–**	**–**	**14,947,287**
Advances to Homeowners' Associations	**–**	**–**	**4,400,000**	**–**	**4,400,000**
Accrued rent receivable	**10,390,626**	**–**	**1,084,558**	**–**	**11,475,184**
Others	**–**	**–**	**1,604,218**	**–**	**1,604,218**
Total	**131,755,308**	**6,360,410**	**99,303,828**	**–**	**237,419,546**
Contract assets	**–**	**–**	**22,759,156**	**63,594,475**	**86,353,631**
Total	**₱131,755,308**	**₱6,360,410**	**₱122,062,984**	**₱63,594,475**	**₱323,773,177**

2017

	<30 days	30-60 days	61 days- 1 year	>1 year	Total
Other financial liabilities:					
Accounts and other payables					
Accounts payable	₱570,964,816	₱–	₱–	₱–	₱570,964,816
Accrued expenses	4,088,233	–	–	–	4,088,233
Refundable deposits	–	–	–	9,427,536	9,427,536
Advances to affiliates	–	–	324,444,227	–	324,444,227
Total other financial liabilities	₱575,053,049	₱–	₱324,444,227	₱9,427,536	₱908,924,812
Loans and receivables:					
Cash	₱16,008,082	₱–	₱–	₱–	₱16,008,082
Receivables:					
Installment contracts receivable	202,317,666	1,241,184	613,804	63,219,988	267,392,642
Interest receivable	9,862,122	–	–	–	9,862,122
Advances to Homeowners' Associations		–	4,400,000	–	4,400,000
Accrued rent receivable	3,120,445	–	–	–	3,120,445
Others	–	–	1,604,218	–	1,604,218
Total financial assets	₱231,308,315	₱1,241,184	₱6,618,022	₱63,219,988	₱302,387,509

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The Group has interest-bearing loans with floating interest rate subject to repricing amounting to ₱202.00 million and nil as of December 31, 2018 and 2017. The short-term loans payable amounting to ₱200.00 million will mature in 2019. As such, the Group's interest rate risk is minimal.

23. Segment Information

The industry segments where the Group operates are as follows:

Real estate - sale of high-end and upper middle-income residential lots and units.

Construction - land development and construction of related party project. This industry segment was started by the Group in 2016.

The significant information on the reportable segments is as follows:

	2018	2017	2016
REVENUE			
Real estate sales	**₱233,508,332**	₱205,258,298	₱297,707,178
Construction contracts	**–**	28,571,429	257,142,857
Interest income from real estate sale	**19,639,338**	9,391,481	9,251,579
	253,147,670	243,221,208	564,101,614
COSTS AND EXPENSES			
Cost of real estate sales	**130,178,862**	80,440,125	126,733,607
Construction costs	**–**	18,613,917	167,636,134
Operating expenses	**38,917,339**	38,971,454	29,720,020
	169,096,201	138,025,496	324,089,761
Income before income tax	**84,051,469**	105,195,712	240,011,853
Provision for income tax	**35,523,420**	40,577,677	78,832,232
Income after income tax	**₱48,528,049**	₱64,618,035	₱161,179,621
SEGMENT ASSETS			
Cash	**₱42,093,963**	₱16,008,082	₱46,117,025
Receivables	**194,688,031**	286,379,427	213,201,506
Contract assets	**86,353,631**	–	–
Real estate held for sale and development	**1,469,026,913**	1,566,634,488	1,352,473,683
Costs and estimated earnings in excess of billings on uncompleted contract	**–**	–	128,000,000
Other current assets	**224,036,801**	261,052,653	28,982,626
Investment properties	**83,843,530**	62,958,916	60,801,824
	₱2,100,042,869	₱2,193,033,566	₱1,829,576,664
SEGMENT LIABILITIES			
Accounts and other payables	**₱424,941,578**	₱847,531,767	₱707,907,673
Contract liabilities	**122,645,777**	–	–
Loans payable	**202,000,000**	–	75,233,176
	₱749,587,355	₱847,531,767	₱783,140,849

Segment assets exclude property and equipment, deferred tax assets and other noncurrent assets.

Segment liabilities exclude refundable deposits, advances to affiliates, statutory liabilities and pension liability.

Segment revenue exclude rental income from use of properties owned by the Group and miscellaneous income.

All revenues are from individuals and domestic entities incorporated in the Philippines.

There are no revenues derived from a single external customer above 10% of total revenue in 2018. The Group derived ₱28.57 million or 11% of its total revenue and ₱257.14 million or 44% of its total revenues from a single external customer which pertains to a land development contract with the Group acting as the developer in 2017 and 2016, respectively.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Reconciliation of Assets

	2018	2017	2016
Total operating assets of segments	**₱2,100,042,869**	₱2,193,033,566	₱1,829,576,664
Property and equipment	**9,614,821**	13,513,551	14,667,357
Deferred tax assets	**29,200,432**	12,265,142	13,506,941
Other noncurrent assets	**4,514,916**	4,514,916	16,320,278
Consolidated total assets	**₱2,143,373,038**	₱2,223,327,175	₱1,874,071,240

Reconciliation of Liabilities

	2018	2017	2016
Total operating liabilities of segments	**₱749,587,355**	₱847,531,767	₱783,140,849
Advances to affiliates	**389,530,497**	324,444,227	190,294,227
Refundable deposits	**12,984,274**	9,427,536	7,639,533
Statutory liabilities	**8,915,851**	11,670,471	47,941,117
Pension liability	**5,629,811**	4,838,982	4,638,831
Consolidated total liabilities	**₱1,166,647,788**	₱1,197,912,983	₱1,033,654,557

Reconciliation of Revenue and Other income

	2018	2017	2016
Total revenue of segments	**₱253,147,670**	₱243,221,208	₱564,101,614
Rent income	**11,083,935**	1,049,141	–
Miscellaneous income	**25,903,899**	24,129,497	25,674,347
Consolidated total revenue and other income	**₱290,135,504**	₱268,399,846	₱589,775,961

Reconciliation of Net income

	2018	2017	2016
Income after income tax	**₱48,528,049**	₱64,618,035	₱161,179,621
Rent income	**11,083,935**	1,049,141	–
Miscellaneous income	**25,903,899**	24,129,497	25,674,347
Interest expense	**(3,128,028)**	(719,025)	(1,745,950)
Consolidated net income	**₱82,387,855**	₱89,077,648	₱185,108,018

24. **Additional Cash Flow Information**

Below is the rollforward of liabilities under financing activities:

2018

	January 1, 2018	**Cash Flows**	**Non-cash Changes**	**December 31, 2018**
Loans payable	**₱–**	**₱202,000,000**	**₱–**	**₱202,000,000**

2017

	January 1, 2017	Cash Flows	Non-cash Changes	December 31, 2017
Loans payable	₱75,233,176	(₱75,952,201)	₱719,025	₱–

The non-cash transactions in 2017 pertain to the unamortized discount amounting to ₱0.72 million on loans payable.

25. Events after the Reporting Period

On January 21, 2019, PRC declared ₱100.00 million cash dividends to its shareholders.

On February 1, 2019, the Parent Company's BOD approved the subscription of 75,000,000 common shares of its affiliate, Primex Development Corporation, with a par value of ₱1.00 per share, thereby taking 15% ownership interest over the affiliate.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Primex Corporation and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A, and have issued our report thereon dated April 15, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules A to K listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. A-816-A (Group A),
January 31, 2019, valid until May 31, 2019
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332620, January 3, 2019, Makati City

April 15, 2019

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial assets
B	Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
C	Amounts receivable from related parties which are eliminated during the consolidation of financial assets
D	Intangible assets - other assets
E	Long term debt
F	Indebtedness to related parties (long-term loans and related companies)
G	Guarantees of securities of other issuers
H	Capital Stock
I	Reconciliation of retained earnings available for dividend declaration
J	Map showing the relationships between and among the companies in the group, its ultimate Group and co-subsidiaries
K	Schedule of all effective standards and interpretations under Philippine Financial Reporting Standards
L	Financial soundness indicators

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON FINANCIAL ASSETS
AS OF DECEMBER 31, 2018

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	VALUE BASED ON MARKET QUOTATION	INCOME RECEIVED & ACCRUED
	NOT APPLICABLE			

The Group does not have financial assets that are above 5% of its total assets as of December 31, 2018.

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND RELATED PARTIES FOR THE YEAR ENDED DECEMBER 31, 2018

NAME	BEGINNING BALANCE	ADDITIONS	COLLECTIONS	WRITE OFFS	ENDING BALANCE		TOTAL
					Current	Noncurrent	
			NOT APPLICABLE				

The Group does not have receivable from directors, officers, and employees as of December 31, 2018.

SCHEDULE C

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION PERIOD FOR THE YEAR ENDED DECEMBER 31, 2018

NAME (Debtor)	BEGINNING BALANCE	ADDITIONS	COLLECTIONS	WRITE OFFS	ENDING BALANCE		TOTAL
					Current	Noncurrent	
Primex Corp.	₱–	₱86,000,000	₱–	₱–	₱86,000,000	₱–	₱86,000,000
Primex Housing Dev't Corp.	313,510	2,254,060	–	–	2,567,570	–	2,567,570

This balance pertains to receivable of Primex Realty Corporation and receivable of Primex Housing Dev't Corp. from Primex Corporation.

SCHEDULE D

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON INTANGIBLE ASSETS - OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COST AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
		NOT APPLICABLE				

The Group does not have intangible assets as of December 31, 2018.

SCHEDULE E

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON LONG TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	INTEREST RATE	NO. OF PERIODIC INSTALLMENT	MATURITY DATE
Bank loan	₱2,000,000	₱–	₱2,000,000	7.12% and floating rates	72	October 23, 2028

SCHEDULE F

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON INDEBTEDNESS TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

NAME OF RELATED PARTY (CREDITOR)	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
Stockholders	₱274,444,227	₱324,680,497
Affiliate	₱50,000,000	₱64,850,000

Increased in the advances from stockholders and affiliate amounting to ₱50.23 million and ₱14.85 million, respectively, was used in the operations of the Group.

SCHEDULE G

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON GUARANTEES OF SECURITIES OF OTHER ISSUERS
FOR THE YEAR ENDED DECEMBER 31, 2018

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE GROUP FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENTS FILED	NATURE OF GUARANTEE
		NOT APPLICABLE		

The Group does not have guarantees of securities of other issuers as of December 31, 2018.

PRIMEX CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2018

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AND SHOWN UNDER RELATED BALANCE SHEET CAPTION				Number of shares reserved for options, warrants conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common shares	4,500,000,000	1,661,666,665	–	–	1,661,666,665	–	33,489,400	1,105,649,995	522,527,270

PRIMEX CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2018

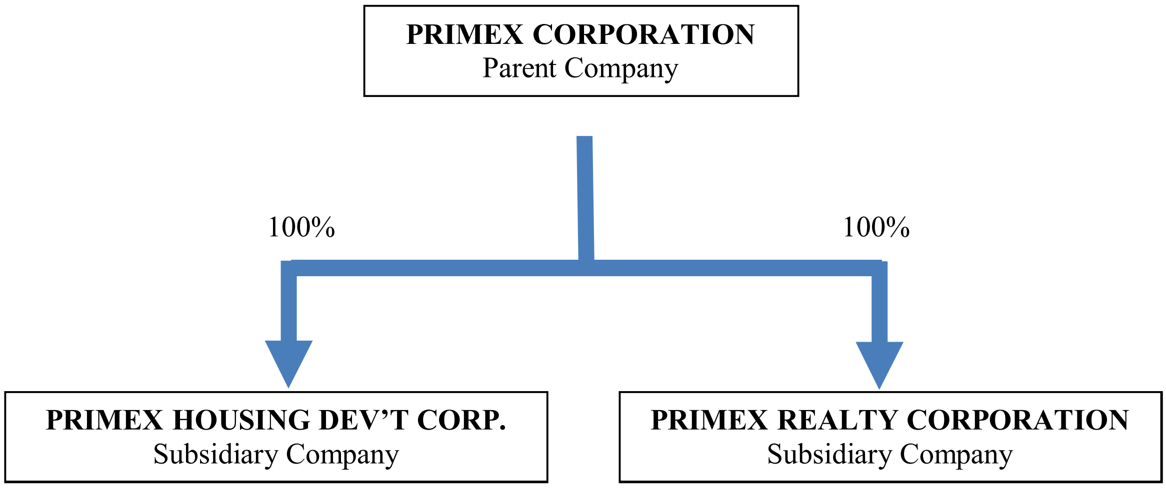
Unappropriated Retained Earnings, beginning	₱263,605,186
Adjustments:	
Deferred tax asset, beginning	(871,056)
Effect of adoption of new accounting standards	(187,719)
Unappropriated Retained Earnings, as adjusted, beginning	262,546,411
Net income actually earned based on the face of Audited Financial Statements	3,541,785
Cash Dividends declared during the year	(91,391,667)
Other adjustment:	
Amount of provision for deferred tax during the year	(243,411)
Unappropriated Retained Earnings, end available for dividend distribution	₱174,453,118

SCHEDULE J

PRIMEX CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE GROUP AND CO SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 2018



PRIMEX CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2018

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2018 and 2017:

Financial ratios		**2018**	2017
Current ratio	Current assets (CA) / Current liabilities (CL)	**1.70:1**	1.74:1
Net working capital ratio	CA – CL / Total Assets	**0.38:1**	0.40:1
Return on assets	Operating income / Average assets	**5.40%**	6.33%
Return on equity	Net income / Average equity	**8.23%**	10.65%
Debt-to-equity ratio	Total liabilities / Total equity	**1.19:1**	1.17:1
Asset-to-equity ratio	Total assets / Total equity	**2.19:1**	2.17:1

SCHEDULE K

PRIMEX CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCILA REPORTING STANDARDS (PFRS) AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓