



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

**TO: ALL STOCKHOLDERS**

NOTICE is hereby given that there will be an annual meeting of stockholders of Supercity Realty Development Corporation (SRDC) on **Monday, 16 December 2019** at 2 o'clock in the afternoon at the **Roof Deck (Function Room No. 3) of the Prestige Tower located along Ortigas Jr. Road in Ortigas Center, Pasig City**. The agenda will be as follows:

### AGENDA

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the Previous Meeting of Stockholders
5. Approval of 2018 Operations and Results
6. Ratification of all Acts of the Board of Directors and Officers
7. Election of Directors
8. Appointment of Punongbayan & Araullo as External Auditors
9. Amendment of Articles of Incorporation:
  - 9.a Office Address
  - 9.b Increase of Authorized Capital Stock and Issuance of shares to new investor
10. Other Matters
11. Adjournment

In accordance with the rules of the Philippine Stock Exchange (PSE), the close of business on **27 May 2019** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

The time of registration for those who are personally attending the meeting will be announced shortly as soon as the physical arrangements have been finalized. All stockholders who will not, are unable, or do not expect to attend the meeting in person are requested to fill out, date, sign and send a proxy to the Corporation at 41<sup>st</sup> Floor Joy Nostalg Center, ADB Ave. Ortigas Center, Pasig City, Metro Manila, Philippines. All proxies should be received by the Corporation **at least two (2) days** before the meeting, or on or before **14 December 2019**. Proxies submitted shall be validated by a Committee of Inspectors on **16 December 2019** at 9:00 o'clock in the morning at 41<sup>st</sup> Floor Joy Nostalg Center, ADB Avenue, Ortigas Center, Pasig City. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport, driver's license, or credit card.

City of Pasig, Metro Manila, 22 November 2019.

A handwritten signature in black ink, appearing to read "Emelita Mangosing".

**EMELITA MANGOSING**  
Corporate Secretary

SEC Number  
File Number

**A200008385**

**SUPERCITY REALTY DEVELOPMENT  
CORPORATION**

(Company's Full Name)

**Unit 1223 City & Land Mega Plaza,  
ADB Avenue Corner Garnet Rd.  
Ortigas Center, Pasig City**

(Company Address)

**638-7779**

(Telephone Number)

**December 31**

(Calendar Year Ending – Month & Day)

**SEC Form 20-IS (Definitive)**

(Form Type)

Amendment Designation (If Applicable)

**For Annual Stockholders' Meeting  
dated December 16, 2019**

Period Ended Date

(Secondary License Type and File Number)

**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  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter  
**SUPERCITY REALTY DEVELOPMENT CORPORATION**
3. **METRO MANILA, PHILIPPINES**  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **A200008385**
5. BIR Tax Identification Code **206-816-824**
6. **41<sup>st</sup> FLOOR JOY NOSTALG CENTER, NO. 17 ADB AVENUE**  
**ORTIGAS CENTER, PASIG CITY** **1605**  
 Address of principal office Postal Code
7. Registrant's telephone number, including area code **(632) 6387779**
8. **December 16, 2019 / 2:00PM / Roof Deck (Function Room No. 3) of the Prestige Tower located along Ortigas Jr. Road in Ortigas Center, Pasig City**  
 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 **November 25, 2019**
10. **In case of Proxy Solicitations:**  
**Name of Person Filing the Statement/Solicitor: Emelita Mangosing on behalf of the Registrant**  
**Address and Telephone No.: 41<sup>st</sup> FLOOR JOY NOSTALG CENTER, NO. 17 ADB AVENUE ORTIGAS CENTER, PASIG CITY / 638-7779**
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	
	No. of Shares	Amount
<b>COMMON SHARES – P 1 par value</b>		
<b>Authorized</b>	<b>155,000,000</b>	<b>155,000,000.00</b>
<b>Subscribed</b>	<b>110,000,000</b>	<b>110,000,000.00</b>
<b>Issued and outstanding as of November 22, 2019</b>	<b>110,000,000</b>	<b>110,000,000.00</b>

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

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**PHILIPPINE STOCK EXCHANGE      COMMON STOCK**

<b>PART I.</b>
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**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**GENERAL INFORMATION**

**Date, time and place of meeting of security holders**

- (a) The Annual Stockholders' Meeting of Supercity Realty Development Corporation (the "Company" or "SRDC") will be held on Monday, December 16, 2019 at 2 o'clock in the afternoon at the Roof Deck (Function Room No. 3) of the Prestige Tower located along Ortigas Jr. Road in Ortigas Center, Pasig City.

The Company's office and mailing address is at **41<sup>st</sup> FLOOR JOY NOSTALG CENTER, NO. 17 ADB AVENUE ORTIGAS CENTER, PASIG CITY**

- (b) The approximate date on which information statement shall be sent or given to security holders is on **November 25, 2019**.

**Dissenters' Right of Appraisal**

The instances stated in Title X, Section 80, of the Revised Corporation Code, namely, (1) amendment to the articles of incorporation that has the effect of changing or restricting the rights of shares or creating preferences in new shares superior to outstanding shares, (2) extension or shortening of corporate term, (3) sale, conveyance, mortgage, or other disposition of all or substantially all of the corporate property and assets and (4) corporate mergers or consolidations, are not among the matters to be acted upon during the Annual Stockholders' Meeting, with respect to which any dissenting stockholder may exercise his appraisal right.

Following Title X of the Revised Corporation Code, the appraisal right of any stockholder is two-fold: (1) to dissent in certain corporate actions affecting his investment or corresponding rights thereto and (2) to demand payment of the fair value of the shares subsequent to his exercise of his right to dissent.

In order to perfect the stockholders' appraisal right, the following shall be exercised:

- (a) The stockholder voted against the proposed corporate action which can be any of the instances stated in Section 80 of the Revised Corporation Code. Only under such cases can the stockholder exercise his appraisal right.
- (b) The dissenting stockholder shall make a written demand to the Company within thirty (30) days from the date the vote is taken on the corporate action dissented from. Failure to do so within the given period shall mean waiver of the stockholders' right to dissent.
- (c) If the proposed corporate action dissented by a stockholder is implemented, the Company shall pay such stockholder, upon surrender of the stock certificate representing his shares, at an amount agreed upon between the Company and the dissenting stockholder. If the settlement value cannot be agreed upon within sixty (60) days from the date the corporate action was approved, the amount shall be determined by three (3) disinterested persons chosen by the stockholder, the Company and the two thus chosen. The decision by the majority of the three (3) disinterested persons shall be final.
- (d) The payment shall be made only when the Company has unrestricted retained earnings to cover such payment.
- (e) Upon payment of the shares, the stockholder shall then transfer his shares to the Company.

There are no matters to be discussed in the Annual Stockholders' Meeting which will give rise to the exercise of the dissenter's right of appraisal

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

To the best knowledge of the Company, no director or officer of the Company, or nominee for election as a director of the Company or any associate of any of the foregoing persons, has any interest, directly or indirectly, by security holdings or otherwise, in any matter to be acted upon, other than

election to office. No incumbent director has informed the Company in writing of an intention to oppose any action to be taken at the meeting.

## **CONTROL AND COMPENSATION INFORMATION**

### **Voting Securities and Principal Holders Thereof**

- (a) As of May 27, 2019, the Company had 110,000,000 common shares outstanding and each share is entitled to one vote.
- (b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is May 27, 2019.
- (c) With respect to the election of seven (7) directors, each stockholder may vote such number of shares for as many as seven (7) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by seven (7) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by seven (7).
- (d) Security ownership of certain record and beneficial owners and management

### **Security Ownership of Certain Record and Beneficial Owners**

As of November 22, 2019, the following own of record or beneficially, approximately the following number of shares representing more than 5% of the Company's issued and outstanding capital stock:

Title Of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	Wilfredo Uy (1) 1634 Pampanga St. Sta. Cruz Manila	Wilfredo Uy (same person)	Filipino	18,000,000	16.36
Common	Mylene Lim (2) 21 Alvir St. Little Baguio San Juan M.M.	Mylene Lim (same person)	Filipino	10,850,000	9.86
Common	Nimfa Leonco (3) 54 Gregory St. Saint Charbel Village Mindanao Avenue Q.C.	Nimfa Leonco (same person)	Filipino	10,850,000	9.86
Common	Arthur Lim (4) 21 Alvir St. Little Baguio San Juan M.M.	Arthur Lim (same person)	Filipino	7,150,000	6.50
Common	Ferdinand Soliman (5) 14 Mapagbigay St. Diliman Q.C.	Ferdinand Soliman (same person)	Filipino	7,150,000	6.50

- (1) *Ferdinand Soliman is currently the Chairman/President of the Company.*
- (2) *Mylene Lim is currently a Managing Director and Treasurer of the Company.*
- (3) *Ninfa Leonco was previously a director of the Company*
- (4) *Arthur Lim was previously a director and Chairman/President of the Company*
- (5) *Wilfredo Uy was previously a director and Chairman/President of the Company.*

## **Security Ownership of Management**

As of November 22, 2019, the following Directors and key officers owned, of record or beneficially, approximately the following number of shares of the Company's issued and outstanding capital stock:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	%
Common	Ferdinand Soliman	7,150,000	Direct	Filipino	6.50
Common	Mylene Lim	10,850,000	Direct	Filipino	9.86
Common	Noric Ng	3,000,000	Direct	Filipino	2.73
Common	Emelita Mangosing	10,000	Direct	Filipino	Nil
Common	Fernando Mamuyac	10,000	Direct	Filipino	Nil
Common	Enrique Cunanan	10,000	Direct	Filipino	Nil
Common	Maila Paredes	3,000	Direct	Filipino	Nil
Common	Jean Cestina	2,000	Direct	Filipino	Nil
Common	All directors and executive officers as a group	21,035,000			19.09

### **Voting Trust Holders of 5% or more**

There is no party known to the Company as holding any voting trust or any similar arrangement for 5% or more of the Company's voting securities.

(e) There is no arrangement which may result in a change in control of the Company.

## **Directors and Executive Officers**

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding Annual Meeting or until their respective successors have been elected and qualified.

The names, ages, current position, citizenship, and periods of service of all the incumbent Directors and Executive Officers of the Company for the last five (5) are as follows:

### **Board of Directors**

The following are the incumbent members of the Board of Directors who are also nominated herein for election/re-election as members of the Board of Directors for 2019 – 2020:

**Ferdinand Z. Soliman, 55, Chairman and President.** Mr. Soliman is a Filipino citizen, and is a member of the board and has been its Corporate Secretary since the Company's incorporation. He became Managing Director in January 2002. In addition, he became a member of the Nomination Committee and of the Compensation and Remuneration Committee on May 12, 2004 and June 30, 2004, respectively. Mr. Soliman graduated from the Holy Angel University in 1985 with a Bachelor of Science degree in Civil Engineering. He also completed the Applied Business Economics Program from the University of Asia and the Pacific in 2002. He is a director of GPS Measurement. He was formerly affiliated with GP Construction & Development Corporation as CE Aide (1983 to 1984); Torre Planning & Design as Surveyor (1984 to 1985); Nico Construction as Project Engineer (1986 to 1988); White House Development Corporation as Section Head (1988 to 1993); Extraordinary Development Corporation as Project Manager (1994 to 1997); and Earth + Style Corporation as Department Head (1998 to 2001). He handles the Operations group of the Company.

**Emelita M. Mangosing, 55, Corporate Secretary.** Ms. Mangosing is a Filipino citizen, and is a member of the board since 2011 and became Corporate Secretary in June 2011. She graduated in 1985 from Central Luzon Polytechnic College presently known as Nueva Ecija University of Science and Technology with a Bachelor of Science degree in Civil Engineering. She is a licensed Civil Engineer with solid years of experience in construction industry. She served the Company for several years as Project Manager bringing with her more than 20 years of experience in construction and real estate project management. She is affiliated with Extraordinary Development Corporation as Head of the Procurement Management Unit. Moreover, she gained years of experience in construction with Golden Bay Realty Development Corporation as Head of the Quality Control Department and at

Supreme Housing Builders as Project Manager. She is currently works as Procurement Manager in Raemulan Lands, Incorporated' a real estate company.

**Mylene T. Lim, 54, Managing Director and Corporate Treasurer.** Ms. Lim is a Filipino citizen, and is a member of the board since the Company's incorporation and became Managing Director in January 2002 and Assistant Corporate Secretary during the June 30, 2004 Organizational Meeting of the Board of Directors. She graduated from the University of Mindanao in 1985 with a Bachelor of Science degree in Architecture. She completed her Masters in Business Administration at the Ateneo Graduate School in 2001. She was formerly affiliated with Extraordinary Development Corporation as Section Head – Purchasing Dept. (1987 to 1990), Department Head – Purchasing Dept. (1990 to 1998), Administrative and R&D Head – Construction Group (1998 to 2000), and AVP – Central Purchasing (2000 to 2001). She is in charge of the Finance and Administration group of the Company.

**Noric Terence T. Ng, 44, Director.** Mr. Ng is a Filipino citizen, and is a director since January 23, 2002. He graduated from the Chiang Kai Shek College in 1997 with a Bachelor of Science degree in Computer Studies. He is currently an Assistant Plant Manager at Republic Biscuit Corporation.

**Fernando Mamuyac, 54, Director and Acting Deputy General Manager-Operation,** Filipino, He was elected as a member of the Board during the June 2010 annual Stockholders' Meeting. Engr. Mamuyac served the Company since May 2001, bringing with him more than 15 years of experience in project management gained from the private construction and real estate companies. He graduated from the Technological Institute of the Philippines in 1989 with a Bachelor of Science degree in Civil Engineering. He had attended Executive Training Program and various seminars on leadership, accounting, computer, and other technical seminars from various institutions. He currently works as Construction Manager in Raemulan Lands Incorporated, a real estate company.

The members of the board shall hold office until their successors are elected and qualified in their stead, or until they shall have resigned or shall have been removed. The annual stockholder's meeting shall be held on December 16, 2019.

### **Independent Directors**

#### **Compliance with SRC Rule 38 (Guidelines on the Nomination and Election of Independent Directors)**

The directors are elected at each annual general meeting by stockholders entitled to vote in accordance with the Company's By-Laws. Each director holds office until the next annual election and until his successor is duly elected, unless he resigns from office, is incapacitated and is unable to carry out his duties as director, or is removed prior to such election. In compliance with the Manual on Corporate Governance, the Nomination Committee reviewed the nominations and qualifications of the incumbent independent directors who will be nominated for election to the Board of Directors during the scheduled annual meeting of stockholders. In approving the nominations for election of independent directors, the Nomination Committee took into consideration the Guidelines on the Nomination of Independent Directors prescribed in SRC Rule 38, as amended.

The By-Laws of the Company were amended on January 31, 2006 to incorporate SRC Rule 38 of Amended Implementing Rules and Regulations of the SRC (the "SRC Rules") on the Requirements on Nomination and Election of Independent Directors.

**Ms. Liza S. Niedo, 48, Independent Director.** Ms. Niedo is a Filipino citizen. She graduated from Polytechnic University of the Philippines in April 1990 with a Degree of Bachelor in Accountancy. She took up post graduate studies and completed her Masters in Business Administration at Jose Rizal University in April 2010. She gained her 20 years of experience in the accounting profession through her work in various companies such as Prosperity Builders Resources Inc. as Finance Head, First Advance Development Corporation as IT-Consultant, and Extraordinary Development Corporation. She currently works as Finance & Admin. Manager in PSI Healthcare Development Corporation, a healthcare company.

**Engr. Roseller C. Anacito, 54, Independent Director.** Engr. Anacito is a Filipino citizen. He graduated from University of Nueva Caceres in October 1986. He gained his 25 years of experience in project management from the private construction and real estate companies such as Extraordinary Development Corporation and City and Life Property Inc as Project Manager. He also served the company as Project Manager in year 2002 to 2008. He is currently works as Site Construction Senior Manager at Raemulan Lands Inc., a real estate company.

Ms. Liza Niedo and Engr. Roseller Anacito qualify as independent directors of the Company pursuant to SRC Rule 38, that is, they are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company. SRC Rule 38 provides that the Company shall have at least two (2) independent directors, or at least twenty percent (20%) of its board size, whichever is lesser. Given a board size of seven (7), the Company may have at least one (1) independent director.

The Nomination Committee, composed of Mr. Ferdinand Soliman as Chairman, Ms. Emelita Mangosing and Mr. Roseller Anacito as members, in a meeting held on April 30, 2019, indorsed the respective nominations in favor of Ms. Liza Niedo (by Mr. Ferdinand Soliman) and Engr. Roseller Anacito (by Ms. Emelita Mangosing). Mr. Ferdinand Soliman and Ms. Emelita Mangosing are not related in any manner to the nominees.

Attached as Annexes “A-1” and “A-2” are the sworn Certifications of Qualifications of Liza S. Niedo and Roseller C. Anancito, respectively

### **Principal Officers**

The following are the principal officers of the Company and their respective areas of responsibility.

**Ferdinand Z. Soliman, 55, General Manager-Operations,** Filipino, heads the Operations Unit. Mr. Soliman is a Filipino citizen, and is a member of the board and has been its Corporate Secretary since the Company's incorporation. He became Managing Director in January 2002. In addition, he became a member of the Nomination Committee and of the Compensation and Remuneration Committee on May 12, 2004 and June 30, 2004, respectively. Mr. Soliman graduated from the Holy Angel University in 1985 with a Bachelor of Science degree in Civil Engineering. He also completed the Applied Business Economics Program from the University of Asia and the Pacific in 2002. He is a director of GPS Measurement. He was formerly affiliated with GP Construction & Development Corporation as CE Aide (1983 to 1984); Torre Planning & Design as Surveyor (1984 to 1985); Nico Construction as Project Engineer (1986 to 1988); White House Development Corporation as Section Head (1988 to 1993); Extraordinary Development Corporation as Project Manager (1994 to 1997); and Earth + Style Corporation as Department Head (1998 to 2001). He handles the Operations group of the Company.

**Mylene T. Lim, 54, Managing Director and Principal Financial Officer.** Ms. Lim is a Filipino citizen, and is a member of the board since the Company's incorporation and became Managing Director in January 2002 and Assistant Corporate Secretary during the June 30, 2004 Organizational Meeting of the Board of Directors. Currently, she is also the elected Treasurer of the Company. She graduated from the University of Mindanao in 1985 with a Bachelor of Science degree in Architecture. She completed her Masters in Business Administration at the Ateneo Graduate School in 2001. She was formerly affiliated with Extraordinary Development Corporation as Section Head – Purchasing Dept. (1987 to 1990), Department Head – Purchasing Dept. (1990 to 1998), Administrative and R&D Head – Construction Group (1998 to 2000), and AVP – Central Purchasing (2000 to 2001). She is in charge of the Finance and Administration group of the Company.

**Fernando Mamuyac, 54, Acting Deputy General Manager-Operation,** Filipino, He was elected as a member of the Board during the June 2010 annual Stockholders' Meeting. Engr. Mamuyac served the Company since May 2001, bringing with him more than 20 years of experience in project management gained from the private construction and real estate companies. He graduated from the Technological Institute of the Philippines in 1989 with a Bachelor of Science degree in Civil Engineering. He had attended Executive Training Program and various seminars on leadership, accounting, computer, and other technical seminars from various institutions



**Enrique C. Cunanan, 50, Acting Deputy General Manager – Finance and Administration**, Filipino, heads the Finance Department. Mr. Cunanan has been with the Company since the start of its operation. He graduated from the Pampanga College in 1989 with a Bachelor of Science degree in Commerce and earned units in Masters of Science in Information Technology at the Ateneo Graduate School. He also had several training conducted by the Philippine Institute of Certified Public Accountants. He has been an Accountant since 1991 in several construction firms. He is the Company's Compliance Officer to the Securities and Exchange Commission (SEC) and Corporate Information Officer (CIO) to the PSE.

### **Significant Employees**

There are no employees expected by the Company to make significant contribution to the business.

### **Family Relationships**

There were no family relationship existed among the current directors and officers of the company

### **Involvement in Certain Legal Proceedings**

The Company is not involved in, nor is any of its properties subject to, any material legal proceedings that could potentially affect its operations and financial capabilities.

The Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- any bankruptcy petition filed by or against any business of which the incumbent Directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within two (5) years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent Directors or senior management of the Company;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent Directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

### **Certain Relationships and Related Transactions**

The Company's related parties include entities under common ownership or control, and the Company's key management. The following is a summary of the transactions of the Company with its related parties:

Related Party Category	Amount of Transactions		Outstanding Balance	
	2018	2017	2018	2017
Related Parties under Common Ownership:				
Construction Services	67,170,182	35,865,792	21,281,606	15,958,187
Advances from Related Parties	-	1,855,755	(11,608,805)	(11,608,805)

Advances to Related Parties	13,600	(8,741,550)	192,764	179,164
Key Management Personnel:				
Compensation	162,910	441,223	-	(131,145)

In 2018, the Company's outstanding receivables with related parties were subjected to impairment using PFRS 9's ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties.

In the normal course of business, the Company obtains from and grants to its related parties (other than those provided to officers and directors for carrying out official business functions and activities which are subject to liquidation as at December 31, 2018 and 2017) unsecured, noninterest-bearing, cash advances for working capital requirements and other purposes.

Total advances to related parties are presented as Advances to related parties under the Receivables account in the statements of financial position.

The movements in the Advances to related parties are shown below.

	2018	2017
Balance at beginning of the year	179,164	8,920,714
Write-off of advances	-	(8,708,905)
Collections	-	(32,645)
Additions	6,600	-
Balance at end of year	192,764	179,164

Certain officers, directors and stockholders of these related parties purchased shares of stock of the Company through the Company's IPO. These shares were fully paid as of Record Date.

### **Disagreement with Directors**

No director has resigned or declined to stand for re-election to the board of directors since June 27, 2018, the date of the last annual meeting of stockholders, because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

### **Compensation of Directors and Executive Officers**

The following table shows the aggregate compensation received by the President, Chief Operating Officer, Acting Deputy General Manager-Finance/Admin, Acting Deputy General Manager-Operations, and the most highly compensated officer of the Company for the years 2017, 2018 and 2019 (estimate only).

Name and Principal Position	Year	Salary (P)	Bonus (P)
Enrique Cunanan, ADGM-Finance/Admin Engr. Fernando Mamuyac, ADGM-Operations Engr. Emelita Mangosing, PMU-Head Arch. Mylene Lim, Controller Engr. Ferdinand Soliman, CEO	2017 (actual)	441,224	Nil
	2018 (actual)	162,910	Nil
	2019 (estimate)	450,000	Nil
All Directors and Officers as a Group Unnamed	2017 (actual)	441,224	Nil
	2018 (actual)	162,910	Nil
	2019 (estimate)	450,000	Nil

### **Compensation of Directors**

There are no other standard and other arrangements between the Company and the directors. However, the Company gives per diem to its directors in the amount of Php 4,000.00.

### **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

There are no compensatory plans or arrangements with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change in control in the Company.

### **Warrants and Options Outstanding**

There are no outstanding warrants and options held by the Company's directors and officers.

### **Independent Public Accountants**

For the five (5) most recent fiscal years, the Company's independent public accountant has been Punongbayan & Araullo (P&A) and will be re-nominated for election as such for the current year. From 2001 to 2003, Mr. Benjamin P. Valdez was assigned as engagement partner. For 2004, the Company's account was assigned to Mr. Angel A. Aguilar Jr. For 2005, the account was assigned to Mr. Juan Carlos B. Robles and in 2006-2010, the account was assigned to Ms. Mailene Sigue-Bisnar. From 2011-2013 the account had been assigned to Mr. Christopher M. Ferarez and then to Mr. Ramilito L. Nanola. In 2018, the account is assigned to Mr. Jessie C. Carpio. Representatives of P&A are expected to be present at the Annual Stockholders' Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

The current handling partner of Punongbayan & Araullo has been engaged by the Company for the fiscal year 2018 and is expected to be rotated every five (5) years.

The members of the Audit Committee are Ms Lisa Niedo, an Independent Director, as Chairman, and Ferdinand Soliman and Mylene Lim as members.

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

	2018	2017
Audit and Audit-Related Fees	380,000	364,000
Tax Fees	- nil -	- nil -
All Other Fees	- nil -	- nil -

Following are the criteria used in the selection of an external auditor:

1. The auditor must be among the list of accredited external auditors by the SEC.
2. No partner of the auditing firm must be related by consanguinity or affinity to the president, manager or principal stockholders of the Company.
3. The auditor must not have engaged in any irregularities with respect to any audit engagement.

Following are the criteria for the approval of audit fees:

1. The fee must not be based on any tax savings nor should it be based on revenues or net income.
2. The fee must be of a reasonable amount.
3. Discussion with the auditor must be made before the fee is finalized.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There was no event where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

## **FINANCIAL AND OTHER INFORMATION**

### ***a. Audited Financial Statements***

A copy of Company's Audited Financial Statements for the year ended December 31, 2018 is attached hereto as **Annex "B"**.

### ***b. Interim Financial Statements***

A copy of Company's Interim Financial Statements for the quarter ended September 30, 2019 is attached hereto as **Annex "C"**.

The Management's Discussion and Analysis of Operations is incorporated in the Management Report

## **OTHER MATTERS**

### **Action with Respect to Reports**

The following are included in the agenda of the Annual Stockholders' Meeting for the approval of the stockholders:

- Minutes of the Annual Meeting of the Stockholders held on June 27, 2018 covering the following matters: i) election of Members of the Board, including Independent Directors; ii) approval of the Annual Report and Audited Financial Statements for the year ended December 31, 2017; iii) approval and ratification of the Acts of the Board of Directors and Management; and iv) confirmation of the appointment of Punongbayan and Araullo as the Company's external auditor.
- Annual Report and Audited Financial Statements of the Company for the year ended December 31, 2018;
- Acts/Resolutions of the Board of Directors  
The following are the acts/resolutions of the Board of Directors since the last annual meeting held on June 27, 2018:

Date/Type of Meeting	Resolutions/Matters Approved
June 27, 2018/Board of Directors' Meeting	a) Election of officers: Ferdinand Soliman, Mylene Lim and Emelita Mangosing as Chairman, Treasurer and Secretary, respectively.
	b) Appointment of members of the Audit Committee: Lisa Niedo as Chairperson and Emelita Mangosing and Mylene Lim as Members
	c) Appointment of members of the Compensation and Remuneration committee: Roseller Anacito, Ferdinand Soliman and Mylene Lim
	d) Appointment of members of the Nomination Committee: Mylene Lim, Ferdinand Soliman and Ana Tensuan
July 25, 2018/Board of Directors' Meeting	Confirmation of the Second Quarter Financial Reports for the quarter ended June 30, 2018
Oct. 24, 2018/Board of Directors' Meeting	Confirmation of the Third Quarter Financial Reports for the quarter ended September 30, 2018 Initial presentation of Annual Budget for 2018
Dec. 05, 2018/Board of Directors' Meeting	Confirmation of 2018 annual budget
April 8, 2019/Board of Directors' Meeting	Authorizing issue the 2018 financial statements

April 30, 2019/Board of Directors' Meeting	Setting May 27, 2019 as the Record Date for the Annual Meeting Setting June 26, 2019 as the Annual Stockholders' Meeting Endorsement of independent directors
May 29, 2019/Board of Directors' Meeting	Amendment of the Articles of Incorporation, subject to the approval of the stockholders in accordance with the Revised Corporation Code
June 14, 2019/Board of Directors' Meeting	Postponement of the Annual Stockholders' Meeting which was previously scheduled on June 26, 2019.
July 31, 2019/Board of Directors' Meeting	Confirmation of the Second Quarter Financial Reports for the quarter ended June 30, 2019
November 22, 2019/Board of Directors' Meeting	Confirmation of the Third Quarter Financial Reports for the quarter ended September 30, 2019 Setting December 16, 2019 as the revised Annual Stockholders' Meeting

### **Matters Not Required to be Submitted**

There are no matters that are not required to be submitted to a vote of stockholders.

### **Amendment of Charter, By-laws or Other Documents**

The Board of Directors in a meeting held on 29 May 2019 approved the amendment of the Articles of Incorporation, subject to the approval of the stockholders in accordance with the Revised Corporation Code:

1. The amendment to Article THIRD to amend its principal office to Central Business Park 2, Roxas Boulevard - Seaside Drive Junction, Reclamation Area, Paranaque City, and
2. The amendment to Article SEVENTH to increase its Authorized Capital stock from Php 155,000,000.00 to Php1,500,000,000.00

The increase in authorized capital stock shall be subscribed by Manila Bay Development Corporation and Mr. George T. Chua (the "New Subscribers"), who will contribute a total of twelve (12) parcels of land located in Paranaque City with a total area of 227,510 square meters in exchange for 990,000,000 new common shares to be issued by the Company.

The increase in authorized capital stock shall be enable the Corporation to secure properties along Roxas Boulevard, within the Reclamation Area of the Bay City (Boulevard 2000) development in Paranaque City, which would be a source of recurring rental income or future income from development projects.

### **Other Proposed Action**

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance are covered by appropriate disclosures such as: membership in the relevant committees such as the Audit Committee and the Remuneration and Compensation Committee, designation of authorized signatories, financing activities, and appointments in compliance with corporate governance policies.

Management reports which summarize the acts of management for the year 2018, are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereof.

## Voting Procedures

### 1. Votes required

Proposed Corporate Action	No. of Votes Required
Election of the members of the Board of Directors	Seven (7) candidates receiving the highest number of votes shall be declared elected
Approval of Financial Statements and Annual Report	Majority of the outstanding common shares
Ratification of all acts of Board and Management	
Appointment of Auditor	

### 2. Method of counting

Prior to the Annual Stockholders' Meeting, proxy forms are sent out together with the Notice of Annual Stockholders' Meeting with Agenda and are required to be submitted to the Corporate Secretary for validation and for authorization set forth on certain items included in the proxy form. During the registration and before the meeting starts, the attendees are required to sign up on a list where their respective shares are displayed so a determination can be made right away as to quorum purposes and what percentage of the total and outstanding shares was in favor or not with respect on a certain matter discussed. Votes of stockholders present are counted by identifying raised hands for yes or no for certain matters to be acted upon.

Counting of votes will be done by the Corporate Secretary or his authorized representative with the assistance of representatives of the stock transfer agent of the Company, Securities Transfer Services, Inc.

## PART II

### Identification

The enclosed proxy is solicited by the Registrant for use in voting at the annual stockholders' meeting. The Chairman of the Board of Directors or, in his absence, the designated Chairman in the Meeting will vote the proxies at the annual stockholders' meeting on Monday, December 16, 2019.

The information statement and this proxy shall be sent through mail starting November 25, 2019. Duly executed proxies may be returned either by mail, fax or by hand at the company's mailing address. Proxies must be received on or before December 14, 2019 5:00 pm.

### Instructions

This proxy must be duly accomplished by the stockholder of record as of May 27, 2019, the Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the corporate secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a corporate secretary's certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.

Duly accomplished proxies shall be submitted to the Corporate Secretary of the Company not later than December 14, 2019 at the following address:

Attention: Emelita Mangosing  
The Corporate Secretary  
Supercity Realty Development Corporation  
41<sup>st</sup> Floor Joy Nostalg Center, ADB Avenue, Ortigas Center, Ave. Pasig City

In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy

The last day of the validation of proxies will be the day before the date of the annual stockholders' meeting. The validation shall be done by the Corporate Secretary and/or the Company's Stock Transfer Agent at the Company's registered office address. As part of the validation process, the proxy statement should have a valid control number which will be used to verify the authenticity of the proxy form, it must be properly dated, executed, signed and returned by the stockholder thru mail, fax or by hand at the Company's mailing address. Proxies must be received on or before December 14, 2019 5:00 pm. Furthermore, the manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20(11)(b).

Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the Chairman of the Board of Directors, or in his absence, the designated Chairman of the meeting, as his proxy in the annual stockholders' meeting to be held on December 16, 2019.

If the number of shares of stock is left blank, the proxy shall be deemed to have been issued for all the stockholder's shares of stock in the Corporation as of Record Date.

Every stockholder voting in the election of directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by such stockholder, or distribute the stockholder's votes on the same principle among as many candidates as the stockholder may select, provided that votes cannot be cast for more candidates than the number of directors to be elected. However, no stockholder shall be entitled to cumulate votes unless the candidate's name has been placed in the nomination prior to the voting and the stockholder, or any other stockholder, has given notice at the meeting prior to the voting of the intention to cumulate the stockholder's votes. On all other matters, each share has one vote.

When proxy are properly dated, executed and returned, the shares they represent will be voted at the annual meeting in accordance with the instructions of the stockholder. If no specific instructions are

given, the shares will be voted FOR the election of the nominees for directors and independent directors, FOR the Approval of the Minutes of the Previous Meeting of Stockholders, FOR the Approval of the Financial Statements and Annual Report, FOR the Ratification of All Acts of Board and Management, and FOR the Appointment of Punongbayan & Araullo as Auditor. In addition, if other matters come before the annual meeting, the persons named in the accompanying form of proxy will vote in accordance with their best judgment with respect to such matters.

#### **Revocability of Proxy**

A stockholder who shall sign and return the proxy accompanying this form will have the power to revoke it before it is voted on the stockholder's meeting upon the written notice to the Corporate Secretary, Emelita Mangosing, and upon proper verification thereof.

#### **Person Making the Solicitation**

The solicitation of proxies is made by the registrant company. No one among the directors intends to oppose any action intended to be taken by the registrant.

Solicitation shall be done through the use of mail and the cost is estimated to be in the amount of P25,000. The cost of solicitation will be for the account of the Registrant. Incidental solicitation in person or by telephone may also be made by directors, officers and employees of the Registrant for which they will receive no additional compensation.

#### **Interest of Certain Persons in Matters to be Acted Upon**

The Registrant's directors, executive officers, nominees to such positions and their associates do not have any substantial interest, direct or indirect, in any matter to be acted upon, other than election to office.



PLEASE FILL UP AND SIGN THIS PROXY AND RETURN IMMEDIATELY TO THE CORPORATE SECRETARY. A RETURN ENVELOPE IS PROVIDED FOR YOUR CONVENIENCE.

Control No: 001

**SUPERCITY REALTY DEVELOPMENT CORPORATION**

**STOCKHOLDER PROXY**

The undersigned hereby appoints the Chairman of the Board or in his absence, the Chairman of the Meeting, with full power of substitution and delegation, as the proxy of the undersigned, to represent and vote all of the common shares of stock of the undersigned at the Annual Stockholders' Meeting of the Company to be held on **December 16, 2019 (the "Annual Stockholders Meeting")** at \_\_\_\_\_, and at any and all adjournments or postponements thereof, for the purpose of acting on the proposals enumerated below:

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion upon other business as may properly come before the Annual Stockholders' Meeting and any adjournments or postponements thereof.

**PROPOSALS AND VOTING INSTRUCTIONS**

**I. Election of Directors**

The nominees for election as directors are:

- |                             |                            |                             |
|-----------------------------|----------------------------|-----------------------------|
| 1. <u>Ferdinand Soliman</u> | 4. <u>Fernando Mamuyac</u> | 7. <u>Roseller Anacito*</u> |
| 2. <u>Emelita Mangosing</u> | 5. <u>Noric Terence Ng</u> | 8. _____                    |
| 3. <u>Mylene Lim</u>        | 6. <u>Lisa Niedo*</u>      | 9. _____                    |

\* Independent Director

FOR ALL ☐

WITHHOLD FOR ALL ☐

EXCEPTIONS ☐

Exceptions: \_\_\_\_\_

- |          |          |          |
|----------|----------|----------|
| 1. _____ | 4. _____ | 6. _____ |
| 2. _____ | 5. _____ | 7. _____ |
| 3. _____ |          |          |

**Instructions:**

- The holder of common shares of stock may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If the stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.
- The holder of common shares of stock can either (a) vote for all the nominees, in which case the stockholders' total votes will be split and cast equally among the nominee(s); (b) withhold his vote for all the nominees; or (c) vote only for some and not all of the nominees, in which case the stockholder's total votes will be distributed and cast as indicated by the stockholder in the spaces provided above. If the stockholder does not indicate the number of shares to be distributed to the remaining nominees who are not named on the space for Exceptions above, then the stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to seven (7) times the number of common shares of stock held as of the Record Date.

**II. Approval of the Minutes of the Previous Meeting of Stockholders**

FOR ☐

AGAINST ☐

ABSTAIN ☐

**III. Approval of the Financial Statements and Annual Report**

FOR ☐

AGAINST ☐

ABSTAIN ☐

**IV. Ratification of All Acts of Board and Management**

FOR ☐

AGAINST ☐

ABSTAIN ☐

**V. Appointment of Punongbayan & Araullo as Auditor**

FOR ☐

AGAINST ☐

ABSTAIN ☐

**VI. Amendment of Articles of Incorporation:**

**Increase of Authorized Capital Stock**

FOR ☐

AGAINST ☐

ABSTAIN ☐

**Issuance of New Shares of Stock to New Investors**

FOR ☐

AGAINST ☐

ABSTAIN ☐

\_\_\_\_\_  
(Signature Over Printed Name)

Date: \_\_\_\_\_

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE DECEMBER 16, 2019, THE DEADLINE FOR SUBMISSION OF PROXIES.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESS HIS INTENTION TO VOTE IN PERSON. THIS PROXY SHALL BE VALID AND REMAIN TO BE IN FULL FORCE AND EFFECT UNLESS REVOKED THROUGH NOTICE IN WRITING DELIVERED TO THE CORPORATE SECRETARY A DAY BEFORE THE SCHEDULED MEETING.

**The solicitation of proxies is made by the Registrant.** No one among the directors intends to oppose any action intended to be taken by the Registrant. The solicitation is not subject to paragraph 9 of SRC Rule 20. The Company will bear the cost of the printing and mailing this proxy statement and other materials furnished to the stockholders in connection with proxy solicitation which shall not exceed P25,000.00

Last day of validation will be the day before the annual stockholders' meeting. The Corporate Secretary and/or the Company's Stock Transfer Agent is in charge of the validation process. The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20(11)(b).

Also there is no substantial interest, directed or indirect, by security holdings or otherwise, of each of the following in any matter to be acted upon, other than election to office.

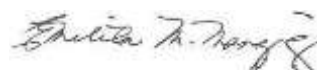
**PART III.**

**SIGNATURE PAGE**

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 signed in the City of Pasig on 22 November 2019.

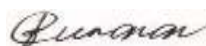
**SUPERCITY REALTY DEVELOPMENT CORPORATION**

Issuer



**ENGR. EMELITA MANGOSING**

Corporate Secretary



**MR. ENRIQUE CUNANAN**

Compliance-Information-Officer

November 22, 2019

## **MANAGEMENT REPORT**

### **PART I - BUSINESS AND GENERAL INFORMATION**

#### **Item 1. Business**

##### **Company Background**

Supercity Realty Development Corporation, hereinafter referred to as SRDC, was registered with the SEC on June 9, 2000 under SEC Registration No. A200008385. The Company's authorized capital is ₱155,000,000.00 consisting of 155,000,000 Common Shares, with a par value of ₱1.00 per share. As of December 31, 2009, the Company had 110,000,000 Shares issued and outstanding.

The Company is authorized to engage in the business of construction, and related services and activities. It is authorized to act as a contractor or subcontractor for the construction of houses, buildings, roads, bridges and other construction projects for the private sector or the Government anywhere in the Philippines. It is also authorized to; (i) purchase, lease, exchange or otherwise acquire real properties, (ii) manage, subdivide and develop the same, and (iii) sell, transfer, convey or otherwise alienate or dispose of any such real properties and any interest or right therein.

##### **History**

The Company traces its beginnings to the early part of 2000, when a group of Filipino professionals that were formerly connected with Extraordinary Development Corporation decided to organize a construction services company. They envisioned their new company to cater to real estate developers that were focused on acquiring, developing, marketing and selling real estate end products rather than undertaking their own construction work. The incorporators of the Company that have remained as shareholders include; (a) Ferdinand Soliman, an engineer with 26 years of experience in the field of construction, planning and design, (b) Mylene Lim, an architect who has more than twenty (23) years of experience in the area of procurement of construction materials, (c) Wilfredo Uy, a certified public accountant (CPA) who gained expertise in the accountancy field through his 21 years practice as a CPA, and (d) Nimfa Leonco, who is currently connected with Asia Pacific Timber & Plywood Corporation.

Since the start of its commercial operations on October 1, 2000, the Company has completed a number of land development and housing projects. The Company's major completed and on-going projects are located in the following project sites: (a) Mabuhay City Subdivision in Cabuyao, Laguna, (b) Jubilation New Biñan Subdivision in Biñan, Laguna, (c) Eastwood Greenview Subdivision in San Isidro, Rodriguez, Rizal, (d) Eastwind Homes also in San Isidro, Rodriguez, Rizal, (e) Celebrity Place Walk-up Condominium in Quezon City, (f) Centella Homes Subdivision in San Isidro, Rodriguez, Rizal and (g) Terraverde Residences in Carmona, Cavite.

##### **Corporate Objectives**

The Company's basic objectives are to provide a full range of construction services to real estate developers, and to provide them with technical assistance during the pre- and post-construction stages of their projects. It is usually engaged as a general contractor for land development and housing projects. The Company employs modern building system technology in its mass housing construction, and a management information system for its operations. It utilizes accredited labor subcontractors in order to maintain a relatively lean workforce.

In February 2008, the board has decided to wind down its construction business and re-focus the company's business into real estate development. However, as of December 31, 2015, the Company has not yet started any real development projects and thus the Company is still continuously engaged in the business of construction.

## Vision-Mission

### Mission Statement

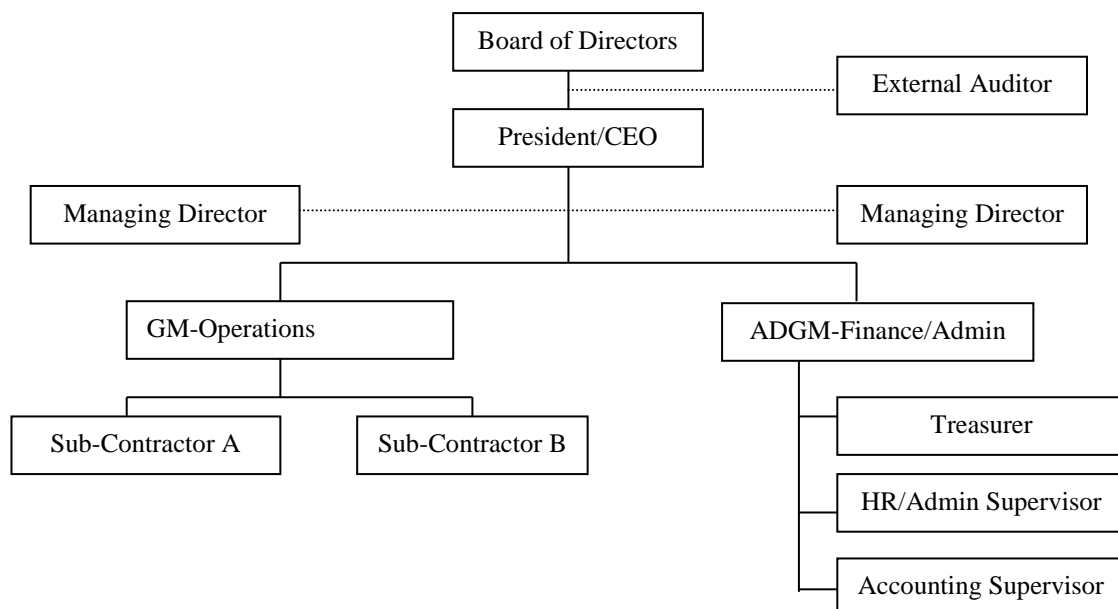
We are a leading construction company engaged in mass housing business providing total customer satisfaction using innovative and cost effective technology with the timely delivery of quality products and services.

### Vision Statement

We are the trademark for total customer satisfaction in the mass housing construction by sustaining our competitive advantage through innovative products and services.

## Organizational Structure

The following chart provides an overview of the organizational structure of the Company:



The Company's organization is relatively simple and flat. There are basically two major groups, namely: Operations, and Finance and Administration. However, there will be changes on the organizational structure when the Company's business re-focuses into real estate development.

### A. Operations Group

The General Manager–Operations oversees the Project Managers in their respective construction project assignments. Each project team is responsible for the following functions: project estimating, project bidding and awarding, project implementation, and turnover of project after completion to the client. The Project and Site Engineers oversee and relate directly to the subcontractors to ensure that the latter's work quality and completion schedules meet the established standards and timetables.

## B. Finance and Administration Group

The Acting Deputy General Manager-Finance/Administration, on the other hand, is in charge of overseeing the accounting, finance, human resource management, information management, and procurement functions within the Company.

### *Senior Management*

The President and the Directors of the Company are the key persons responsible for obtaining leads to new projects, and establishing rapport with clients. Senior management is also responsible for formulating key corporate strategies for the Company.

### *Ad Hoc Committees*

Ad hoc committees or groups are also formed among employees from different departments for the preparation of research studies, formulation of the Company's guidelines and procedures, systems evaluation and integration, and the like.

## Operations

The operations of the Company can be categorized into the following areas of activity: (a) Contract Bidding and Signing; (b) Project Implementation; (c) Collections; and (d) Accreditation of Subcontractors. The details of the various activities involved are presented below:

### A. Contract Bidding and Signing

To facilitate the preparation of project estimates to be used in contract bidding, the Company maintains a BQ Library for all the house models and construction works that it has already undertaken. Prices of construction materials and labor are then updated in the said database. The system allows for the fast preparation of project cost estimates. The major steps involved in contract bidding and signing are:

1. Preparation of estimates based on plans and specifications of the client
2. Submission of bid proposal to the client
3. Conduct of clarifications on bid proposal
4. Evaluation and awarding of bids by the client
5. Execution of contracts
6. Issuance of the "Notice To Proceed" by the client

### B. Project Implementation

A project implementation plan is first prepared, discussed with, and agreed upon with the developer in order to ensure the proper implementation of the project, and to avoid conflict or argument during and after the implementation. The project implementation plan is also discussed with the subcontractors to have a common understanding on implementation procedures. The implementation plan has the following information: (a) schedule of activities, (b) number of days, (c) manpower requirement and deployment, (d) materials delivery schedule, (e) percentage of accomplishment and/or milestone, and (f) actions to be taken when unforeseen events occur. The construction methodology in undertaking certain activity is also discussed and agreed upon.

The major steps in the actual project implementation are as follows:

1. Presentation and approval of implementation plan
2. Purchase of construction materials required
3. Engagement of the services of the accredited subcontractors (evaluation of subcontractors is done in advance)
4. Implementation based on plans and specifications
5. Conduct of ocular inspection to ensure quality and timely delivery of the project
6. Turnover of the project to the client upon completion

### C. Collections

The Company maintains a database file for all project contracts obtained. This file is updated semi-monthly to reflect the corresponding project accomplishment and for setting up of receivables. For contracts or projects that allow for percentage of completion billings, the Company normally bills clients twice a month. For contracts based on progress billings, billings are only made when a certain project milestone is achieved.

The Company normally requires a 20% down payment on its contracts, and is billed upon contract signing. Clients, on the other hand, retain 10% of the contract price for a period of 60 days from the time the project is completed and turned over by the Company. The said retention amount is a normal industry practice and is meant to cover any costs and expenses for modifications, defects, or repairs on the project.

The major steps in collections are as follows:

1. Preparation of billing for down payment after the signing of contract
2. Preparation of periodic billings
3. Submission of billing to the client for approval
4. Follow up and collection of payment

### D. Accreditation of Subcontractors

The Company employs accreditation procedures for all its subcontractors to ensure that its subcontractors have the capability to handle the projects awarded to them. The subcontractors are re-evaluated periodically to update their classification. Subcontractors that deliver quality services on time or ahead of time are usually compensated with better rates for their next project with the Company.

The Company has also established a subcontractor's code of conduct that must be observed at all times to ensure safety, cleanliness, and orderliness at the project site.

The major steps in the accreditation process of subcontractors are as follows:

1. Issuance of pre-qualification checklist to the applicant subcontractors
2. Evaluation and verification of information on the checklist
3. Conduct of ocular inspection of the subcontractor's completed and on-going projects
4. Final evaluation of the applicant subcontractor
5. Issuance of accreditation certificate and assignment of subcontractor ID

### Products and Services

A list of the products and services offered by the Company is presented as follows:

#### 1. Construction of Houses

- 18-square meter Row House – CHB-load bearing
- 20-square meter Row House – CHB-load bearing
- 20-square meter Row House with Roofdeck – using steel wall form system
- 25-square meter Single-Attached/Single-Detached – using ordinary CHB
- 25-square meter Single-Attached/Single-Detached with Roofdeck – using steel wall forms
- Medium-scale and upscale houses
- 3-storey condominium

#### 2. Land Development

- Earthworks
- Road concreting

- Waterline distribution system
- Box culverts
- Sewerline system
- Drainage system
- Perimeter fences

### 3. Specialty Works

- Elevated water tank
- Deep well
- Clubhouse
- Swimming pool
- Basketball court
- Entrance gate
- Guard house
- Parking lot

In addition to construction services, the Company provides facilitation services included as part of the contract for its end clients. These services include;

- Obtaining building permits composed of sanitary, plumbing, electrical, and occupancy permits,
- Obtaining water and fencing permits,
- Energizing a subdivision project's main power line,
- Arranging for individual meter and service deposit receipts for housing units

The contribution of the Company's various products and services to total revenues for the year 2018 are presented in the chart below.

<b>Services</b>	<b>Amount</b>	<b>%</b>
Land Development	1,351,126	2%
Housing	65,919,056	98%
<b>Total</b>	<b>67,170,182</b>	<b>100%</b>

### Markets

The Company's primary markets are the real estate developers. As a matter of corporate strategy, the Company has positioned itself to serve institutional or corporate clients rather than individual homebuyers in order to leverage on economies of scale for its construction projects. The Company also focuses on the construction of horizontal residential house and land development works for residential subdivisions. At present, the Company is focused on real estate developers that cater to the mass-, low-cost and middle-scale housing markets. The Company's present areas of operation are in the CALABARZON and Quezon City area. The Company caters to the Philippine market only and has no plans of getting into the international market.

### Distribution Methods of Products and Services

The Company adopts a direct selling approach that involves establishing personal rapport in dealing with both existing and prospective clients. The Company also sends its corporate profiles to real estate developers. The Company's senior officers then make subsequent marketing calls to the principals of the said real estate developers and discuss areas where they can work together.

### Competition

The Company is a construction services company that competes in the Philippines' construction industry. It primarily competes with independent construction firms that serve real estate developers involved in horizontal property development in the mass-housing, low-cost, medium- and upper-scale subdivision and home development categories. The Company also competes with other firms that

operate in the CALABARZON areas. The major competitors of the Company include: (a), CMO Construction (b), ARRCEA Construction (c) RMT Construction, (d) Annex Builders, (e) WFC Construction, (f) KEEJANG Builders and (g) Mile-Hi Construction. These competitors are similar to the Company in terms of their primary market and capabilities. The Company believes that it can effectively compete with other companies in its area of competition because it uses modern construction technology, like the steel wall form system and T-joist system, for mass housing production. This allows for faster construction time, higher durability and lower overhead cost. Also, the Company has a pool of more than twenty (15) accredited subcontractors for housing, land development, and specialty works. Finally, the Company has good working relationships with its existing major clients that are major real estate developers in the Philippines. Recently, price has been the prevailing criteria of the developers in selecting their contractors. With this, the Company will offer its services at the lowest amount with the required quality of service though it expects a stiff competition among its competitors.

#### Sources of Materials and Supplies

The Company utilizes all the usual construction supplies and materials sourced from local suppliers. The Company is not dependent upon one or a limited number of suppliers for essential raw materials and supplies. Following are some of the principal suppliers of the Company:

<b>Construction Materials</b>	<b>Major Supplier</b>
<b><i>For Housing Construction Projects</i></b>	
1. Cement	Solid Cement Corp.
2. Steel Bar	E.V.Y. Construction and Development Corp.
3. White Sand	Rodelros Enterprises
4. Gravel	Kidtrans Movers
5. CHB	Quality Star Concrete Products
6. Lumber	Glory Lumber Hardware
7. PVC Products	Tanay Industries, Inc.
8. Hardware	Goldrich Industrial Sales
9. Paints	Mirage Trading, Inc.
10. Electrical Wires and Accessories	Sycwin Coating & Wires, Inc.
11. Plumbing Fixtures	D-Square Plumbing Supply, Inc.
12. Roofing	Philmetal Products, Inc.
13. Steel Roof Framing	Rapid Forming Corporation
14. Steel Fabrication Works	Rapid Forming Corporation
<b><i>For Land Development Projects</i></b>	
1. Concrete Pipes	Allied Concrete Products
2. Lastillas and Boulders	Maeann Enterprise
3. Escombro	Express Network Aggregates, Inc.
4. Ready Mix Concrete	Precision Readymix Inc.
5. Water Main Pipes & Fittings	Atlanta Industries
6. Gabion & Accessories	Freyssi Marketing
7. C. I. Fittings	Philippine Valve Manufacturing Co.

At present, the Company has no existing major supply contract. It procures its supplies on a project-to-project basis. Moreover, it usually awards to sub-contractors on a straight-contract agreement where the chosen sub-contractors will also provide the needed materials.

#### Major Clients

It has been the thrust of the Company to be a business partner of Real Estate Developers and as such it concentrates on serving the needs of its major clients namely: CemqHomes Development Corporation, Acerhomes Development Corporation, Earth+Style Corporation, One Asia Development Corporation, Kaiser Realty Development Corporation, Earth Aspire Corporation, Earth Prosper Corporation, and Verdantpoint Development Corporation. These are the eight (8) major clients which account for the majority of the Company's revenues.



For the year 2019, the Company has outstanding contracts as follows:

PROJECT DESCRIPTION	LOCATION	AMOUNT
Terraverde Res - Housing	Carmona, Cavite	264,725,736
Terraverde Res - Land Dev.	Carmona, Cavite	468,306
<b>Total</b>		265,194,042

#### Related Party Transactions

Please refer to Part III Item 12 of this report.

#### Subsidiaries and Affiliates

The Company does not have any subsidiaries or affiliates as of the date of filing.

#### Government Approvals

Under the Contractor's License Law (Republic Act No. 4566, as amended by Presidential Decree No. 1746), all construction companies intending to undertake construction activity in the Philippines must secure a contractor's accreditation from the Construction Industry Authority of the Philippines (CIAP). The Company filed an application for accreditation with the CIAP on October 27, 2003. License No. 31229, which was issued on January 30, 2004. Recently the company has obtained its new license from Philippine Contractors Accreditation Board under license no. 41794 valid until June 30, 2020.

#### Applicable Laws and Regulations

Other than the regular business regulations common to all businesses, the Company is not aware of any existing or governmental regulations which could directly affect its business operations. Most of the regulations are imposed upon the developers, not on the construction companies.

Moreover, the Company is not aware of any environmental laws which will directly affect its business operations. The development and environmental permits issued by the DENR are generally required of developers of residential subdivisions and not of construction companies.

#### Research and Development

The Company does not engage third parties in its research and development activities. Such activities are conducted by the Company's in-house technical staff and officers. Thus, the amount spent in research and development activities is not substantial.

### Manpower Complement

The manpower complement of the Company can be classified into employees and subcontractors.

#### A. Employees

As at December 31, 2018, the Company had a total of 5 full time employees. Among the Company's employees, 3 are regular employees while 2 are contractual. A summary of the different categories of the Company's employees is as follows.

Category	Number of Employees
Managerial	3
Supervisory	1
Rank and File	1
<b>Total</b>	<b>5</b>

None of the employees is subject to collective bargaining agreements (CBA). The employees did not stage any strike for the past three (3) years nor are they threatening to have one. Management and employee relationships have been cordial and complementary since the start of the Company's operations. The Company has no supplemental benefits or incentive arrangements as of the present, and has no plans to implement such in the future. However, with the plan to reorganize its organizational structure, the company had offered retrenchment program to its employees and had effected in the year 2008.

For the ensuing twelve (12) months, the Company anticipates that it will maintain its existing manpower and may not require any additional staff or officers.

#### B. Subcontractors

To provide the necessary manpower complement for land development, the construction of housing units, and specialty works, the Company engages the services of accredited independent subcontractors. The subcontractors are paid on a per contract basis. The number of the subcontractors utilized on any given contract or project will depend on the manpower requirement of the said contract or project.

The major subcontractors of SRDC include (a) Constance Glass & Aluminum Ent. (b) Gamosa Builders (c) Mt. Mariah Ceng Builders, (d) Tri-al Konstruct (e) JPAR Construction, (f) Epi Construct Intl. and (g) Bernadene Construction

### Technology

The Company utilizes modern construction technology for its mass housing construction process, and management information systems for its operations. The following discussion presents a description of the Company's use of the said technologies:

#### A. Steel Wall Form System and T-joist System

The Company's steel wall form and T-joist systems for mass housing production represent an adaptation and innovation of existing Malaysian and American building technologies used in Asia, the United States, and Europe. The building systems were redesigned by the Company's engineers, and fabricated by local suppliers.

The steel wall form system combined with T-joist system has several advantages over the conventional CHB system in terms of construction time, cost, durability, aesthetic finish and overhead cost. The technology is designed for quick and easy assembly of housing units. It also utilizes relatively less manpower to construct a house skeleton in around eight (8) hours. This cuts down on labor and materials expenses for low-cost and/or socialized housing intended for mass production. The systems also allow the Company to undertake land development and housing construction at the

same time, thereby cutting down construction time. However, with the plan to go into real estate business, the Company has sold majority of its construction equipment and tools.

## B. MegaSystem

The Company utilizes the *MegaSystem* computer software for its information management. This software is a windows-based system that was designed specifically for the information management system of a construction company. The system is intended for the Company's easy recording and retrieval of information.

The following modules of the software are fully integrated:

- Project estimating
- Purchasing and inventory management
- Accounts payable and receivable management
- Sub-contractors management
- General ledger

The system provides for the timely processing and preparation of project cost estimates, bid proposals, billings, processing of sub-contractors' billings, suppliers' deliveries and governmental reporting requirements.

### Assessment and Management of Risk

One of the risks that the Company is faced with is the competition within the industry. The Company would bank on its strengths over its competitors, particularly on the use of modern technology, its large pool of accredited subcontractors and its good working relationship with its clients to at least keep its stance in the industry.

Another risk is the Company's lean manpower organization. With this, it is inevitable that the Company relies on few key personnel. To counter this risk, the Company conducts training to its personnel and encourages the transfer of technology within the organization. Moreover, with the plan to re-focus its business, the Company must acquire new employees and at the same time had to retrench redundant employees.

The Company's reliance on its few existing clients poses another risk since the loss of any of these clients could have a material adverse impact on the Company. In 2016, the Company has added one new client.

Another risk that the Company is exposed to is its contractual arrangements with independent subcontractors. Any event that will adversely affect the ability of the subcontractors to meet the Company's performance standards could also affect the Company's operations. To counter this, the Company maintains and adheres to an accreditation process for its subcontractors to minimize the risk of the latter's inability to meet quality and cost standards of the Company. Also included in the accreditation process is the requirement for the subcontractor to post a bond. This would reduce the risk of the subcontractor not to finish a project and would lessen the financial impact on the Company should the subcontractor fail to finish the project. Moreover, there is the risk that the subcontractor can become a competitor. To avoid this, the contracts between the Company and the subcontractors included a provision which states that while the subcontractors have existing contracts with the Company, they cannot engage their services directly with the developers. Should they do so, even after the contracts between the Company and the subcontractors have been served, the subcontractor will be taken out of the list of accredited subcontractors.

The price volatility of construction materials and natural calamities are risks inherent in the construction business. At present, the Company enters into relatively short-term construction contracts (about 3 – 6 months only) and practices hedging techniques to lock in prices when the prices are low. Also, since the contracts are short-term, the risk of loss that natural calamities may bring about is lessened. For service companies like the Company, the longer the contract, the higher the chances of loss since a long-term contract would be subject to more uncontrollable events which

could continue to incur costs for the same contract revenue. With short-term contracts, there is early realization of revenue.

## **Item 2. Properties**

The principal office of the Company is located at 41<sup>st</sup> Floor Joy Nostalg Center, ADB Ave., Ortigas Center, Pasig City. Previously, the Company leased the 30 square meter office space from Anchor Collection Service, Inc. for a monthly rental of **₱13,000.00**. The lease is for a term of 6 months, or until December 31, 2014, renewable under such terms and conditions agreed upon by both parties. In 2015, the Company transferred its office at 41<sup>st</sup> floor Joy Nostalg Center, ADB Avenue, Ortigas Center, Pasig City.

The Company purchased a 21,668 square meter property worth ₱1,800.00 per square meter in March 2002 with TCT No. T-330670. The property is in a commercial/residential zone located in Bacoor, Cavite. The tax clearance certificate, having been issued by the BIR, the transfer certificate of title was issued under TCT No. 1019508 by the Register of Deeds of Cavite. Title to the property reveals no liens or encumbrances. However, this property is sold in the year 2009.

SRDC also uses container vans measuring 2.4 meters x 2.4 meters. x 6.0 meters to serve as field offices, which can be moved to different locations and can accommodate up to four (4) office tables per van. The Company also utilizes collapsible barracks and stockyards to house the subcontractors' workers, and construction supplies and materials while on the project site.

The Company uses steel panel forms for its major housing construction needs. These wall forms/molds are used instead of plywood for the construction of row houses. It is estimated that these forms may be used for about 100 times. A portable tower light is being used by the Company to provide lighting in areas where electricity is not available.

The Company leases other major construction and land development equipment such as cement mixers, and the like, on a project-to-project basis.

With the plan to re-focus into real estate business, the Company had sold majority of its construction equipment and tools in the year 2008. Moreover, the Company has no plan to acquire additional properties in the next twelve (12) months.

## **Item 3. Legal Proceedings**

The Company is not a party to nor is it involved in any litigation that materially affects or will materially affect its interests.

## **Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### Market Information

The Company's common equity is traded in the Philippine Stock Exchange (PSE). The shares of stock of the Company were initially traded on December 19, 2003. Following are the high and low sales prices for each quarter since January 1, 2015:

Quarter	High	Low
Jan – March 2015	0.80	0.80
Apr – June 2015	0.80	0.80
July – Sept 2015	0.80	0.80
Oct – Dec 2015	0.80	0.80
Jan – March 2016	0.80	0.80
Apr – June 2016	0.80	0.80
July – Sept 2016	0.80	0.80
Oct – Dec 2016	0.80	0.80
Jan – March 2017	0.80	0.80
Apr – June 2017	0.80	0.80
July – Sept 2017	0.80	0.80
Oct – Dec 2017	0.80	0.80
Jan - March 2018	0.80	0.80
Apr – June 2018	0.80	0.80
July – Sept 2018	0.80	0.80
Oct – Dec 2018	0.80	0.80
Jan – March 2019	0.80	0.80
Apr – June 2019	0.80	0.80
July – Sept 2019	0.80	0.80
Last practicable trading date		
November 22, 2019	0.80	0.80

#### Holders

There are three hundred sixty four (364) total stockholders and the top twenty (20) stockholders of the Company's issued and outstanding shares as of September 30, 2019 are as follows:

Name	Shares	%
1. Wilfredo Uy	18,000,000	16.36
2. Mylene Lim	10,850,000	9.86
3. Nimfa Leonco	10,850,000	9.86
4. Arthur Lim	7,150,000	6.50
5. Ferdinand Soliman	7,150,000	6.50
6. Robert Yulo	5,000,000	4.55
7. Anneli Ting	5,000,000	4.55
8. Mario Vicente Sy	5,000,000	4.55
9. Misael Adelaida Soliman	5,000,000	4.55
10. Mariano Mison	5,000,000	4.55
11. Victor Manarang	5,000,000	4.55
12. Marie Tes Lee	5,000,000	4.55
13. Abraham Go	5,000,000	4.55
14. Arnold Acero	5,000,000	4.55
15. Noric Ng	3,000,000	2.73
16. Neskie Ng	2,999,999	2.73
17. PCD Nominee Corporation	1,510,000	1.37
18. Aileen Gabrentina	20,000	0.02

19. Divinagracia Ayento	20,000	0.02
20. Dexter Aviles	20,000	0.02

### Dividends

For the last two most recent fiscal years, the Company has not declared any cash dividends on its common equity. Future dividends will depend on the income, cash flow and financial condition of the Company particularly on the unrestricted retained earnings.

### Recent Sales of Unregistered Securities

Within the past three (3) years, the Company has not sold any unregistered or exempt securities, nor did it issue securities constituting an exempt transaction.

## **Item 6. Management's Discussion and Analysis**

The following management's discussion and analysis of past performance should be read in conjunction with the financial statements included in Item 7 of this report.

### Financial Highlights

<i>Amounts are in thousand pesos except per share figures</i>			
<b>Key Operating and Financial Indicators</b>	<b>Audited Figures</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Income Statement Data</b>			
Revenues	67,170	35,866	12,843
Cost and Expenses	57,205	31,399	10,767
Income/(loss) From Operations	9,965	4,467	2,076
Net/(loss) Income	5,220	8,449	(563)
<b>Balance Sheet Data</b>			
Current Assets	49,658	42,312	37,582
Property and Equipment	-	-	-
Held-to-maturity Investment	-	-	-
Total Assets	49,658	42,312	37,582
Total Liabilities	42,464	29,368	37,582
Stockholders' Equity	7,194	12,944	4,436
<b>Per Share Data</b>			
Earnings (Loss) per Share*	0.047	0.077	(0.005)
Book Value per Share**	0.048	0.008	0.004

\* Based on Weighted Ave. No. of Outstanding Common Shares

\*\* Based on Outstanding Common Shares as of Year-end

In compliance with the pronouncements of the Accounting Standards Council (AS) and the regulations of the Securities and Exchange Commission (SEC), the Company has adopted all the relevant Philippine Financial Reporting Standards (PFRS) for the first time in its financial statements for the year ended December 31, 2005, with January 1, 2004 as its transition date. The transition from the previous generally accepted accounting principles (GAAP) in the Philippines to PFRSs has been made in accordance with PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*.

The Company, also under PFRS, recognized its obligation under post-employment defined benefit plan computed by an actuary determined using the projected unit credit method. The adoption of the related new standard resulted in the recognition of transitional liability amounting to P 965,022 as of January 1, 2004. This transitional liability was fully recognized retrospectively in the Company's opening PFRS balance sheet. This also resulted in the recognition of additional defined benefit expense in 2004 amounting to P 394,908. Correspondingly, the deferred tax expense recognized by the Company due to the temporary differences arising from full recognition of defined benefit

obligation amounted to P 435,178 in December 2004 and P 308,807 in January 2004. As of December 31, 2017, the defined benefit obligation recognized in the books amounted to P131,145 as compared to the P172,564 balance as of December 31, 2016. The decrease is due to the payment of benefits to one of its employee in the year 2016. As of December 31, 2016 and 2017 this account amounted to P172,564, and P131,145, respectively, reported under non-current liability. In 2018, the amount is derecognized since the qualified employee was transferred in the year 2018.

For the year 2018, the following projects were accomplished by the Company:

<b>Services</b>	<b>Amount</b>	<b>%</b>
Housing	65,919,056	98%
Land Development	1,351,126	2%
<b>Total</b>	<b>67,170,182</b>	<b>100%</b>

## **2018 Performance**

### *Revenues*

In 2018, the Company generated P67.17M contract revenues, 87% higher than previous year revenue of P35.87M. This revenue came from land development and housing projects located in Carmona, Cavite.

### *Gross Profit*

Gross profit from construction contracts amounted to P9.97M, 123% higher than the previous year's P4.47M. The gross profit ratio posted at 12% and 15% in the year 2017 and 2018, respectively.

### *Cost and Expenses*

Construction cost increased by 82% from P 31.40M in 2017 to P 57.21M in 2018. The increase in cost can be attributed to the increase in revenue since this account is variable in nature. Administrative expenses decreased from P 3.64M in 2017 to P 2.85 in 2018.

### *Income (Loss) from Operations*

Income (Loss) from operations amounted to P 0.83M and P 7.39M in 2017 and 2018, respectively. Operating margin (loss) likewise increased to 11% in 2018 from 2% in 2017. The increase in operating margin in 2018 can be attributed to the higher revenue generated in 2018.

### *Net Income (Loss)*

As a result of the foregoing, the company incurred a net income (loss) of P 8.51M and P 5.22M in 2017 and 2018, respectively. Correspondingly, net income (loss) ratio is 23.56% and 7.77% in 2017 and 2018, respectively. Earnings (Losses) per share likewise increased from P0.078 in 2017 to P0.0475 in 2018.

### *Total Assets*

Total assets increased by 17.36% from P42.31M in 2017 to P 49.66M in 2018. The increase was due to the increase in of some financial assets such as trade receivables and prepayments. The total of other current assets also increased particularly the advances to sub-contractors and suppliers due to recoupment thereof. However, the item Creditable Withholding Taxes account classified under other current assets increased as the Company was not able to apply thereof against income tax liability due net loss.

### *Liquidity*

Current ratio decreased from 1.45:1 in 2017 to 1.17:1 in 2018. This can be attributed to the increase in the current liability accounts such as trade payables and advances from clients. Moreover, trade and other receivable accounts decreased due to recognition of impairment of financial assets.

#### *Leverage*

The Company posted a debt-to-equity ratio of 2.27:1 in 2017 and 5.90:1 leverage ratio in 2018. The increase can be attributed to the increase in financial liability of the company.

### **2017 Performance**

#### *Revenues*

In 2017, the Company generated P35.87M contract revenues, 157% lower than previous year revenue of P12.84M. This revenue came from land development and housing projects located in Carmona, Cavite. Total revenues generated from these projects amounted to P 35.87M.

#### *Gross Profit*

Gross profit from construction contracts amounted to P4.47M, 22% higher than the previous year's P2.08M. The gross profit ratio remained the same at 16%.

#### *Cost and Expenses*

Construction cost increased by 160% from P 10.77M in 2016 to P 31.40 in 2017. The increase in cost can be attributed to the increase in revenue since this account is variable in nature. Administrative expenses increased from P 2.58M in 2016 to P 3.67 in 2017.

#### *Income (Loss) from Operations*

Income (Loss) from operations amounted to (P508K) and P798 in 2016 and 2017, respectively. Operating margin (loss) likewise increased to 2.22% in 2017 from (3.95%) in 2016. The margin in 2017 can be attributed to the higher revenue generated in 2017.

#### *Net Income (Loss)*

As a result of the foregoing, the company incurred a net income (loss) of P886K and (P371K) in 2017 and 2016, respectively. Correspondingly, net income (loss) ratio is 2.47% and (3.00%) in 2017 and 2016, respectively. Earnings (Losses) per share likewise increased from (P0.0036) in 2016 to P0.0081 in 2017.

#### *Total Assets*

Total assets increased by 13% from P37.59M in 2016 to P 42.31M in 2017. The increase was due to the increase in of some financial assets such as trade receivables and prepayments. The total of other current assets also increased particularly the advances to sub-contractors and suppliers due to recoupment thereof. However, the item Creditable Withholding Taxes account classified under other current assets increased as the Company was not able to apply thereof against income tax liability due net loss.

#### *Liquidity*

Current ratio decreased from 1.14:1 in 2016 to 1.45:1 in 2017. This can be attributed to the increase in the current assets accounts such as trade receivables and advances to contractors and suppliers. Moreover, trade and other payable accounts decreased.

#### *Leverage*



The Company posted a debt-to-equity ratio of 2.27:1 in 2017 and 7.47:1 leverage ratio in 2016. The decrease can be attributed to the increase in financial liability of the company.

## **2016 Performance**

### *Revenues*

In 2016, the Company generated P12.84M contract revenues, 12.16% lower than previous year revenue of P14.62M. This revenue came from land development and housing projects located at Montalban, Rizal. Total revenues generated from these projects amounted to P 12.84M.

### *Gross Profit*

Gross profit from construction contracts amounted to P2.08M, 2.68% lower than the previous year's P2.37M. The gross profit ratio remained the same at 16%.

### *Cost and Expenses*

Construction cost decreased by 11.6% from P 12.26M in 2015 to P 10.77 in 2016. The decrease in cost can be attributed to the decrease in revenue since this account is variable in nature. Administrative expenses increased from P 2.60M in 2015 to P 2.58 in 2016.

### *Income (Loss) from Operations*

Income (Loss) from operations amounted to (P233K) and (P508K) in 2015 and 2016, respectively. Operating margin (loss) likewise decreased to (3.95%) in 2016 from (1.59%) in 2015. The losses in 2016 can be attributed to the lower revenue generated in 2016.

### *Net Income (Loss)*

As a result of the foregoing, the company incurred a net income (loss) of (P371K) and (P277K) in 2016 and 2015, respectively. Correspondingly, net income (loss) ratio is (3.00%) and (1.89%) in 2016 and 2015, respectively. Earnings (Losses) per share likewise decreased from (P0.0025) in 2016 to (P0.0051) in 2015.

### *Total Assets*

Total assets decreased by 7.45% from P40.61M in 2015 to P 37.59M in 2016. The decrease was due to the decrease in of some financial assets and collections of receivables. The total of other current assets also increased particularly the advances to sub-contractors and suppliers due to recoupment thereof. However, the item Creditable Withholding Taxes account classified under other current assets increased as the Company was not able to apply thereof against income tax liability due net loss.

### *Liquidity*

Current ratio decreased from 1.14:1 in 2016 to 1.16:1 in 2015. This can be attributed to the increase in the current assets accounts such as trade receivables and advances to contractors and suppliers. Moreover, trade and other payable accounts decreased.

### *Leverage*

The Company posted a debt-to-equity ratio of 7.47:1 in 2016 and 7.45:1 leverage ratio in 2015. The increase can be attributed to the decrease in financial liability of the company.

## **Key Performance Indicators**

### *Return on Investment (ROI)*

The Company computes return on investment (ROI) by dividing net income for the period by the weighted average capital stock, wherein capital stock equals capital stock subscribed plus net additional paid-in capital. This is to determine how much stockholders have earned on their investment in the Company.

The Company set the hurdle rate for its ROI at 8%. The Board of Directors as well as the Management believe that an 8% hurdle rate for its ROI is reasonable given that the Company is still relatively young, it is barely eight (8) years in operation. The Company posted a 4.40% ROI in 2001, the Company's first full year in operations. In 2002, the Company has somehow made its mark in the industry as translated by a 289% increase in revenues and 240% increase in net income. With the marked increase in both revenue and net income, the Company posted a 10.59% ROI in 2002, a 141% increase from 2001. In 2003, the Company's operations has normalized and posted an 8.64% ROI, a slight decrease of 18% from the 2002 level. In 2004, revenue was maintained at the P 242M level, with a zero percent (0%) growth from 2003. However, as an effect of the decline in costs and expenses, as well as financing costs, of 2% and 56%, respectively, ROI increased by 5.32% resulting to a 9.1% ROI. However, due to the decrease in net income, the ROI decreased by 72.53% resulting to 2.53% ROI only in the year 2005. With the lower revenue and income for the year 2006, ROI decreased by 87.3% resulting to .32% ROI in the year 2006. In the year 2007, 2008 and 2009, due to net losses, negative ROI of 20.90%, 16.00% and 23.10% were incurred, respectively. Likewise in 2010 and 2011, negative ROI of 5.9% and 11.2%, respectively, were incurred. In 2012, 2013, 2014, 2015, 2016, 2017 and 2018 an ROI of -6.50%, -36.82%, 0.26%, -0.25%, -0.51%, 0.75% and 4.75%, respectively, were posted.

### *Fixed Assets Turnover*

Fixed assets turnover is computed as sales for the period divided by the average fixed assets. A significant portion of the fixed assets (property and equipment, net of accumulated depreciation) is composed of construction and other site-based equipment. Since these equipments are major components in generating revenues, the fixed assets turnover is therefore deemed important. The higher the fixed assets turnover, the better it is for the Company. A high fixed assets turnover ratio would mean that the Company was able to make full use of its assets in generating revenues.

In determining the fixed assets turnover ratio and the succeeding performance indicators, the Board of Directors and the Management have decided to drop the 2001 figures in computing for the historical averages. Since the year 2001 is the Company's first full year in operations, it is not yet reflective of the normal business operations.

The fixed assets turnover rate for 2001 was 14.63 times. As mentioned earlier, this figure would be dropped in determining the historical average. The Company has decided to use the historical average of the fixed assets turnover rate for 2003 and 2002, which is, 33.56 times, as its benchmark. The fixed assets turnover rate of 32.51 times and 34.61 times, for 2003 and 2002, respectively, are at par with the set hurdle rate. This can be attributed to the high level of revenues generated during the said period. In addition, the Company has not acquired its construction equipments yet. From the start of operations up to 2003, the Company leased a majority of its construction equipments under an operating lease thereby resulting to a small asset base. In 2004, however, the Company's fixed assets turnover rate dropped to 12.30 times, 62% lower than the previous year rate. In 2005, the fixed assets turnover rate further dropped to 10.15 times, 17% lower than that of 2004. The decline was caused by the marked increase in fixed assets brought about by the acquisition of construction facilities, land development equipment, collapsible barracks, stockyards and container vans, and by the establishment of a batching plant. These were acquired in the first quarter of 2004 and the Company is still in its initial stages of recovering the cost of acquiring the said assets. The assets turnover rate improved from 10.15 times in 2005 to 11.07 times in 2006 to 14.15 times in 2007 despite of diminishing sales revenue generated merely because of the decrease of the net carrying value of the company's fixed asset. Likewise in 2008, 2009, 2010, and 2011 it improved to 22.88, 220.6,

7,582, and 6,309 times, respectively, merely due to the decrease in the ending balance of the fixed asset account despite of the decrease in revenue. In 2012, 2013 and 2014, the fixed assets turnover rate was posted at 3,276 times, 372 and 4 times, respectively. In 2015, the fixed assets were fully depreciated.

### ***Inventory Turnover/Days in Inventory***

Inventory turnover is computed by dividing the cost of goods sold for the period by the average inventory while days in inventory is computed as 360 days divided by inventory turnover. The Board of Directors and the Management find these performance indicators relevant as they indicate how long the Company utilizes its inventory, composed of construction materials and other supplies, in land development, house construction and specialty/miscellaneous works. The higher the inventory turnover and the lower the days in inventory, the better it is for the Company. Fast turnover and short days in inventory would translate into faster conversion of investment in inventories into revenues and eventually cash inflow.

The Company established the benchmark at 41.97 inventory turnover rate and 10.65 days in inventory. The figures were based on the historical average for the years 2003 and 2002. As previously mentioned, the figures for 2001 was dropped in determining the hurdle rate as it is not reflective of normal operations. In fact, inventory turnover rate for 2001 was 332.61 times while days in inventory is 1.08 days. Since 2001 is the Company's first full year in operations, it was just starting to build up its inventory. This resulted to an extremely high inventory turnover rate and an improbable 1.08 days in inventory. In 2002, the Company has started building up its inventory and has likewise increased its cost of service. Inventory level went up from P 0.3M in the beginning of the year up to P 8.0M at the end of the year or an average of P 4.1M. Cost of service, on the other hand, increased from P 60.1M in 2001 to P 249.9M in 2002, a 316% increase. This resulted to a 60.49 times inventory turnover rate, an 82% decrease from 2001 figure, and 5.95 days in inventory, a 450% increase from 2001. Since the Company has experienced abrupt increases in the cost of materials, it started its practice of stocking up materials and supplies to counter the effect of these price increases and in anticipation of large volumes of construction contracts. This hedging technique resulted to a 23.45 inventory turnover rate in 2003, a 61% decline from 2002, and 15.35 days in inventory, a 158% increase from 2002. Still, in 2004, the Company continued stocking up its materials and supplies as it anticipated increases both in the price of materials and in the number of contracts. Unfortunately, however, the expected increase in projects did not materialize while its average inventory level doubled from the previous year. This resulted to an inventory turnover rate of 11.75 times, 50% lower than the 2003 rate, and 30.64 days in inventory, quite long when compared with the hurdle rate of 10.65 days. In 2005, the inventory turnover rate posted to 10.76 times, 8.4% lower than the previous year's and 33.46 days in inventory, still quite long compared with the hurdle rate of 10.65 days. In 2006, the inventory turnover rate posted to only 7.83 times, 27.26% lower than the previous year's and 45.98 days in inventory. In 2007, the inventory turnover rate further decreased to 5.89 times or 61.07 days in inventory due to lower sale revenue. However in 2008 and 2009, the company generated an inventory turnover rate of 8.25 and 9.59 times or 43.64 and 37.54 days in inventory, respectively, merely due to the decrease in the ending balance of inventory. In 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 the Company did not maintain inventory due to the awarding of contracts to its sub-contractors on a straight basis where the latter supplied also the required materials.

### ***Current Ratio***

Current ratio is computed as current assets divided by current liabilities. The Board of Directors and the Management believe that this is an important measure of the liquidity of the Company as it reflects the capacity of the Company to pay for its short-term maturing obligations particularly trade payables, bank loan and advances from customers. The higher the current ratio, the better it is for the Company.

In 2001, the Company's operations resulted to a 0.72:1 current ratio. The Company was just on its first full year of operations in 2001 and was still building up its asset base. Thus, similar to the above performance indicators, the 2001 figure was not included in determining the historical average. The historical average for 2003 and 2002 of 1.54:1 will be set as the hurdle rate. It was only in 2002 that

the Company's current ratio of 1.29:1 fell below the benchmark. Although already 79% higher than the 2001 figure, it is still 16% short of the hurdle rate. In 2003, current ratio started to improve as a result of the initial public offering (IPO) in December. With the P 55M proceeds from the IPO, cash balance as of year-end 2003 totaled P 62.3M, a 651% increase from the 2002 figure. This resulted to a current ratio of 1.78:1, 38% higher than the previous year ratio. In 2004, however, current ratio slid by 3% from the previous year resulting to a current ratio of 1.74:1. This was the result of the acquisition of construction equipments and the settlement of P 15M bank loan in the early part of the year. In 2005, the current ratio further improved to 1.90:1, 9.2% higher than the previous year. In 2006, the current ratio has improved further by 12.84% from 1.90:1 in 2005 to 2.14:1 in 2006. However, in 2007 the current ratio posted at 1.91:1, the decrease can be attributed to the decrease in the current asset account particularly the trade receivables due to recognition of impairment thereof. In 2008, it posted at 2.10:1. The increase can be attributed to the payment of company's interest-bearing loan and in the increase of the ending balance of cash and cash equivalents. In 2009 and 2010, it posted at 4.20:1 and 4.29:1, respectively. This can be attributed to the decrease in the current assets accounts such as trade receivables and advances to contractors and suppliers. While in 2011, it posted at 2.79:1 due to the increase in trade and other payables accounts particularly for the advances from clients. In 2012, 2013 2014, 2015, 2016, 2017 and 2018, current ratio was posted at 3.06:1, 1.17:1, 1.18:1, 1.16:1, 1.14:1, 1.45:1 and 1.17:1, respectively.

### ***Debt to Equity Ratio***

Debt-to-equity ratio is computed by dividing the Company's liabilities by the total stockholders' equity as of the end of the year. The leverage ratio indicates how the Company's operations are financed, that is, either by debt or equity. A 1:1 debt equity ratio is the preferred ratio as it favors both the creditors and the stockholders.

The historical average debt-to-equity ratio for the years 2003 and 2002 was 0.96:1, very close to the ideal 1:1 ratio. The 2001 leverage ratio was dropped to be consistent with the other performance indicators which considered only the years 2003 and 2002 in computing the average. In 2001, debt-to-equity ratio reached a high of 3.02:1 because the Company had to borrow from the banks to support its operations. Capital stock was not yet fully paid as of that time. The following year, 2002, debt-to-equity ratio dropped by 62% and resulted to a leverage ratio of 1.14:1. The marked improvement in the debt-to-equity ratio was brought about by the settlement of P 21.5M bank loan. In addition, the unpaid subscriptions were paid by the stockholders in April 2002 and retained earnings increased by 293% from P 2.0M in 2001 to P 7.8M in 2002. The debt-to-equity ratio was further reduced by 31% to 0.79:1 in 2003. The reduction was due to the additional subscription and full payment through the IPO of P 50M capital stock. Also, the level of retained earnings almost doubled from P 7.8M in 2002 to P 13.3M in 2003. In 2004, P 15M bank loan was settled in the early part of the year while retained earnings increased by 70% from P 13.3M in 2003 to P 22.7M in 2004. This resulted to a debt-to-equity ratio of 0.68:1, a 14% drop from the previous year ratio. In 2005, the debt-to-equity ratio posted at 0.61:1, 10% drop from the previous year's due to lower liability particularly the trade payable account where the liquidation of advances to suppliers were made. In 2006, the debt-to-equity ratio posted at 0.55:1, a 12% drop from the previous year's due to lower liability account particularly the trade payables account. In 2007, 0.62:1 debt-to-equity ratio was posted. In 2008, 2009 and 2010, a 0.59:1, 0.325:1 and 0.312:1 debt-to-equity ratios were posted, respectively. In 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 it posted at 0.57:1, 0.50:1, 6.64:1, 6.52:1, 7.45:1, 8.47:1, 2.27:1 and 5.90:1, respectively. With the most recent debt-to-equity ratio, creditors are still fully covered.

Item 6.1. Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations of the following:

6.1.a. Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

There are no material commitments that may affect the company's liquidity.

6.1.b. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

There are no material commitments for capital expenditures.

- 6.1.c. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations

For the year 2018, the Company generated small revenue from construction activities due to completion of old project. The Management expects that Company will still continue to engage in construction until such time that its plan to engage into real estate business is pursued.

- 6.1.d. Any significant elements of income or loss that did not arise from the issuer's continuing operations

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

- 6.1.e. The causes of any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements (present in tabular form)

The causes of any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements (present in tabular form)

**Balance Sheets  
Items:**

<b>Account Title</b>	<b>As Of</b>		<b>Inc/(Dec)</b>		<b>Remarks</b>
	<b>12/31/2018</b>	<b>12/31/2017</b>	<b>Amount</b>	<b>%</b>	
Cash & cash equivalents	11,995,819	4,652,040	7,343,779	158%	Increase was due to higher collection efficiency for the current year
Trade and other receivables	10,532,707	16,167,879	(5,635,172)	-35%	Increase pertains to trade receivables due to the construction services rendered but not yet paid
Prepayments and other current assets	27,129,437	21,492,099	5,637,338	26%	Increase is due to the down payment made to subcontractors for newly awarded contracts
Total Assets	49,657,963	42,312,018	7,345,945	17%	Increase due to increase in Cash and cash equivalents, Trade Receivables and Prepayment accounts as described above.
Trade and other payable	30,722,107	17,479,492	13,242,615	76%	Increase was due to the downpayment made for newly awarded contracts
Retirement benefit obligation	-	131,145	(131,145)	-100%	Decrease was due to payment of employee benefits.
Deferred Tax Liability	-	15,918	(15,918)	-100%	Decrease was due to derecognition of deferred tax liability in the year 2018
Total Liabilities	42,463,944	29,368,392	13,095,552	45%	Increase was due to the increase in trade payable and the advances from clients accounts
Revaluation Reserve	-	37,143	(37,143)	-100%	Decrease was due to derecognition of revaluation reserve in the year 2018
Total equity	7,194,019	12,943,626	(5,749,607)	-44%	Decrease pertains to the net loss incurred in 2018 due to impairment of financial assets of the company
Total Liabilities and equity	49,657,963	42,312,018	7,345,945	17%	Increase was due to the increase in trade payable and other payable accounts as described above

**Income Statement Items:**

Account Title	For the Year Ending		Inc/(Dec)		Remarks
	12/31/2018	12/31/2017	Amount	%	
Revenues	67,170,182	35,865,792	31,304,390	87%	Increase was due to higher accomplishment since the company was awarded several contracts this year 2018
Contract Cost	57,205,388	31,398,655	25,806,733	82%	Increase was due to higher construction activities pertains to awarded contracts in 2018
Gross Profit	9,964,793	4,467,137	5,497,656	123%	Increase was due to higher profit margin generated in 2018 due to several contracts were awarded in 2018
Administrative expenses	1,494,901	1,428,090	66,811	5%	Increase was due to increase in professional fee and taxes and licenses accounts
Other operating expenses	1,352,112	2,213,144	(861,032)	-39%	Decrease was due to no penalties and surcharge incurred in 2018 as compared to 2017
Total Operating expenses	2,847,013	3,641,234	(794,221)	-22%	Decrease was due to no penalties and surcharge incurred in 2018 as compared to 2017
Other operating income	274,666	-	274,666	100%	Increase was due to recognition of other income for repair services rendered in 2018
Finance Income	56,714	33,443	23,271	100%	Pertains to interest earned during the given year
Gain on reversal of liability	-	7,621,655	(7,621,655)	100%	Pertains to reinstatement of financial liabilities of the company
Finance Cost	-	(8,887)	8,887	-100%	Pertains to interest incurred on past service cost on post employment obligation
Income Before Tax	7,392,446	8,472,114	(1,079,668)	-13%	Increase was due to higher accomplishment since the company was awarded reversal contracts this year 2018
Net Income	5,163,369	8,448,660	(3,285,291)	-39%	Increase was due to higher accomplishment since the company was awarded reversal contracts this year 2018
Gain/(loss) on re-measurement of post-employment benefit	-	59,097	(59,097)	-100%	Decrease was due to payment of employee benefits.
Total Comprehensive Income	5,163,369	8,507,757	(3,344,388)	-39%	Decrease was due to recognition of gain on reversal of liability as discussed above

## **FOR INTERIM PERIOD ENDED SEPTEMBER 30, 2019**

### **Financial Condition**

#### *Total Assets*

The Company's total assets amounted 73.53M as of September 30, 2019, 48.08% higher than the December 31, 2018 figure of P 49.66M. There was an increase on the total assets of the company since it higher revenue was generated in 2019Q3 which resulted to higher trade receivable balance. The increase was brought about by the increase in trade receivables accounts.

#### *Property and Equipment*

Property and equipment as of December 31, 2018 were fully depreciated. The Company employs subcontractors that can provide the necessary equipment.

#### *Total Liabilities*

The Company's total liabilities as of September 30, 2019, amounted to P 54.88M a 29.24% increase as compared to the December 31, 2018 balance of P 42.46M. The increase was primarily brought by the increase in trade and other payable accounts.

#### *Liquidity*

The Company posted a current ratio of 1.34:1 as of September 30, 2019, a higher than the 1.17:1 current ratio as of December 31, 2018. The increase can be attributed to the increase in trade receivable accounts.

#### *Leverage*

Debt-to-equity ratio as of September 30, 2019, was determined to be 3.94:1 lower than the 5.90:1 ratio as of December 31, 2018. The decrease was brought about by the net income earned during the given quarter. However, there were increase in trade and other payable accounts.

### **Results of Operation**

#### *Revenues*

Revenues from contracts for 2019Q3 amounted to P 54.91M, a 287.90% higher than the P 14.16M in 2018Q3. The increase can be attributed to the higher accomplishment for the newly awarded contract in 2019. Moreover, contract revenues for the 2019Q3 were generated from the Housing project in Tierra Verde Residences Phase I located in Carmona, Cavite.

#### *Gross Profit*

Gross profit from construction contracts increased by 132.17% from P 1.88M in 2018Q3 to P4.36M in 2019Q3. On the other hand, gross profit ratio decrease from 13.25% to 7.93%. Thus, resulted to higher gross profit in 2019Q3.

#### *Cost and Expenses*

Costs and expenses for 2019Q3 amounted to P 51.35M, 300% higher than the P 12.83M in 2018Q3. Cost of services increased by 311.69% from P12.28M in 2018Q3 to P 50.55M in 2019Q3. The increase was primarily brought about by the increase in revenue generated in 2019Q3 since most of these costs are variable in nature.



For the total operating expenses, 2019Q3 amounted to 0.80M, 45.37% higher than the 2018Q3 of 0.55M. The increase was primarily brought about by the increase in tax expenses for the given quarter in 2019.

#### *Operating Profit (Loss)*

As a result of the foregoing, operating profit (loss) in 2019Q3 amounted to P 4.36M from P1.88M in 2018Q3. However, operating margin (loss) ratio decreased from 13.25% in 2018Q3 to 7.93% in 2019Q3 due to higher cost of services. The increase in operating profit can be attributed to the higher sales revenues earned by the Company in 2019Q3 as discussed under revenue section above.

#### *Other Income / Charges*

No financing costs incurred in 2018Q3 and in 2019Q3 since there was no interest-bearing loans for the given quarter. Other income pertains only to interest earned by the Company for its bank deposits.

#### *Net Income (Loss)*

As a result of the higher revenue this 2019Q3, net income/(loss) increased from P 0.93M in 2018Q3 to P 2.49M in 2019Q3. This resulted to the net income/(loss) ratio of 6.58% in 2018Q3 to 4.54% in 2019Q3. Finally, this translated into earnings/(loss) per share of P0.0227 in 2019Q3 from P0.0085 in 2018Q3.

### **Key Performance Indicators**

#### *Return on Investment (ROI)*

The Company computes return on investment (ROI) by dividing net income for the period by the weighted average capital stock, wherein capital stock equals capital stock subscribed plus net additional paid-in capital. This is to determine how much stockholders have earned on their investment in the Company.

For 2019Q3, the Company posted an ROI of 2.27% compared to the 2018Q3 ROI of 0.85%. The increase in ROI can be attributed to the higher revenue and net income generated for the given period.

#### *Fixed Assets Turnover*

Fixed assets turnover is computed as sales for the period divided by the average fixed assets. A significant portion of the fixed assets (property and equipment, net of accumulated depreciation) is composed of construction and other site-based equipments. Since these equipments are major components in generating revenues, the fixed assets turnover is therefore deemed important. The higher the fixed assets turnover, the better it is for the Company. A high fixed assets turnover ratio would mean that the Company was able to make full use of its assets in generating revenues. However, in 2018Q3 and 2019Q3, the fixed assets were fully depreciated.

#### *Current Ratio*

Current ratio is computed as current assets divided by current liabilities. The Board of Directors and the Management believe that this is an important measure of the liquidity of the Company as it reflects the capacity of the Company to pay for its short-term maturing obligations particularly trade payables, bank loan and advances from customers. The higher the current ratio, the better it is for the Company.

Current ratio as of September 30, 2019 was computed at 1.34:1 higher than the 1.17:1 ratio at the beginning of the year. The increase can be attributed to the increase in the trade receivable accounts.

### *Debt to Equity Ratio*

Debt-to-equity ratio is computed by dividing the Company's liabilities by the total stockholders' equity as of the end of the year. The leverage ratio indicates how the Company's operations are financed, that is, either by debt or equity. A 1:1 debt equity ratio is the preferred ratio as it favors both the creditors and the stockholders.

Debt-to-equity ratio as of September 30, 2019 was determined to be 3.94:1 lower than the 5.90:1 times as of December 31, 2018. The decrease was brought about by the net profit earned during the 2019Q3. However there were increase in trade and other payables accounts..

Item 2.2. Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations of the following:

2.2.a. Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

There are no material commitments that may affect the company's liquidity.

2.2.b. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

There are no material commitments for capital expenditures.

2.2.c. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations

The 3<sup>rd</sup> quarter of the year 2019, the Company generated its revenue from construction activities. The Management expects that Company will still continue to engage in construction until such time that its plan to engage into real estate business is pursued.

2.2.d. Any significant elements of income or loss that did not arise from the issuer's continuing operations

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

2.2.e. The causes of any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements (present in tabular form)

**Balance Sheets Items:**

<b>Account Title</b>	<b>As Of</b>		<b>Inc/(Dec)</b>		<b>Remarks</b>
	<b>09/30/2019</b>	<b>12/31/2018</b>	<b>Amount</b>	<b>%</b>	
Cash & cash equivalents	15,207,526	11,995,819	3,211,707	27%	Increase was due to higher collection efficiency for the current year
Trade and other receivables	24,469,531	10,532,707	13,936,824	132%	Increase due to the increase in trade receivables for the construction services rendered but not yet paid
Prepayments and other current assets	33,855,957	27,129,437	6,726,520	25%	Increase is due to the creditable withholding tax account and down payment made to subcontractors for newly awarded contracts
Total Assets	73,533,014	49,657,963	23,875,051	48%	Increase due to increase in Cash and cash equivalents, Trade Receivables and Prepayment accounts as described above.
Trade and other payable	54,140,591	30,722,107	23,418,484	76%	Increase was due to the downpayment made for newly awarded contracts
Due to Related Parties	608,805	11,608,805	(11,000,000)	-95%	Decrease pertains to payment for the payables to related parties
Total Liabilities	54,882,428	42,463,944	12,418,484	29%	Increase was due to the increase in trade payable as described above
Retained Earnings(Deficit)	(92,859,055)	(104,315,622)	11,456,567	-11%	Difference pertains to income earned as described in the Income Statement Items below
Total equity	18,650,586	7,194,019	11,456,567	159%	Increase pertains to the income earned during the period
Total Liabilities and equity	73,533,014	49,657,963	23,875,051	48%	Increase was due to the increase in trade payable and other payable accounts as described above

**Income Statement Items:**

Account Title	For the Quarter Ending		Inc/(Dec)		Remarks
	09/30/2019	09/30/2018	Amount	%	
Revenues	54,909,934	14,155,666	40,754,269	288%	Increase was due to higher accomplishment for the given quarter in 2019Q3.
Contract Cost	50,554,732	12,279,798	38,274,934	312%	Increase was due to higher construction activities pertains to awarded contracts in 2019 plus the remaining accomplishment in 2018
Gross Profit	4,355,203	1,875,868	2,479,334	132%	Increase was due to higher profit margin generated in 2019Q3
Administrative expenses	542,546	267,273	275,273	103%	Increase was due to higher taxes and licenses paid in 2019Q3
Other operating expenses	252,853	279,886	(27,033)	-10%	Decrease was due to lower repairs and maintenance incurred in 2019Q3
Total Operating expenses	795,399	547,159	248,240	45%	Increase was due to higher taxes and licenses paid in 2019Q3
Other gains - net	4,125	1,032	3,093	300%	This pertains to interest earned for the given quarters
Income Before Tax	3,563,929	1,329,742	2,234,187	168%	Increase was due to higher revenue and profit margin generated in 2019Q3
Tax Expense	1,069,179	398,922	670,256	168%	Increase was due to higher income generated in 2019Q2.
Net Income	2,494,750	930,819	1,563,931	168%	Increase was due higher revenue and profit margin generated in 2019Q3

2.2.f. Any seasonal aspects that had a material effect on the financial condition or results of operations

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

**UNDERTAKING TO PROVIDE COPIES OF THE ANNUAL REPORT**

**UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:**

**EMELITA MANGOSING  
THE CORPORATE SECRETARY  
SUPERCITY REALTY DEVELOPMENT CORPORATION  
41<sup>st</sup> FLOOR JOY NOSTALG CENTER, ADB AVENUE,  
ORTIGAS CENTER, PASIG CITY.**

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, LIZA S. NIEDO, Filipino, of legal age and a resident of #253 San Francisco St. Poblacion, San Jose Del Monte, Bulacan, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Supercity Realty Development Corporation and have been its independent director since June 25, 2014
2. I am affiliated with the following companies or organizations or organizations (including Government-Owned and Controlled Corporation) :

Company/Organization	Position/Relationship	Period of Service
Extraordinary Dev. Corp.	Treasury Head	Nov. 2011 to Sept. 2015

I am not affiliated with government Agency or Government-Owned and Controlled Corporation

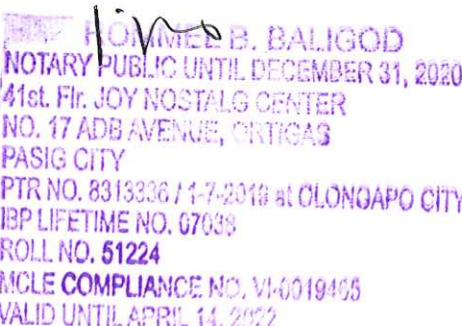
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Supercity Realty Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I am not related to the following director / officer / substantial shareholder of Supercity Realty Development Corporation other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulation, Code of Corporate Governance and other SEC issuances.
7. I shall inform the corporate secretary of Supercity Realty Development Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 21 2019 day of PASIG CITY.

  
Affiant

SUBSCRIBED AND SWORN to before me this MAY 21 2019 day of PASIG CITY, affiant personally appeared before me and exhibited to me his/her Tax Identification Number 115-883-241.

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Page No. 61  
Book No. XXXI  
Series of 004

  
NOTARY PUBLIC UNTIL DECEMBER 31, 2020  
41st Flr. JOY NOSTALG CENTER  
NO. 17 ADB AVENUE, ORTIGAS  
PASIG CITY  
PTR NO. 8313336 / 1-7-2018 at OLONGAPO CITY  
IBP LIFETIME NO. 67639  
ROLL NO. 51224  
MCLE COMPLIANCE NO. VI-0019465  
VALID UNTIL APRIL 14, 2022

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, ROSELLER C. ANACITO, Filipino, of legal age and a resident of Lot 17 Block 4 Moncarlo Village Ampid I San Mateo Rizal, after having been duly sworn to in accordance with law do hereby declare that:

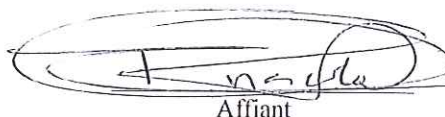
1. I am a nominee for independent director of Supercity Realty Development Corporation and have been its independent director since June 25, 2014
2. I am affiliated with the following companies or organizations or organizations (including Government-Owned and Controlled Corporation) :

Company/Organization	Position/Relationship	Period of Service
First Advance Development Corp.	Head-Construction Management Department	March, 2008 to April 2016
Earth+Style Corporation	Head-Construction Management Department	May, 2017 to present

I am not affiliated with government Agency or Government-Owned and Controlled Corporation

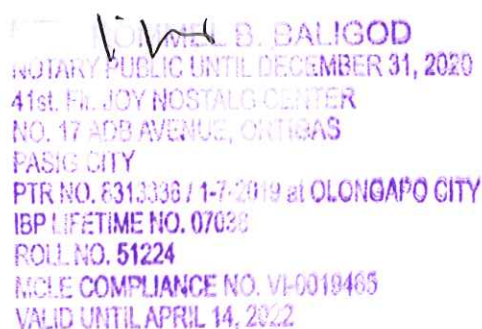
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Supercity Realty Development Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I am not related to the following director / officer / substantial shareholder of Supercity Realty Development Corporation other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulation, Code of Corporate Governance and other SEC issuances.
7. I shall inform the corporate secretary of Supercity Realty Development Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 21 2019 at, PASIG CITY.

  
Affiant

SUBSCRIBED AND SWORN to before me this MAY 21 2019 day of PASIG CITY, affiant personally appeared before me and exhibited to me his/her Tax Identification Number 157-467-745.

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Page No. 61  
Book No. Y-21  
Series of MA

  
NOTARY PUBLIC UNTIL DECEMBER 31, 2020  
41st. FL JOY NOSTALG CENTER  
NO. 17 ADB AVENUE, ONTIGAS  
PASIG CITY  
PTR NO. 8313336 / 1-7-2019 at OLONGAPO CITY  
IBP LIFETIME NO. 07038  
ROLL NO. 51224  
MCLE COMPLIANCE NO. VI-0019465  
VALID UNTIL APRIL 14, 2022





**SuperCity Realty Development Corporation**

*Service... Reliability... Development... Care...*

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

**April 08, 2019**

The Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

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

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

PUNONGBAYAN & ARAULLO, the independent auditors appointed by the stockholders, has audited the financial statements of the SUPERCITY REALTY DEVELOPMENT CORPORATION 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.

A handwritten signature in blue ink, appearing to read "FZ Soliman", written over a horizontal line.

FERDINAND Z. SOLIMAN  
Chairman of the Board

A handwritten signature in blue ink, appearing to read "FZ Soliman", written over a horizontal line.

FERDINAND Z. SOLIMAN  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Mylene T. Lim", written over a horizontal line.

MYLENE T. LIM  
Treasurer/Chief Financial Officer

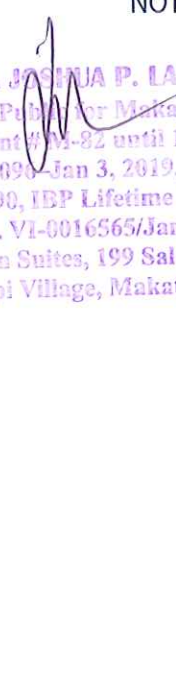


SUBSCRIBED AND SWORN to before me this APR 24, 2019 day of \_\_\_\_\_ 2019 affiant(s)  
exhibiting to me his/her Residence Certificates/TIN, as follows:

NAMES	TIN
FERDINAND SOLIMAN	106-835-141
MYLENE LIM	106-835-915

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Page No. 14 ;  
Book No. 107 ;  
Series of 19

NOTARY PUBLIC

  
ATTY. JOSHUA P. LAPUZ  
Notary Public for Makati City  
Appointment # M-82 until 12/31/2019  
PTR No. 7333090 Jan 3, 2019, Makati City  
Roll No. 45790, IBP Lifetime Roll #04897  
MCLE No. VI-0016565/Jan. 14, 2019  
G/F Fedman Suites, 199 Salcedo Street  
Legaspi Village, Makati City

# **Report of Independent Auditors**

## **The Board of Directors and the Stockholders**

### **Supercity Realty Development Corporation**

41st Floor, Joy-Nostalg Building

No. 17 ADB Avenue, Ortigas Center

Brgy. San Antonio, Pasig City

## **Report on the Audit of the Financial Statements**

### ***Opinion***

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

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

### ***Basis for Opinion***

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

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 1.2 to the financial statements, which provides relevant information on the status of operations of the Company. As discussed therein, the Company reported a substantial deficit of P104.3 million and P98.6 million as at December 31, 2018 and 2017, respectively. This condition, along with the other matters set forth in Note 1.1, indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In this regard, the Company's management has intensified its commitment to improve profitability and financial stability of the Company through continuation of its construction activities with its related parties while its transition to a real estate development company is still underway. In addition, the same related parties have expressed their commitment to provide continuing financial support to the Company until such time that the Company is able to improve its financial condition. In connection with our audit, we have performed audit procedures to evaluate management's plans and actions as to likelihood of improving the situation and as to feasibility under the circumstances. Accordingly, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### ***(a) Revenue Recognition of Construction Contracts***

##### ***Description of the Matter***

The Company solely derives its revenues from construction contracts with its related parties and uses the percentage of completion using the input method to determine the appropriate amount of contract revenues to be recognized for the reporting period. We have identified that the revenue recognition of construction contracts is significant to our audit due to the significance of the contract revenues, the complexity of the application of PFRS 15, *Revenue from Contracts with Customers*, in construction contracts, and the application of significant management judgment in determining when to recognize construction revenue and in estimating the stage of completion of the construction. An error in the application of the requirements of PFRS 15 and of management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Company's disclosures on its revenue recognition policy, estimation uncertainty on accounting for revenue recognition using the percentage of completion, and contract revenues are included in Notes 2, 3, and 12 to the financial statements, respectively.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition of construction contracts, which was considered to be a significant risk, included, among others, the following:

- Updating our understanding of the Company's contract revenues and cost processes, and controls over the recognition and measurement of contract revenues and costs;
- Examining all construction contracts in the current period for contract prices, construction period, terms and other conditions, and compliance;
- Evaluating appropriateness of the Company's revenue recognition in relation to its compliance with the requirements of PFRS 15 which include the following:
  - reviewing and discussing with management significant customer contracts, including contractual terms and conditions to ensure these contracts are appropriately accounted for in accordance with PFRS 15;
  - evaluating whether the methodology by which management determines the stage of completion for construction contracts is appropriate and consistent with the Company's satisfaction of its performance obligation; and,
  - determining whether performance obligation is distinct for proper allocation of transaction price.
- Testing the schedules of contracts completed and on-going projects as of the end of the reporting period such as, but not limited to, verifying the mathematical accuracy of the schedules, agreeing beginning balances, and recalculating ending balances based on contract costs for the current period; and agreeing contract prices to construction contracts;
- Performing detailed analysis of progress billings and actual costs by tracing a sample of transactions throughout the current period to source data to verify the propriety of reported amounts, and verifying the appropriateness of the Company's cut-off procedures on contract revenues; and,
- Evaluating the sufficiency and adequacy of disclosures in the Company's financial statements in accordance with PFRS.

***(b) Recoverability of Significant Past Due Contracts Receivables***

*Description of the Matter*

The Company has significant past due (i.e., more than one year) but not impaired contracts receivables from certain related parties arising from construction operations as of December 31, 2018. The Company's management exercises significant judgment and makes estimates in determining when the contract receivables are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) model under PFRS 9, *Financial Instruments*. We identified that this matter is significant to our audit as it involves significant management judgment and estimate on the recoverability of these significant past due contract receivables.

The Company's disclosures on estimation uncertainty relating to determination of impairment of receivables, Receivables account, related party transactions, and credit risk are included in Notes 3, 5, 12, and 16 to the financial statements, respectively.

*How the Matter was Addressed in the Audit*

Our audit procedures included, among others, the following:

- Updating our understanding of the Company's credit and collection policy;
- Evaluating appropriateness of the Company's ECL model based on the requirements of the standard and the related policies and procedures of the Company;
- Evaluating the Company's methodology for identifying credit risk and estimating future cash flows, including the related party debtors' payment abilities by examining payment and transaction history with the Company;
- Performing analytical review procedures including, among others, receivable turnover and other ratio analyses, prior period estimates on allowance for impairment and consistency with the developments during the current period based on our expectations and following up variances from our expectations; and,
- Evaluating the sufficiency and adequacy of disclosures in the Company's financial statements in accordance with PFRS.

***Other Information***

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

Our opinion on the 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 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 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 Financial Statements***

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

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

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

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 19 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the 2018 audit resulting in this independent auditors' report is Jessie C. Carpio.

### **PUNONGBAYAN & ARAULLO**

  
By: **Jessie C. Carpio**  
Partner

CPA Reg. No. 0057831  
TIN 109-227-789  
PTR No. 7333688, January 3, 2019, Makati City  
SEC Group A Accreditation  
Partner - No. 0011-AR-5 (until Mar. 25, 2022)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-6-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017 (As Restated - see Note 2)
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	<b>P 11,995,820</b>	P 4,652,040
Receivables - net	5	<b>10,532,707</b>	16,167,879
Other current assets	6	<u><b>27,129,437</b></u>	<u>21,492,099</u>
<b>TOTAL ASSETS</b>		<u><b>P 49,657,964</b></u>	<u>P 42,312,018</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<b>P 30,722,107</b>	P 17,479,492
Due to related parties	12	<b>11,608,805</b>	11,608,805
Provisions for rework	3	<u><b>133,032</b></u>	<u>133,032</u>
Total Current Liabilities		<u><b>42,463,944</b></u>	<u>29,221,329</u>
<b>NON-CURRENT LIABILITIES</b>			
Post-employment benefit obligation	10	-	131,145
Deferred tax liability	11	<u>-</u>	<u>15,918</u>
Total Non-current Liabilities		<u>-</u>	<u>147,063</u>
Total Liabilities		<u><b>42,463,944</b></u>	<u>29,368,392</u>
<b>EQUITY</b>			
Capital stock	13	<b>110,000,000</b>	110,000,000
Additional paid-in capital		<b>1,509,641</b>	1,509,641
Revaluation reserve		-	37,143
Deficit		<u><b>( 104,315,621 )</b></u>	<u>( 98,603,158 )</u>
Total Equity		<u><b>7,194,020</b></u>	<u>12,943,626</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>P 49,657,964</b></u>	<u>P 42,312,018</u>

*See Notes to Financial Statements.*



**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017 (As Restated - see Note 2)	2016
<b>CONTRACT REVENUES</b>	12	<b>P 67,170,182</b>	P 35,865,792	P 12,843,469
<b>CONTRACT COSTS</b>	9	<b>57,205,388</b>	31,398,655	10,767,108
<b>GROSS PROFIT</b>		<b>9,964,794</b>	4,467,137	2,076,361
<b>OPERATING EXPENSES</b>	9			
Administrative expenses		1,494,901	1,428,090	1,456,416
Other operating expenses		1,352,112	2,213,144	1,127,737
		<b>2,847,013</b>	3,641,234	2,584,153
<b>OTHER OPERATING INCOME</b>		<b>274,666</b>	-	-
<b>OPERATING PROFIT (LOSS)</b>		<b>7,392,447</b>	825,903	( 507,792 )
<b>OTHER INCOME (CHARGES)</b>				
Finance income	4	56,714	33,443	31,395
Gain on reversal of liability	2	-	7,621,655	-
Finance costs	10	-	( 8,887 )	( 38,371 )
		<b>56,714</b>	7,646,211	( 6,976 )
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>7,449,161</b>	8,472,114	( 514,768 )
<b>TAX EXPENSE</b>	11	<b>2,229,077</b>	23,454	47,806
<b>NET PROFIT (LOSS)</b>		<b>5,220,084</b>	8,448,660	( 562,574 )
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will not be reclassified subsequently to profit or loss				
Gain on remeasurements of post-employment benefit obligation	10	-	75,015	191,321
Tax expense	11	-	( 15,918 )	-
		<b>-</b>	59,097	191,321
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P 5,220,084</b>	P 8,507,757	( P 371,253 )
<b>Basic and Diluted Earnings (Loss) Per Share</b>	14	<b>P 0.047</b>	P 0.077	( P 0.005 )

*See Notes to Financial Statements.*

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> <u>(see Note 13)</u>	<u>Additional</u> <u>Paid-in Capital</u>	<u>Revaluation</u> <u>Reserve</u> <u>(see Note 10)</u>	<u>Deficit</u>	<u>Total</u>
Balance at January 1, 2018					
As previously stated	P 110,000,000	P 1,509,641	P 37,143	( P 106,224,813 )	P 5,321,971
Prior period adjustment	-	-	-	7,621,655	7,621,655
Effect of adoption of PFRS 9	-	-	-	( 10,969,690 )	( 10,969,690 )
As restated	110,000,000	1,509,641	37,143	( 109,572,848 )	1,973,936
Result of curtailment of post-employment benefit obligation	-	-	( 37,143 )	37,143	-
Total comprehensive income for the year	-	-	-	5,220,084	5,220,084
Balance at December 31, 2018	<b><u>P 110,000,000</u></b>	<b><u>P 1,509,641</u></b>	<b><u>P -</u></b>	<b><u>( P 104,315,621 )</u></b>	<b><u>P 7,194,020</u></b>
Balance at January 1, 2017	P 110,000,000	P 1,509,641	( P 21,954 )	( P 107,051,818 )	P 4,435,869
Total comprehensive income for the year	-	-	59,097	8,448,660	8,507,757
Balance at December 31, 2017	<u>P 110,000,000</u>	<u>P 1,509,641</u>	<u>P 37,143</u>	<u>( P 98,603,158 )</u>	<u>P 12,943,626</u>
Balance at January 1, 2016	P 110,000,000	P 1,509,641	( P 213,275 )	( P 106,489,244 )	P 4,807,122
Total comprehensive loss for the year	-	-	191,321	( 562,574 )	( 371,253 )
Balance at December 31, 2016	<u>P 110,000,000</u>	<u>P 1,509,641</u>	<u>( P 21,954 )</u>	<u>( P 107,051,818 )</u>	<u>P 4,435,869</u>

*See Notes to Financial Statements.*

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017 (As Restated - see Note 2)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		P 7,449,161	P 8,472,114	( P 514,768 )
Adjustments for:				
Interest income	4	( 56,714 )	( 33,443 )	( 31,395 )
Gain on curtailment of post-employment benefit obligation		( 45,843 )	-	-
Gain on reversal of liability	2	-	( 7,621,655 )	-
Interest cost	10	-	8,887	38,371
Operating profit (loss) before working capital changes		7,346,604	825,903	( 507,792 )
Decrease (increase) in receivables		4,434,821	( 274,889 )	3,080,908
Increase in other current assets		( 7,855,073 )	( 1,420,050 )	( 268,248 )
Increase (decrease) in trade and other payables		3,473,277	813,741	( 2,745,357 )
Increase (decrease) in post-employment benefit obligation		( 101,220 )	24,709	( 579,458 )
Cash from (used in) operations		7,298,409	( 30,586 )	( 1,019,947 )
Cash paid for income taxes	11	( 11,343 )	( 6,689 )	( 6,279 )
Net Cash From(Used in) Operating Activities		7,287,066	( 37,275 )	( 1,026,226 )
<b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>				
Interest received	4	56,714	33,443	31,395
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>				
Proceeds from additional advances from related party	12	-	1,855,755	823,650
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		7,343,780	1,851,923	( 171,181 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		4,652,040	2,800,117	2,971,298
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		P 11,995,820	P 4,652,040	P 2,800,117

*See Notes to Financial Statements.*

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

***1.1 Corporate Information***

Supercity Realty Development Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 9, 2000 to engage in construction and related activities, either as contractor or subcontractor; i.e., for the construction of residential units, buildings, roads, bridges and other construction projects. On December 19, 2003, the Company's shares of stock were listed for trading on the Philippine Stock Exchange (PSE).

On February 29, 2008, the Company's Board of Directors (BOD) approved the change in the Company's core business operations from construction to real estate development. Consequently, the Company has retrenched all of its project-based employees effective September 2008 and sold all of its construction equipment. As at December 31, 2018, the Company has not yet started any real estate development projects. Its business activities are presently hinged on the construction projects of its related parties; i.e., it provides the necessary manpower requirement of their projects by engaging the services of third party subcontractors (see Note 12.1). It has no other major activities, hence, no segment information and disclosures are presented in the Company's financial statements.

On December 11, 2014, the Company's BOD and stockholders approved the change of the Company's registered address and principal place of business from Unit 1223 12/F, City & Land Mega Plaza, ADB Avenue corner Garnet Road, Ortigas Center, Pasig City to 41<sup>st</sup> Floor, Joy-Nostalg Building, No. 17 ADB Avenue, Ortigas Center, Brgy., San Antonio, Pasig City. On February 12, 2016, the application for the change in address was approved by the Bureau of Internal Revenue (BIR). As of the date of approval of the financial statements, the Company's application for the change in address is still for approval by the SEC.

***1.2 Status of Operations***

The Company reported a substantial deficit of P104.3 million and P98.6 million as at December 31, 2018 and 2017, respectively. This condition, along with the matters discussed in Note 1.1, indicates the existence of an uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In this regard, the Company's management has intensified its commitment to improve profitability and financial stability of the Company through continuation of its construction activities with its related parties while its transition to a real estate development company is still underway. In addition, the same related parties have expressed their commitment to provide continuing financial support to the Company until such time that the Company is able to improve its financial condition. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments to reflect possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that might result from the outcome of this uncertainty.

### ***1.3 Approval of Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2018 (including the comparative financial statements as of December 31, 2017 and for the years ended December 31, 2017 and 2016) were authorized for issue by the Company's BOD on April 8, 2019.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### ***(b) Presentation of Financial Statements***

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2018, the Company adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the Company not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to impairment of financial assets resulted in certain adjustments to opening balance of Retained Earnings account as of January 1, 2018 [see Note 2.2(a)(i)].

Also in 2018, the Company made certain prior period adjustment to derecognize the deferred output value-added tax (VAT) amounting to P7.6 million related to certain receivables written-off in 2017. The Company also recognized unrecorded advances from customers amounting to P1.2 million in 2017. Accordingly, the Company restated its 2017 financial statements as a result of these adjustments. However, the prior period adjustment did not have an effect on the Company's statement of financial position as at January 1, 2017, as such, no third statement of financial position is presented.

The effects of the prior period adjustment s on the statement of financial position accounts as of December 31, 2017 are as follows:

<u>Note</u>	<u>As Previously Reported</u>	<u>Prior Period Adjustments</u>	<u>As Restated</u>
<i>Change in asset –</i>			
Receivables - net	P 14,967,527	P 1,200,352	P 16,167,879
<i>Change in liabilities:</i>			
Trade and other payables	23,900,795	<u>6,421,303</u>	17,479,492
		<u>P 7,621,655</u>	
<i>Change in equity –</i>			
Deficit	( P 106,224,813 )	<u>P 7,621,655</u>	( P 98,603,158 )

The effects of the prior period adjustments on the statement of comprehensive income and statement of cash flows for the year ended December 31, 2017 are as follows:

	<u>As Previously Reported</u>	<u>Prior Period Adjustments</u>	<u>As Restated</u>
<b>Statement of comprehensive income</b>			
<i>Change in other income (charges) –</i>			
Gain on reversal of liability	P -	<u>P 7,621,655</u>	P 7,621,655
<b>Statement of cash flows</b>			
<i>Changes in cash flows from operating activities –</i>			
Profit before tax	P 850,459	P 7,621,655	P 8,472,114
Gain on reversal of liability	-	<u>7,621,655</u>	7,621,655
		<u>P -</u>	

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

## 2.2 Adoption of New and Amended PFRS

### (a) Effective in 2018 that are Relevant to the Company

The Company adopted for the first time the following PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarification to PFRS15

Discussed below are the relevant information about these new standards.

- (i) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);
  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Company's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.3 and 2.6.

The adoption of this new standard had no significant impact on the Company's financial statements as to presentation and measurement of financial assets since they are continued to be measured at amortized cost. The adoption of PFRS 9 also had no significant impact on the Company's financial liabilities. However, the application of the ECL model, resulted in additional impairment losses amounting to P11.0 million as of January 1, 2018 [see Note 2.1(b)].

- (ii) PFRS 15, *Revenue from Contract with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard replaced PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's adoption of PFRS 15 has resulted in changes in its accounting policies, but has not resulted in any adjustment to the amounts recognized in the Company's financial statements since management determined that the Company's revenue process, significant judgments or assumptions and recognition thereto based on the facts and circumstances surrounding its business activities related to the services rendered did not significantly change and remain appropriate prior to and upon adoption of PFRS 15 (see Note 2.9).

(b) *Effective in 2018 that is not Relevant to the Company*

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Company's financial statements:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions



(c) *Effective Subsequent to 2018 but not Adopted Early*

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the solely payments of principal and interest (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.
- (ii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- (iii) Among the Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019) only PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends* is relevant to the Company but has no material impact on the Company's financial statements as these amendments merely clarify existing requirements. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

### **2.3 Financial Assets**

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments – Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9*

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding page.

The only category of financial assets that is relevant to the Company is financial assets at amortized cost. Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost are presented in the 2018 statement of financial position as Cash and Cash Equivalents and Receivables.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the 2018 statement of comprehensive income as part of Finance Income.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. If applicable, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

*(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39*

Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

As of December 31, 2017, all of the Company's financial assets are classified at loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Receivables in the 2017 statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss. Dividends on equity instruments are recognized in profit or loss when the Company's right to receive payment is established.

(c) *Impairment of Financial Assets Under PFRS 9*

From January 1, 2018, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 16.2(b)].

The key elements used in the calculation of ECL are shown below and in the succeeding page.

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument [see Note 16.2(b)].

*(d) Impairment of Financial Assets Under PAS 39*

As of December 31, 2017, the Company has assessed impairment of financial assets such that if there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

*(e) Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**2.4 Other Current Assets**

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

## ***2.5 Furniture and Fixtures***

Furniture and fixtures are carried at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful life of furniture and fixtures which is three years.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further charge for depreciation is made in respect of those accounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.10). The residual values and estimated useful lives of furniture and fixtures are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of furniture and fixtures, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

## ***2.6 Financial Liabilities***

Financial liabilities, which include the Company's trade and other payables (except tax-related payables and advances from customers) and due to related parties, are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payment.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## ***2.7 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

## ***2.8 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.9 Revenue and Expense Recognition***

Revenue comprises revenue from construction contracts only.

To determine whether to recognize revenue, the Company follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The Company often enters into transactions involving construction contracts with related parties. The significant judgments used in determining the timing of satisfaction of performance obligation are disclosed in Note 3.1(a). The Company uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Company's contracts with customers have original expected duration of one year or less.

Contract revenue is recognized over time based on the actual work done which is consistent with the percentage of completion method. Under this method, revenues are recognized in proportion to the actual cost incurred as a percentage of total estimated costs for each contract as determined and certified by project engineers. Costs are recognized based on actual costs incurred.

Cash received from customers which are applied to subsequent progress billings are recognized as a contract liability and is presented as Advances from customers under Trade and Other Payables account in the statement of financial position.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in the statement of comprehensive income.

## ***2.10 Impairment of Non-financial Assets***

The Company's non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating units and reflect management's assessment of respective risk profiles, such as market and asset-specific factor.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

## ***2.11 Employee Benefits***

The Company provides the following benefits to its employees:

### ***(a) Post-employment Defined Benefit Plan***

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. In 2018, the Company's only employee has transferred to the Company's affiliate due to reorganization. As such, the amount of retirement benefit obligation was reversed.

The liability recognized in the 2017 statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and any return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the statement of comprehensive income.



Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

*(b) Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

*(c) Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*(d) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

## **2.12 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply into the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.13 Related Party Relationships and Transactions***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party making financial and operating decisions. These parties include (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

## ***2.14 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserve represents gains and losses due to the remeasurements of post-employment defined benefit obligation. Relative to the curtailment of the Company's post-employment defined benefit plan, the outstanding balance of the revaluation reserves amounting to P37,143 as at December 31, 2018 was transferred to Deficit account.

Deficit represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by amounts of dividends declared, if any.

## ***2.15 Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing the net profit (loss) by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have dilutive potential shares outstanding.

## ***2.16 Events After the End of Reporting Period***

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

# **3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

## ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Company's accounting policies, management has made the judgments as shown in the succeeding page, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

*(a) Determining the Timing of Satisfaction of Performance Obligations (2018)*

The Company determines that its revenue from construction services shall be recognized over time in accordance with the percentage of completion method. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Company's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Company's rendering of construction services, management considers the input method (i.e., based on the actual cost incurred as a percentage of total estimated costs for each contract as determined and certified by project engineers) under PFRS 15. Under the input method, there is an observable direct relationship between the Company's effort, in terms of incurred labor hours, and the transfer of service to the customer from the Company.

*(b) Evaluating Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and relevant disclosures thereon are presented in Note 15.

*(c) Determining the ECL Model on Receivables (2018)*

The Company uses a provision matrix to calculate ECL for its receivables. The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's receivables are disclosed in Note 16.2(b).

**3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

*(a) Estimating Allowance for ECL (2018)*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 16.2.

(b) *Determination of Impairment of Receivables (2017)*

Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers and other counterparties, average age of accounts, collection experience and historical loss experience.

The carrying value of receivables and the analysis of allowance for impairment are shown in Note 5.

(c) *Estimation of Useful Lives of Furniture and Fixtures*

The Company estimates the useful lives of furniture and fixtures based on the period over which the assets are expected to be available for use. The estimated useful lives of furniture and fixtures are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of furniture and fixtures are analyzed in Note 7. Based on management's assessment as at 2014, there is no change in the estimated useful life of furniture and fixtures during such period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. Furniture and fixtures were fully depreciated as of December 31, 2018 and 2017.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. In 2018 and 2017, management believes, based on its evaluation, that the Company may not recover the tax benefit of the temporary differences considering the present circumstances of its operations as disclosed in Note 1; hence, the remaining deferred tax assets, were not recognized (see Note 11).

(e) *Determination of Impairment of Non-financial Assets*

In assessing impairment of non-financial assets, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.10). Though management believes that the assumptions used in the estimation of recoverable amount are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss was recognized on non-financial assets in 2018, 2017 and 2016 based on management's assessment.

(f) *Estimation of Valuation of Post-employment Benefit (2017)*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 10.2.

(g) *Estimation of Provisions for Rework*

The Company provides warranties for its construction projects for a period of one year from date of completion. Management estimates the related provisions for future rework based on historical repair information, as well as recent trends that might suggest that past cost information may differ from future claims.

(h) *Accounting for Revenue Recognition Using the Percentage of Completion*

The Company uses the percentage of completion method in accounting for its contract revenue. Use of percentage of completion requires the Company to estimate the portion completed as of the end of the reporting period as a proportion of the total estimated cost as determined and certified by the project engineers.

Based on management's assessment, the estimate of percentage of completion will not materially differ from the actual percentage of completion based on the progress and status of construction projects as of the end of the reporting period. Accordingly, management believes that no adjustment is necessary on the recorded contract revenue and contract costs.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>2018</u>	<u>2017</u>
Cash on hand and in banks	<b>P 9,704,870</b>	P 2,401,782
Short-term placements	<u><b>2,290,950</b></u>	<u>2,250,258</u>
	<u><b>P 11,995,820</b></u>	<u>P 4,652,040</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for a period of 90 days and earn effective interest rates of 1.25% to 4.75% in 2018, 1.25% to 1.75% in 2017, and 1.25% to 1.50% in 2016. Interest income is presented as Finance Income under Other Income (Charges) in the statements of comprehensive income.

## 5. RECEIVABLES

This account is composed of the following:

	Notes	2018	2017 [As restated - see Note 2.1(b)]
Contracts receivable	12.1	<b>P 21,281,605</b>	P 15,958,187
Advances to related parties	12.2	<b>192,764</b>	179,164
Others		<b>28,028</b>	30,528
		<b>P 21,502,397</b>	P 16,167,879
Allowance for impairment		<b>( 10,969,690)</b>	-
		<b><u>P 10,532,707</u></b>	<b><u>P 16,167,879</u></b>

Contracts receivable is broken down as follows:

	2018	2017
Billed	<b>P 6,943,330</b>	P 9,065,707
Retention	<b>14,338,275</b>	6,892,480
	<b><u>P 21,281,605</u></b>	<b><u>P 15,958,187</u></b>

The outstanding contract receivables as of December 31, 2018, which are all from related parties, were found to be impaired using the provision matrix as determined by the management; hence, adequate amount of allowance for impairment have been recognized (see Note 16.2).

All of the Company's receivables have been reviewed for indications of impairment. Certain long-outstanding contract receivables and advances to related parties as of December 31, 2017 were identified to be impaired and were doubtful of collection. Accordingly, on December 6, 2017 the Company's BOD approved the write-off of certain receivables totaling to P74.7 million, which were fully provided with allowance for impairment in the prior years.

A reconciliation of the allowance for impairment at the beginning and end of 2018 and 2017 is shown below.

	Note	2018	2017
Balance at beginning of year		<b>P -</b>	P 74,672,438
Effect of adoption of PFRS 9	2.2(a)(i)	<b>10,969,690</b>	-
Write-off of receivables		<b>-</b>	( 74,672,438)
Balance at end of year		<b><u>P 10,969,690</u></b>	<b><u>P -</u></b>

## 6. OTHER CURRENT ASSETS

This account consists of:

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Creditable withholding tax		<b>P 19,084,844</b>	P 19,948,032
Advances to contractors and suppliers		<b>6,683,798</b>	787,592
Deferred input VAT	19(b)	<b>1,106,044</b>	501,724
Others		<b>254,751</b>	254,751
		<b><u>P 27,129,437</u></b>	<b><u>P 21,492,099</u></b>

## 7. FURNITURE AND FIXTURES

The gross carrying amounts and accumulated depreciation and accumulated impairment loss of furniture and fixtures at the beginning and end of 2018, 2017 and 2016 are shown below.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cost	<b>P 49,562</b>	P 9,724,268	P 9,724,268
Accumulated depreciation	<b>( 49,562)</b>	( 9,547,152)	( 9,547,152)
Accumulated impairment loss	<b>-</b>	( 177,116)	( 177,116)
Net carrying amount	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>

In 2018, the Company retired its fully depreciated assets amounting to P9.7 million and no gain or loss arose on such derecognition of these assets. As at December 31, 2018 and 2017, the Company's remaining furniture and fixtures with a cost of P49,562 are fully depreciated but are still used in operations.

## 8. TRADE AND OTHER PAYABLES

This account consists of:

	<u>Notes</u>	<u>2018</u>	<u>2017</u> [(As Restated - Note 2.1(b))]
Advances from customers	12.3	<b>P 11,661,393</b>	P 4,065,743
Retention fees		<b>8,576,189</b>	4,791,625
Trade payables		<b>7,378,798</b>	6,774,853
Deferred output VAT	19(a)	<b>1,539,040</b>	1,581,197
Output VAT payable		<b>1,159,428</b>	63,239
Others		<b>407,259</b>	202,835
		<b><u>P 30,722,107</u></b>	<b><u>P 17,479,492</u></b>

Deferred output VAT arose from the uncollected contracts receivable.



## 9. COST AND OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Outside services		<b>P 57,170,650</b>	P 31,337,283	P 10,701,295
Professional fees		<b>978,100</b>	826,633	727,269
Taxes and licenses	19(f)	<b>379,929</b>	201,251	210,678
Salaries and employee benefits	10.1	<b>162,910</b>	441,223	570,664
Repairs and maintenance		<b>161,210</b>	33,277	7,804
Utilities and communication		<b>58,633</b>	39,844	30,199
Miscellaneous		<b><u>1,140,969</u></b>	<u>2,160,378</u>	<u>1,103,352</u>
		<b><u>P 60,052,401</u></b>	<u>P 35,039,889</u>	<u>P 13,351,261</u>

Miscellaneous mainly includes expenditures for security services, subscription dues, transportation and travel, trainings and seminars, tax penalties and office supplies.

These expenses are classified in the statements of comprehensive income as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contract costs	<b>P 57,205,388</b>	P 31,398,655	P 10,767,108
Administrative expenses	<b>1,494,901</b>	1,428,090	1,456,416
Other operating expenses	<b><u>1,352,112</u></b>	<u>2,213,144</u>	<u>1,127,737</u>
	<b><u>P 60,052,401</u></b>	<u>P 35,039,889</u>	<u>P 13,351,261</u>

Contract costs for the years ended December 31, 2018, 2017 and 2016 consist of the following:

	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Subcontractors' fee		<b>P 57,170,650</b>	P 31,337,283	P 10,701,295
Taxes and licenses	19(f)	<b><u>34,738</u></b>	<u>61,372</u>	<u>65,813</u>
		<b><u>P 57,205,388</u></b>	<u>P 31,398,655</u>	<u>P 10,767,108</u>

## 10. EMPLOYEE BENEFITS

### 10.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below (see Note 9).

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Short-term employee benefits	<b>P 162,910</b>	P 416,514	P 499,036
Post-employment benefit	<u>-</u>	<u>24,709</u>	<u>71,628</u>
	<b><u>P 162,910</u></b>	<b><u>P 441,223</u></b>	<b><u>P 570,664</u></b>

As at December 31, 2018, the Company has no regular employee due to reorganization of the Company.

### 10.2 Post-employment Defined Benefit Plan

Starting in 2015, the Company is covered by an unfunded, non-contributory post-employment multi-employer plan with its related parties that is classified as a defined benefit plan. For the one qualified employee of the Company under the plan, the Company has specific identifiable share in the multi-employer plan and accounts such plan in the same way for any other defined benefit plan.

The lone qualified and regular employee was transferred to an affiliate in 2018 which is not under the same multi-employer plan where the Company belongs, consequently, the post-employment defined benefit plan was reduced to nil in 2018 resulting to a gain on curtailment amounting to P45,843 which is treated as a deduction in Salaries and employee benefits under Operating Expenses account in the 2018 statement of comprehensive income.

The relevant information and disclosures of the Company's post-employment benefit obligation in 2017 are discussed below and in the succeeding page.

#### (a) Characteristics of the Defined Benefit Plan

The normal retirement benefit is equal to 100% of plan salary for every year of credited service upon attainment of age is 60 and completion of at least five years of service. The plan also provides for an early or optional retirement benefit equal to a certain percentage of plan salary for every year of credited service and completion of at least five years of service. The late retirement benefit is subject to a yearly extension basis but not beyond age 65.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding page are based on the actuarial valuation reports obtained from an independent actuary in 2017 and 2016.

The movements in the present value of the post-employment benefit obligation recognized and presented in the statements of financial position are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	<b>P 131,145</b>	P 172,564	P 904,972
Current service cost	-	24,709	71,628
Interest cost	-	8,887	38,371
Settlement	<b>( 101,220)</b>	-	( 823,650)
Curtailment gain	<b>( 29,925)</b>	-	-
Transfer from affiliate	-	-	172,564
Actuarial gains arising from:			
Changes in financial assumptions	-	( 75,015)	( 32,763)
Experience adjustments	<u>-</u>	<u>-</u>	<u>( 158,558)</u>
Balance at the end of the year	<b><u>P -</u></b>	<b><u>P 131,145</u></b>	<b><u>P 172,564</u></b>

The components of amounts recognized in profit or loss and in other comprehensive income or loss in 2017 and 2016 in respect of the post-employment benefit obligation are shown below.

	<u>2017</u>	<u>2016</u>
<i>Recognized in profit or loss:</i>		
Current service cost	P 24,709	P 71,628
Interest cost	<u>8,887</u>	<u>38,371</u>
	<b><u>P 33,596</u></b>	<b><u>P 109,999</u></b>
<i>Recognized in other comprehensive income:</i>		
Actuarial gains arising from:		
Changes in financial assumptions	P 75,015	P 32,763
Experience adjustments	<u>-</u>	<u>158,558</u>
	<b><u>P 75,015</u></b>	<b><u>P 191,321</u></b>

The amount of current service cost incurred is presented as part of Salaries and employee benefits under Operating Expenses (see Note 10.1). The amount of interest cost incurred related to the post-employment defined benefit obligation is presented as Finance Costs in the 2017 and 2016 statement of comprehensive income.

In determining the post-employment benefit obligation, discount rate of 5.70% was used in 2017.

Assumptions regarding future mortality are based on published statistics and mortality tables. The remaining working life of the individual retiring at the age of 60 is 15 years.

The effect of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation, i.e., change in assumption of +/-100 on basis points, as at December 31, 2017, is decrease of P1,311 on the Company's post-employment defined benefit obligation.

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the post-employment benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the post-employment benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment benefit obligation recognized in the statements of financial position.

The methods as types of assumptions used in preparing the sensitivity analysis did not significantly change compared to previous year.

## 11. TAXES

The components of tax expense reported in profit or loss and other comprehensive income are shown below and in the succeeding page.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Reported in profit or loss:</i>			
Regular corporate income			
tax (RCIT) at 30%	<b>P 2,217,734</b>	P 124,505	P -
Final tax at 20%	<b>11,343</b>	6,689	6,279
Minimum corporate income			
tax (MCIT) at 2%	<u>-</u>	<u>-</u>	<u>41,527</u>
	<b>2,229,077</b>	131,194	47,806
Application of MCIT	<u>-</u>	( <u>107,740</u> )	<u>-</u>
	<b><u>P 2,229,077</u></b>	<b><u>P 23,454</u></b>	<b><u>P 47,806</u></b>
<i>Reported in other comprehensive income –</i>			
Deferred tax income (expense)			
relating to remeasurements of			
post-employment benefit obligation:			
Origination of temporary difference	<b>P -</b>	P 22,505	(P 57,396)
Recognition of previously unrecognized			
deferred tax asset	<u>-</u>	( <u>6,587</u> )	( <u>57,396</u> )
	<b><u>P -</u></b>	<b><u>P 15,918</u></b>	<b><u>P -</u></b>

The reconciliation of tax on pretax profit (loss) computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax on pretax profit (loss) at 30%	<b>P 2,234,748</b>	P 255,138	(P 154,430)
Adjustment for income subjected to lower income tax rate	<b>( 5,671)</b>	( 3,344)	( 3,140)
Tax effects of:			
Non-deductible expenses	-	319,373	300
Changes in unrecognized deferred tax assets	-	( 547,713)	226,287
Expired MCIT	<u>-</u>	<u>-</u>	<u>( 21,211)</u>
	<b><u>P 2,229,077</u></b>	<b><u>P 23,454</u></b>	<b><u>P 47,806</u></b>

The unrecognized deferred tax assets relate to the following as at December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Provisions for rework	<b>P 133,032</b>	<b>P 39,910</b>	P 133,032	P 39,910
Impairment of furniture and fixtures	-	-	177,116	53,135
Post-employment benefit obligation	<u>-</u>	<u>-</u>	<u>131,145</u>	<u>39,344</u>
	<b><u>P 133,032</u></b>	<b><u>P 39,910</u></b>	<b><u>P 441,293</u></b>	<b><u>P 132,389</u></b>

In 2017, the Company utilized the unrecognized deferred tax asset of P6,587 in 2016 to partially offset the deferred tax liability arising from remeasurements (actuarial gains) amounting to P22,505 in the same year. In 2018, the deferred tax liability was derecognized as part of the curtailment of the post-employment defined benefit obligation. The curtailment gain is treated as a deduction in the Salaries and employee benefits under Operating Expenses account in the 2018 statement of comprehensive income.

The Company is subject to MCIT, which is computed at 2% of gross income less allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. Accordingly, the Company was liable to pay RCIT in 2018 and 2017, while MCIT in 2016.

In 2018, 2017 and 2016, the Company claimed itemized deductions in computing its income tax due.

## 12. RELATED PARTY TRANSACTIONS

The Company's related parties include entities under common ownership or control, the Company's key management and others as described in Note 2.13. A summary of the transactions and balances of the Company with its related parties is presented below.

Related Party Category	Note	Amount of Transactions			Outstanding Balances	
		2018	2017	2016	2018	2017
<b>Related Parties Under Common Ownership:</b>						
Construction services	12.1	<b>P 67,170,182</b>	P 35,865,792	P 12,843,469	<b>P 21,281,606</b>	P15,958,187
Advances from related parties	12.2	-	1,855,755	823,650	<b>( 11,608,805)</b>	( 11,608,805)
Advances to related parties	12.2	<b>13,600</b>	( 8,741,550)	179,164	<b>192,764</b>	179,164
Advances from customers	12.3	<b>7,595,650</b>	-	-	<b>( 10,461,042)</b>	( 2,865,392)
<b>Key Management Personnel –</b>						
Compensation	12.4	<b>162,910</b>	441,223	570,664	-	( 131,145)

In 2018, the Company's outstanding receivables with related parties were subjected to impairment using PFRS 9's ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties.

### 12.1 Rendering of Services

The Company renders construction services to certain related parties under common ownership for certain real estate projects of the latter. Construction services are recognized based on the actual work done which is consistent with the percentage of completion method.

Service income arising from these transactions with related parties are presented as Contract Revenues in the statements of comprehensive income. The related outstanding receivables are shown as Contracts receivable under the Receivables account in the statements of financial position (see Note 5). These receivables are unsecured to the extent of advances received, noninterest-bearing and payable in cash.

Presented below is an analysis of the movements in contracts receivables.

	Note	2018	2017
Balance at beginning of year		P 15,958,187	P 81,614,786
Contract revenues, gross of VAT		74,273,906	40,169,687
Collections		( 68,950,487)	( 39,862,752)
Write-off of receivables	5	-	( 65,963,534)
Balance at end of year		<u>P 21,281,606</u>	<u>P 15,958,187</u>

The Company has also existing commitments, guarantees, and contingent liabilities relating to ongoing construction projects of the Company (see Note 15).

## 12.2 Advances to/from Related Parties

In the normal course of business, the Company obtains from and grants to its related parties (other than those provided to officers and directors for carrying out official business functions and activities which are subject to liquidation as at December 31, 2018 and 2017) unsecured, noninterest-bearing, cash advances for working capital requirements and other purposes.

Total advances to related parties are presented as Advances to related parties under the Receivables account in the statements of financial position (see Note 5). The movements in the Advances to related parties are shown below.

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year		<b>P 179,164</b>	P 8,920,714
Additions		<b>13,600</b>	-
Write-off of advances	5	-	( 8,708,905)
Collections		<u>-</u>	<u>( 32,645)</u>
Balance at end of year		<b><u>P 192,764</u></b>	<u>P 179,164</u>

Total outstanding advances from related parties as of December 31, 2018 and 2017 are presented as Due to Related Parties account in the statements of financial position. The movements in the account are shown below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	<b>P 11,608,805</b>	P 9,753,050
Additions	<u>-</u>	<u>1,855,755</u>
Balance at end of year	<b><u>P 11,608,805</u></b>	<u>P 11,608,805</u>

The advances to and from related parties have no fixed repayment terms and are generally payable in cash on demand, or through offsetting arrangements (see Note 17.3). As such and due to their short duration, management considers the carrying amounts of advances to/from related parties to be a reasonable approximation of fair values.

## 12.3 Advances from Customers

The Company receives advances from related party customers which will be applied against progress billings based on work accomplishment on the construction projects. The amount of outstanding advances received from related parties are presented as Advances from customers under Trade and Other Payables account in the statements of financial position (see Note 8).

#### 12.4 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 10.1):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Post-employment benefit	<b>P 162,910</b>	P 416,514	P 499,036
Short-term employment benefits	<u>-</u>	<u>24,709</u>	<u>71,628</u>
	<b><u>P 162,910</u></b>	<b><u>P 441,223</u></b>	<b><u>P 570,664</u></b>

Certain administrative functions of the Company are performed by the officers of a related party under common ownership at no cost to the Company. The outstanding liability as of December 31, 2017 is presented as Post-employment Benefit Obligation in the 2017 statement of financial position. There is no outstanding liability as of December 31, 2018.

#### 12.5 Lease of Office Space

In 2015, the Company transferred to an office space located at a floor of a building being rented by one of the Company's stockholders, at no cost to the Company in 2018, 2017 and 2016.

### 13. CAPITAL STOCK

As at December 31, 2018 and 2017, the Company has authorized capital stock of P155.0 million divided into 155,000,000 shares with a P1.00 par value per share. As at those dates, it has 110,000,000 issued and outstanding shares, or a total of P110.0 million.

On December 19, 2003, the SEC approved the listing of the Company's shares totaling 50,000,000 (see Note 1.1). The shares were initially issued at an offer price of P1.10 per share. Such listed shares traded at a closing price of P0.80 per share as at May 11, 2009. No further trading of the Company's shares has occurred since May 11, 2009. The Company has no other securities traded or listed for trading in any securities exchange.

### 14. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings (loss) per share were computed as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net profit (loss)	<b>P 5,220,084</b>	P 8,448,660	(P 562,574)
Divided by the weighted average number of outstanding common shares	<b><u>110,000,000</u></b>	<u>110,000,000</u>	<u>110,000,000</u>
Basic and diluted earnings (loss) per share	<b><u>P 0.047</u></b>	<u>P 0.077</u>	<u>(P 0.005)</u>

The Company has no dilutive potential common shares as at December 31, 2018, 2017 and 2016; hence, diluted earnings (loss) per share equals the basic income (loss) per share.



## 15. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees, and contingent liabilities relating to construction projects and other activities entered into by the Company that arise in the normal course of operations which are not reflected in the financial statements. As at December 31, 2018, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

## 16. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Company is exposed to are described below.

### 16.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both its operating and investing activities. The Company has no significant exposure to interest rate risk as financial assets and liabilities are noninterest-bearing (receivables, payables and advances to and from related parties) or are carried at daily bank deposit rates and fixed interest rates (cash in banks and short-term placements, respectively).

### 16.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and other counterparties and by placing deposits.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, advance payments representing portion of the total contract price are received from customers to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below.

	Notes	2018	2017 (As restated - see Note 2)
Cash and cash equivalents	4	P 11,995,820	P 4,652,040
Receivables - net	5	<u>10,532,707</u>	<u>16,167,879</u>
		<u>P 22,528,527</u>	<u>P 20,819,919</u>

None of the Company's financial assets are secured by collateral or other credit enhancements. The management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks which are secured by a maximum coverage of P500,000 for every depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, are also subjected to credit risk.

*(b) Receivables*

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the ECL for trade receivables, the Company uses a provision matrix which is based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is based on the Company's historical observed default rates. The management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward looking information.

Advances to related parties are also evaluated by the Company for impairment and assessed that no ECL should be provided based on the available highly liquid asset and credit standing of the related parties.

In respect of receivables, the Company is exposed to significant credit risk exposure to its related parties. Contract receivables are 100% due from its related parties because the Company's construction projects are concentrated on the projects provided by its related parties. Based on historical information about customer default rates and by an analysis of the related parties' current financial position, adjusted for factors that are specific to the related parties (including possible offsetting of outstanding liability with the debtor), the Company considers the credit quality of contract receivables that are not impaired to be good.

On that basis, additional loss allowance amounting to P11.0 million was recognized as at January 1, 2018 but no additional loss allowance is recognized as at December 31, 2018.

**16.3 Liquidity Risk**

The Company manages its liquidity needs by carefully monitoring scheduled payments for its financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection.

The Company maintains cash that is good for up to a 60-day period to meet its liquidity requirements.

As at December 31, 2018 and 2017, the Company's financial liabilities amounted to P27.7 million and P23.3 million, respectively, have contractual maturities within six months to one year from the end of the reporting periods. The contractual maturities reflect the gross cash flows which approximates the carrying values of the liabilities at the end of the reporting periods.

## 17. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 17.1 Carrying Values and Fair Values by Category

The carrying values and fair values of the financial assets and financial liabilities presented in the statements of financial position are shown below.

		<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	Notes	<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<b>Financial Assets</b>					
<i>At amortized cost:</i>					
Cash and					
cash equivalents	4	<b>P 11,995,820</b>	<b>P 11,995,820</b>	P 4,652,040	P 4,652,040
Receivables – net	5	<u>10,532,707</u>	<u>10,532,707</u>	<u>16,167,879</u>	<u>16,167,879</u>
		<u><b>P 22,528,527</b></u>	<u><b>P 22,528,527</b></u>	<u>P 20,819,919</u>	<u>P 20,819,919</u>
<b>Financial Liabilities</b>					
<i>At amortized cost:</i>					
Trade and other payables	8	<b>P 16,073,799</b>	<b>P 16,073,799</b>	P 11,681,927	P 11,681,927
Due to related parties	12.2	<u>11,608,805</u>	<u>11,608,805</u>	<u>11,608,805</u>	<u>11,608,805</u>
		<u><b>P 27,682,604</b></u>	<u><b>P 27,682,604</b></u>	<u>P 23,290,732</u>	<u>P 23,290,732</u>

See Notes 2.3 and 2.6 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 16.

Due to their short-term nature, management considered the carrying amounts of these financial instruments to equal or approximate their fair values as at December 31, 2018 and 2017.

### 17.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as shown in the succeeding page:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company has no financial assets and financial liabilities measured at fair value as at December 31, 2018 and 2017. For financial assets (such as Cash and Cash Equivalents and Receivables) and financial liabilities (such as Trade and Other Payables and Due to Related Parties) measured at amortized cost for which fair value is disclosed, management considers that their carrying amounts equal or approximate their fair values (see Note 17.1).

The table as shown below and in the succeeding page summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2018</u></b>				
<i><b>Financial assets:</b></i>				
Cash and cash equivalents	P 11,995,820	P -	P -	P 11,995,820
Receivables	<u>-</u>	<u>-</u>	<u>10,532,707</u>	<u>10,532,707</u>
	<b><u>P 11,995,820</u></b>	<b><u>P -</u></b>	<b><u>P 10,532,707</u></b>	<b><u>P 22,528,527</u></b>
<i><b>Financial liabilities:</b></i>				
Trade and other payables	P -	P -	P 16,073,799	P 16,073,799
Due to related parties	<u>-</u>	<u>-</u>	<u>11,608,805</u>	<u>11,608,805</u>
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 27,682,604</u></b>	<b><u>P 27,682,604</u></b>
 <b><u>December 31, 2017</u></b>				
<i><b>Financial assets:</b></i>				
Cash and cash equivalents	P 4,652,040	P -	P -	P 4,652,040
Receivables	<u>-</u>	<u>-</u>	<u>16,167,879</u>	<u>16,167,879</u>
	<b><u>P 4,652,040</u></b>	<b><u>P -</u></b>	<b><u>P 16,167,879</u></b>	<b><u>P 20,819,919</u></b>
<i><b>Financial liabilities:</b></i>				
Trade and other payables	P -	P -	P 11,681,927	P 11,681,927
Due to related parties	<u>-</u>	<u>-</u>	<u>11,608,805</u>	<u>11,608,805</u>
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 23,290,732</u></b>	<b><u>P 23,290,732</u></b>

### **17.3 Offsetting of Financial Assets and Financial Liabilities**

The Company has not set-off financial instruments as of December 31, 2018 and 2017 and does not have relevant offsetting arrangements except as disclosed in Note 12.2. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders.

As such, the Company's outstanding advances to and receivables from related parties, gross of allowance for impairment amounting to P20.3 million and P15.0 million as at December 31, 2018 and 2017, respectively, can be potentially offset by the amount of outstanding advances from related parties amounting to P11.6 million as at December 31, 2018 and 2017 (see Note 12.2).

## 18. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern (as discussed in Note 1.2) and to provide an adequate return to shareholders by pricing services commensurately with the level of risk. As also discussed in Note 1.2, management believes that the Company remains to have a strong financial condition since it is a member of a group of companies. Nevertheless, the challenge is in keeping it strong and improving its profitability to at least keep a healthy financial condition while the Company is transitioning from a construction company to real estate development company.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the pay-off of existing debts.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2018</u>	<u>2017</u>
Total liabilities	<b>P 42,463,944</b>	P 29,368,392
Total equity	<b><u>7,194,020</u></b>	<u>12,943,626</u>
Debt-to-equity ratio	<b><u>5.90 : 1.00</u></b>	<u>2.27 : 1.00</u>

## 19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information which is required by the BIR under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

### (a) *Output VAT*

In 2018, the Company declared output VAT amounting to P8,153,187 based on contract revenue amounting to P67,943,228.

The Company did not have zero-rated and VAT exempt transaction in 2018.

The tax bases of contract revenues are based on the Company's gross receipts for the year; hence, may not be the same with the amounts presented in the 2018 statement of comprehensive income.

The Output VAT payable and deferred output VAT as of December 31, 2018 is presented under Trade and Other Payables in the 2018 statement of financial position (see Note 8).

(b) *Input VAT*

The movements in input VAT in 2018 is summarized below.

Balance at beginning of year	P	-
Services lodged under cost of goods sold		5,729,786
Input VAT applied against output VAT	(	<u>5,729,786</u> )
Balance at end of year	<b>P</b>	<b><u>-</u></b>

The outstanding deferred input VAT, related to advances to contractors to be applied in the next reporting period, amounted to P1.1 million as of December 31, 2018 and is presented as part of Other Current Assets account in the 2018 statement of financial position (see Note 6).

(c) *Taxes on Importation*

The Company has not paid or accrued any customs' duties and tariff fees as it has no importations for the year ended December 31, 2018.

(d) *Excise Tax*

The Company did not have any transactions in 2018, which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

The Company did not incur any DST in 2018.

(f) *Taxes and Licenses*

The details of taxes and licenses are broken down as follows (see Note 9):

Business tax	P	370,929
Municipal license and permits		8,500
Annual VAT registration		<u>500</u>
	<b>P</b>	<b><u>379,929</u></b>

The amounts of taxes and licenses are allocated as follows:

	<u>Note</u>	
Other operating expenses	P	345,191
Contract costs		<u>34,738</u>
	<b>9</b>	<b><u>P 379,929</u></b>

(g) *Withholding Taxes*

The details of withholding taxes in 2018 are shown below.

Expanded	P	1,214,186
Compensation and benefits		<u>8,515</u>
	<b>P</b>	<b><u>1,222,701</u></b>

The Company has no transactions in 2018, which are subject to final withholding taxes.

*(b) Deficiency Tax Assessments and Tax Cases*

As of December 31, 2018, the Company does not have any final deficiency tax assessments from the BIR nor does it have any tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately  
from the Basic Financial Statements**

**The Board of Directors and Stockholders  
Supercity Realty Development Corporation**  
41<sup>st</sup> Floor, Joy-Nostalg Building  
No. 17 ADB Avenue, Ortigas Center  
Brgy. San Antonio, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Supercity Realty Development Corporation for the year ended December 31, 2018, on which we have rendered our report dated April 8, 2019. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Jessie C. Carpio**  
Partner

CPA Reg. No. 0057831  
TIN 109-227-789  
PTR No. 7333688, January 3, 2019, Makati City  
SEC Group A Accreditation  
Partner - No. 0011-AR-5 (until Mar. 25, 2022)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-6-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019



**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**List of Supplementary Information**  
**December 31, 2018**

<b>Schedule</b>	<b>Content</b>	<b>Page No.</b>
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets	
	Financial Assets at Amortized Cost	1
	Financial Assets at Fair Value Through Profit or Loss	N/A
	Financial Assets at Fair Value Through Other Comprehensive income	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Intangible Assets - Other Assets	N/A
E	Long-term Debt	N/A
F	Indebtedness to Related Parties	3
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	4
<b>Others</b>		
	Summary of Financial Soundness Indicators	5
	Reconciliation of Retained Earnings Available for Dividend Declaration	N/A
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2018	6-8

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule A - Financial Assets (Financial Assets at Amortized Cost)**  
**December 31, 2018**  
*(Amounts in Philippine Pesos)*

<i>Description of Each Issue</i>	<i>Amount Shown in the Statements of Financial Position</i>	<i>Income Received and Accrued</i>
Cash and cash equivalents	P 11,995,820	P 56,714
Receivables	<u>10,532,707</u>	<u>-</u>
	<b><u>P 22,528,527</u></b>	<b><u>P 56,714</u></b>

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**  
**December 31, 2018**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Write-off</b>	<b>Amounts Collected</b>	<b>Current</b>	<b>Non Current</b>	<b>Balance at End of Period</b>
<b>Related Parties</b>							
Extraordinary Development Corporation	P 172,564	-	-		P 172,564	P -	P 172,564
Prosperity Builders Resources, Inc.	<u>6,600</u>	<u>13,600</u>	<u>-</u>	<u>-</u>	<u>20,200</u>	<u>-</u>	<u>20,200</u>
Total Receivable from Related Parties	<u>P 179,164</u>	<u>P 13,600</u>	<u>-</u>	<u>P -</u>	<u>P 192,764</u>	<u>P -</u>	<u>P 192,764</u>

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule D. INDEBTEDNESS TO RELATED PARTIES**  
**December 31, 2018**

<b>Name and Designation of Debtor</b>		<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Write-off</b>	<b>Amounts Collected</b>	<b>Current</b>	<b>Non Current</b>	<b>Balance at End of Period</b>
<b>Related Parties</b>								
Extraordinary Development Corporation	P	11,608,805	-	-	-	P 11,608,805	P -	P 11,608,805

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule H - Capital Stock**  
**December 31, 2018**

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - P1 par value						
Authorized - 155,000,000 shares						
Issued and outstanding - 110,000,000 shares in 2018 and 2017	155,000,000	110,000,000	-	-	56,220,000	53,780,000

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Summary of Financial Soundness Indicators**  
**December 31, 2018 and 2017**

<b>Financial Soundness Indicators</b>	<b>Formula</b>	<b>2018</b>	<b>2017</b>
<b>Liquidity:</b>			
Current Ratio	Current Assets/Current Liability	1.17 : 1	1.45 : 1
<b>Solvency:</b>			
Debt-to-Equity Ratio	Total Liabilities/Total Equity	5.90 : 1	2.27: 1
<b>Asset-to-equity:</b>			
Asset-to-Equity ratio	Total Assets/Total Equity	6.90 : 1	3.26 : 1
<b>Interest-rate-coverage:</b>			
*Interest-rate-coverage ratio	Profit Before Tax/Finance Costs	n/a	n/a
<b>Profitability:</b>			
Return-on-investment	Net Income/Average Capital Stock	4.74%	7.73%

\*The Company has no existing interest-bearing loans as of the given period.

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as at December 31, 2018**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Deletion of Short-term Exemptions*			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation ( <i>effective January 1, 2019</i> )			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i>			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures ( <i>effective when PFRS 9 is first applied</i> )	✓		
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* ( <i>effective January 1, 2019</i> )			✓
<b>PFRS 10</b>	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ( <i>effective date deferred indefinitely</i> )			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation ( <i>effective January 1, 2019</i> )			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases ( <i>effective January 1, 2019</i> )			✓
PFRS 17	Insurance Contracts ( <i>effective January 1, 2021</i> )			✓
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* ( <i>effective January 1, 2019</i> )			✓
PAS 16	Property, Plant and Equipment			✓
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 17	Leases			✓
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Eligibility for Capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* ( <i>effective date deferred indefinitely</i> )			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* ( <i>effective January 1, 2019</i> )			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty Over Income Tax Treatments* (effective January 1, 2019)			✓
<b>Philippine Interpretations - Standing Interpretations Committee (SIC)</b>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

\* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

SEC Number  
File Number

**A200008385**

**SUPERCITY REALTY DEVELOPMENT  
CORPORATION**

(Company's Full Name)

**41<sup>st</sup> Floor Joy Nostalg Center  
No. 17 ADB Avenue  
Ortigas Center, Pasig City**

(Company Address)

**8638-7779**

(Telephone Number)

**December 31**

(Calendar Year Ending – Month & Day)

**SEC Form 17-Q**

(Form Type)

Amendment Designation (If Applicable)

**September 30, 2019**

Period Ended Date

(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended **September 30, 2019**
2. Commission identification number **A200008385**    3. BIR Tax Identification No. **206-816-824**
4. Exact name of issuer as specified in its charter  
**SUPERCITY REALTY DEVELOPMENT CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization  
**METRO MANILA, PHILIPPINES**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
**41<sup>st</sup> FLOOR JOY NOSTALG CENTER, NO. 17 ADB AVENUE**  
**ORTIGAS CENTER, PASIG CITY** **1605**
8. Issuer's telephone number, including area code **(632)86387779**
9. Former name, former address and former fiscal year, if changed since last report  
**N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class amount outstanding	Number of shares of common stock outstanding and of debt	
<b>COMMON SHARES – P 1 par value</b>	<b>No. of Shares</b>	<b>Amount</b>
<b>Authorized</b>	<b>155,000,000</b>	<b>155,000,000.00</b>
<b>Issued</b>	<b>110,000,000</b>	<b>110,000,000.00</b>
<b>Subscribed</b>	<b>110,000,000</b>	<b>110,000,000.00</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
**PHILIPPINE STOCK EXCHANGE** **COMMON STOCK**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Statements of Financial Positions**  
**As of September 30, 2019 and December 31, 2018**

	<b>30-Sep-19</b>	<i>*Based on</i> <i>Audited FS</i> <b>31-Dec-18</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	15,207,526	11,995,819
Trade & other receivables (Note 1)	24,469,531	10,532,707
Prepayments and other current assets (Note 2)	33,855,957	27,129,437
<b>Total current assets</b>	<b>73,533,014</b>	<b>49,657,963</b>
<b>TOTAL ASSETS</b>	<b>73,533,014</b>	<b>49,657,963</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables (Note 3)	54,140,591	30,722,107
Due to related parties	608,805	11,608,805
Provision for repairs	133,032	133,032
<b>Total current liabilities</b>	<b>54,882,428</b>	<b>42,463,944</b>
<b>Total Liabilities</b>	<b>54,882,428</b>	<b>42,463,944</b>
<b>EQUITY</b>		
Capital stock	110,000,000	110,000,000
Additional paid-in capital	1,509,641	1,509,641
Revaluation Reserve	-	-
Deficit	(92,859,055)	(104,315,622)
<b>Total equity</b>	<b>18,650,586</b>	<b>7,194,019</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>73,533,014</b>	<b>49,657,963</b>

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Statements of Comprehensive Income**  
**For the 9-month periods ended September 30, 2019 and 2018**

<b>Account Title</b>	<b>July-Sept 2019</b>	<b>July-Sept 2018</b>	<b>Jan - Sept 2019</b>	<b>Jan - Sept 2018</b>
<b>REVENUES</b>	54,909,934	14,155,666	157,908,662	31,625,165
<b>CONTRACT COSTS</b>	50,554,732	12,279,798	138,900,516	27,090,701
<b>GROSS PROFIT</b>	4,355,203	1,875,868	19,008,146	4,534,464
<b>OPERATING EXPENSES</b>	51,350,130.55	12,826,956.26	141,551,949.17	29,614,799.42
<b>Administrative expenses (Note 4)</b>	542,546	267,273	1,654,064	1,317,245
<b>Other operating expenses (Note 5)</b>	252,853	279,886	997,369	1,206,854
	795,399	547,159	2,651,433	2,524,099
<b>OPERATING PROFIT</b>	3,559,804	1,328,710	16,356,713	2,010,365
<b>OTHER INCOME (CHARGES)</b>				
Other gains - net	4,125	1,032	9,812	3,014
	4,125	1,032	9,812	3,014
<b>INCOME BEFORE TAX</b>	3,563,929	1,329,742	16,366,525	2,013,380
<b>TAX EXPENSE</b>	1,069,179	398,922	4,909,958	604,014
<b>NET INCOME</b>	2,494,750	930,819	11,456,567	1,409,366
<b>Earning Per Share</b>				
Net Income	2,494,750	930,819	11,456,567	1,409,366
Shares Outstanding	110,000,000	110,000,000	110,000,000	110,000,000
<b>Earning per share</b>	<b>0.0227</b>	<b>0.0085</b>	<b>0.1042</b>	<b>0.0128</b>

<b>Note 1</b> <b>Trade &amp; other receivables</b>	<b>As Of</b>	
	<b>09/30/2019</b>	<b>12/31/2018</b>
Current:		
Contract receivable (net of impairment)	24,212,239	10,311,915
Advances to related parties	208,264	192,764
Others	49,028	28,028
	<b>24,469,531</b>	<b>10,532,707</b>

<b>Note 2</b> <b>Prepayments and other current assets</b>	<b>As Of</b>	
	<b>09/30/2019</b>	<b>12/31/2018</b>
Creditable Withholding tax	22,359,865	19,084,844
Advances to suppliers and subcontractors	10,135,297	6,683,798
Prepaid Expenses	1,360,795	1,360,795
	<b>33,855,957</b>	<b>27,129,437</b>

<b>Note 3</b> <b>Trade and other payables</b>	<b>As Of</b>	
	<b>09/30/2019</b>	<b>12/31/2018</b>
Deferred output valued-added taxes	6,195,661	1,539,040
Advances from customers	13,641,853	11,661,393
Retention fees	16,704,655	8,576,189
Trade payables	11,218,132	7,378,798
Other payables and accrued expenses	6,380,290	1,566,687
Total	<b>54,140,591</b>	<b>30,722,107</b>

<b>Note 4</b> <b>Administrative Expenses:</b>	<b>July-Sept</b>		<b>Jan - Sept</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Salaries and employee benefits	62,783	-	173,102.00	208,753
Taxes and licenses	299,763	90,273	628,962.00	289,392
Professional fees	180,000	177,000	852,000.00	819,100
	<b>542,546</b>	<b>267,273</b>	<b>1,654,064</b>	<b>1,317,245</b>

<b>Note 5</b> <b>Other Operating Expenses:</b>	<b>July-Sept</b>		<b>Jan - Sept</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Subscription	3,665	3,493	255,354	263,837
Contractual and service fees	162,481	146,618	488,544	443,003
Communication, Light and water	24,577	11,657	60,983	44,292
Stationery and supplies	34,968	11,096	55,061	23,072
Miscellaneous	27,162	107,023	137,427	432,651
	<b>252,853</b>	<b>279,886</b>	<b>997,369</b>	<b>1,206,854</b>

**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Statements of Changes in Equity**  
**As of September 30, 2019 and December 31, 2018**

	Capital Stock	Additional Paid-in Capital	Retained Earnings(Deficit)	Total
Balance at January 1, 2019	P 110,000,000	P 1,509,641	(P 104,315,622)	P 7,194,019
Net Income for Jan-Sept	-	-	11,456,567	11,456,567
Balance at Sept 30, 2019	<b>P 110,000,000</b>	<b>P 1,509,641</b>	<b>(P92,859,055)</b>	<b>P 18,650,586</b>
Balance at January 1, 2018	P 110,000,000	P 1,509,641	(P 106,212,558)	P 5,297,083
Net Income for Jan-Sept	-	-	1,409,366	1,409,366
Balance at Sept 30, 2018	P 110,000,000	P 1,509,641	(P104,803,192)	P 6,706,449



**SUPERCITY REALTY DEVELOPMENT CORPORATION**  
**Statements of Cash Flows**  
**For the 9-month periods ended September 30, 2019 and 2018**

	<b>Jan - Sept 2019</b>	<b>Jan - Sept 2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	16,366,525	2,013,380
Adjustments for:		
Interest income	9,812	3,015
Operating income before working capital changes	16,376,337	2,016,396
Decrease (Increase) in trade and other receivables	(13,936,824)	(5,511,428)
Decrease (Increase) in construction materials		
Decrease (Increase) in prepayments and other current assets	(6,726,520)	(6,308,707)
Increase (Decrease) in trade payables and other payables	23,418,484	11,250,201
Increase (Decrease) retirement benefit obligation	-	(101,220)
Cash Generated from (used in) Operations	19,131,477	1,345,242
Applied for Income taxes	(4,909,958)	(604,015)
<b>Net Cash From (Used in) Operating Activities</b>	<b>14,221,519</b>	<b>741,227</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	(9,812)	(3,015)
<b>Net Cash From (Used in) Investing Activities</b>	<b>(9,812)</b>	<b>(3,015)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment for Non-Interest-Bearing Loans	(11,000,000)	0
<b>Net Cash From (Used in) Financing Activities</b>	<b>(11,000,000)</b>	<b>0</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>3,211,707</b>	<b>738,213</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>11,995,819</b>	<b>4,652,040</b>
<b>CASH AT END OF PERIOD</b>	<b>15,207,526</b>	<b>5,390,253</b>

SUPERCITY REALTY DEVELOPMENT CORPORATION  
Schedule of Aging of Accounts Receivable Trade  
As of September 30, 2019

Client	Current	1 - 30 days	31 - 60 days	61 - 90 days	Overdue	Total
Earth+Style (ESC)	-				42,159	42,159
Cenq	24,170,080				-	24,170,080
Total	24,170,080	-	-	-	42,159	24,212,239

Item 1.5. Earnings Per Share

The Company's earnings per share is presented on the face of the Income Statements on page 5 of this report. Said earnings per share is computed by dividing net income by the number of outstanding common shares.

Item 1.6. Disclosure that the issuer's interim financial report is in compliance with the accordance with generally accepted accounting principles in the Philippines as set forth in PFRSs

The interim financial report of the Company is in compliance with accordance with generally accepted accounting principles in the Philippines as set forth in PFRSs

Item 1.7. Notes to Financial Statements

Item 1.7.a. Accounting Policies and Methods

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. The principal accounting policies adopted in preparing the financial statements of the Company are as follows:

1. The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expenses. The measurement bases are more fully described in the accounting policies that follow:

**NEW INTERPRETATIONS, REVISIONS AND AMENDMENTS TO PFRS**

*(a) New Interpretations, Revisions and Amendments adopted in 2018*

The Company adopted for the first time the following PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PFRS 9 : Financial Instruments

## PFRS 15 : Revenue from Contracts with Customers; Clarification to PFRS15

Discussed below are the relevant information about these new standards.

(i) PFRS 9, **Financial Instruments** (issued in 2014). This new standard on financial instruments replaced PAS 39, **Financial Instruments: Classification and Measurement**, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);
- an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The adoption of this new standard had no significant impact on the Company's financial statements as to presentation and measurement of financial assets since they are continued to be measured at amortized cost. The adoption of PFRS 9 also had no significant impact on the Company's financial liabilities. However, the application of the ECL model, resulted in additional impairment losses amounting to P11.0 million as of January 1, 2018

(ii) PFRS 15, **Revenue from Contract with Customers**, together with the **Clarifications to PFRS 15** (herein referred to as PFRS 15). This standard replaced PAS 18, **Revenue**, and PAS 11, **Construction Contracts**, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, **Customer Loyalty Programmes**, IFRIC 15, **Agreement for the Construction of Real Estate**, IFRIC 18, **Transfers of Assets from Customers** and Standing Interpretations Committee 31, **Revenue – Barter Transactions Involving Advertising Services**. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's adoption of PFRS 15 has resulted in changes in its accounting policies, but has not resulted in any adjustment to the amounts recognized in the Company's financial statements since management determined that the Company's revenue process, significant judgments or assumptions and recognition thereto based on the facts and circumstances surrounding its business activities related to the services rendered did not significantly change and remain appropriate prior to and upon adoption of PFRS 15

### ***(b) Effective in 2018 that is not Relevant to the Company***

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Company's financial statements:

PAS 40 (Amendments) : Investment Property – Reclassification to and from Investment Property  
PFRS 2 (Amendments) : Share-based Payment – Classification and Measurement of Share-based Payment Transactions

PFRS 4 (Amendments) : Insurance Contracts – Applying PFRS 9 with PFRS 4  
 International Financial Reporting Interpretations Committee (IFRIC) 22 : Foreign Currency Transactions and Advance Consideration  
 Annual Improvements to PFRS (2014-2016 Cycle) PAS 28 (Amendments) : Investment in associates – Clarification on Fair Value Through Profit or Loss Classification  
 PFRS 1 (Amendments) : First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

***(c) Effective Subsequent to 2018 but not Adopted Early***

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PFRS 9 (Amendments), ***Financial Instruments – Prepayment Features with Negative Compensation*** (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the solely payments of principal and interest (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.
- (ii) IFRIC 23, ***Uncertainty over Income Tax Treatments*** (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- (iii) Among the Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019) only PAS 12 (Amendments), ***Income Taxes – Tax Consequences of Dividends*** is relevant to the Company but has no material impact on the Company's financial statements as these amendments merely clarify existing requirements. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- 2. The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, ***Presentation of Financial Statement***. The Company presents all items of income and expenses in a single statement of comprehensive income.
- 3. The financial statements are presented in Philippine pesos, the Company's functional currency, and all values represent absolute amounts except when otherwise indicated.
- 4. Financial assets are classified into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Company's financial assets, which consist mainly of cash and trade receivables, are recognized on their trade date and are initially recognized at fair value, plus transaction costs.
- 5. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the

receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Loans and receivables are presented as Trade and Other Receivables in the balance sheets.

Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

6. Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.
7. Construction materials are valued at the lower of cost and net realizable value. Cost of construction materials is based on purchase cost on a moving average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
8. Property and equipment are stated at cost less accumulated depreciation, amortization and impairment in value, if any. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.
9. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Construction equipment	5-10 years
Transportation equipment	5 years
Furniture and fixtures	3 years

Leasehold improvements are amortized over 3 years or the term of the lease, whichever is shorter.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

The Company's property and equipment are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

10. Investment property is stated at cost less any impairment in value. The cost of investment property comprises its purchase price and directly attributable costs of

bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for maintenance are charged to expense as incurred. When investment property are sold, retired or otherwise disposed of, their cost and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in income for the period.

The carrying amount of investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The Company determined whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generated cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

11. Non-Current Asset Classified as Held-for-sale include investment property that the Company intends to sell within one year from the date of classification as held-for-sale. Non-current asset classified as held-for-sale is measured at the lower of its carrying amount, immediately prior to the classification as held-for-sale, and its fair value less costs to sell. The profit or loss arising from the sale or revaluation of held-for-sale assets is recognized in the income statement.

12. Financial liabilities include bank loans and trade and other payables. Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the statement of income under the caption Finance Costs.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

*Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.*

13. Revenue and Cost Recognition. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific revenue recognition criteria must also be met before revenue is recognized:

- Revenues and costs from contracts – Revenue is recognized based on actual work done which is consistent with the percentage-of-completion method. Under this method, revenues are recognized in proportion to the actual stage of completion of the project as a percentage of total estimated costs for each contract as determined and certified by project engineers. Costs are recognized based on actual costs incurred. Adjustments in the contract price or the estimated costs are recorded prospectively when they become known while anticipated losses on the contracts are recorded in full when determined.
- Rental income – Revenue is recognized when the amount of the agreed rent is billed and earned.
- Scrap sales – Revenue is recognized when the title of the scrap construction materials passes to the buyer.
- Forfeiture income – When the performance of contractually agreed tasks is not completed by the subcontractors at the specified time in the contract, a portion of the retention fees payable is forfeited and recognized as income.

Cost and expenses are recognized in the statement of income upon utilization of the service or at the date they are incurred. Finance costs are reported on an accrual basis.

14. Leases. Company as lessee – Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement

of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Company as lessor – Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term. Indirect costs incurred by the lessor in negotiating and arranging for an operating lease is added to the carrying amount of the leased asset and recognized as expense over the lease term.

15. *Retirement Benefit Obligations*

The Company has not established a formal retirement plan. However, it recognizes the estimated defined benefit obligations (under Republic Act No. 7641, the “Retirement Act”) using the Projected Unit Credit Method as computed by an actuary.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company’s defined benefit pension plan covers all regular full-time employees.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees’ expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the statement of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

16. *Income Taxes.* Current income tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity

17. Equity. Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuing of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained earnings include all current and prior period results as disclosed in the statements of income

Item 1.7.b. Comments about the seasonality or cyclicalities of interim operations

For the past few years, the Company's construction activities are sluggish during the first (1<sup>st</sup>) quarter. It peaks starting on the summer months, that is, during the second (2<sup>nd</sup>) to the third (3<sup>rd</sup>) quarter of the year. There are instances, however, when the Company is still active in its construction projects during the last quarter of the year especially when the Developers accumulate their inventory in time for the influx of buyers in December. However, for the first quarter of the current year, the Company generated higher revenue since there are enough subsisting contracts from the year 2018 and there were newly awarded contract during the 2019Q3.

Item 1.7.c. Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents

See Item 2.2.e

Item 1.7.d. Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effects in the current interim period

There were no changes in estimates reported in prior periods which could materially affect the current interim period.

Item 1.7.e. Issuances, repurchases and repayments of debt and equity securities

For the 1st quarter of this year, there were neither payments nor availments of interest-bearing loans. Likewise, there were no issuances, repurchases or repayments of equity securities.

Item 1.7.f. Payment of dividend

There were no dividends paid during the 3<sup>rd</sup> quarter of the year.

Item 1.7.g. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting

As of September 30, 2019, the Company has not yet started any real estate development projects. Currently, the Company is continuously engaged in the business of construction, its sole business activity where it utilizes the services of subcontractors. Hence, no segment information and disclosures are presented in the Company's financial statements.

Item 1.7.h. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period



There are no material events subsequent to September 30, 2019 that have not been reflected in the financial statements for the nine (9)-month period covered January to September 30, 2019.

Item 1.7.i. Effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition, or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

There were no changes in the composition of the Company during the interim period.

Item 1.7.j. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

There were no changes in contingent liabilities or contingent assets since December 31, 2018.

Item 1.7.k. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period

There are commitments, guarantees and contingent liabilities relating to construction projects entered into by the Company that arise in the normal course of business which are not reflected in the interim financial statements. Management believes, however, that any loss that could arise from these commitments and contingencies will not have a material effect on the Company's financial statements as of and for the nine-month period ending September 30, 2019.

Following are the Schedules required under SRC Rule 68.1-M:

*Schedule A – Marketable Securities*

The Company has no marketable securities. Thus, the schedule is omitted.

*Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)*

Name and Designation  of Debtor	As of September 30, 2019					Balance at End Of Period
	Balance at Beginning of Period	Additions	Amounts Collected (2)	Current	Not Current	
Related Parties:						
City and Life Property, Inc.	20,200	15,500	-	35,700	-	35,700
Extraordinary Dev. Corp	172,564	-	-	172,564	-	172,564
Total	192,764	15,500	-	208,264	-	208,264

*Schedule C – Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments*

The Company has no Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments. Thus, the schedule is omitted.

*Schedule D – Indebtedness to Unconsolidated Subsidiaries and Related Parties*

**As of September 30, 2019**

Name of Designation	Balance Beginning		Amounts	Amounts			Balance at
of Debtor	of Period	Additions	Collected (2)	Written off (3)	Current	Not Current	End Of Period
Extraordinary Dev. Corp.	11,608,805	-	(11,000,000)	-	608,805	-	608,805
Total	11,608,805	-	(11,000,000)	-	608,805	-	608,805

*Schedule E – Intangible Assets – Other Assets*

The Company has no intangible assets. Thus, the schedule is omitted.

*Schedule F – Long-Term Debt*

The Company has no long-term debt. Thus, the schedule is omitted.

*Schedule G – Indebtedness to Related Parties*

The Company has no indebtedness to related parties. Thus, the schedule is omitted.

*Schedule H – Guarantees of Securities of Other Issuers*

The Company has no guarantees of securities of other issuers. Thus, the schedule is omitted.

*Schedule I – Capital Stock*

As of September 30, 2019

Title of Issue	No. of shares authorized	No. of shares issued and outstanding	No. of shares reserved for options, warrants, conversion and other rights	No. of shares held by		
				Related parties	Directors, officers and employees	Others
Common	155,000,000	110,000,000	-	-	56,220,000	53,780,000

Note: Certain officers, directors and stockholders of these related parties purchased shares of stock in the Company's initial public offering.

**Schedule of Financial Soundness Indicators**

**Financial Soundness**

Indicators	Formula	9/30/2019	12/31/2018
<b>Liquidity:</b>			
Current Ratio	Current Assets/Current Liability	1.34 : 1	1.17 : 1
<b>Solvency:</b>			
Debt-to-Equity Ratio	Total Liabilities/Total Equity	2.94 : 1	5.90 : 1
<b>Asset-to-equity:</b>			
Asset-to-Equity ratio	Total Assets/Total Equity	3.94 : 1	6.90 : 1
<b>Interest-rate-coverage:</b>			
*Interest-rate-coverage ratio	Profit Before Tax/Finance Costs	n/a	n/a
<b>Profitability:</b>			
Return-on-investment	Net Income/Average Capital Stock	10.42%	4.75%

\*The Company has no existing interest-bearing loans as of the given period.

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

Item 2.1. Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year

### Financial Condition

#### *Total Assets*

The Company's total assets amounted 73.53M as of September 30, 2019, 48.08% higher than the December 31, 2018 figure of P 49.66M. There was an increase on the total assets of the company since it higher revenue was generated in 2019Q3 which resulted to higher trade receivable balance. The increase was brought about by the increase in trade receivables accounts.

#### *Property and Equipment*

Property and equipment as of December 31, 2018 were fully depreciated. The Company employs subcontractors that can provide the necessary equipment.

#### *Total Liabilities*

The Company's total liabilities as of September 30, 2019, amounted to P 54.88M a 29.24% increase as compared to the December 31, 2018 balance of P 42.46M. The increase was primarily brought by the increase in trade and other payable accounts.

#### *Liquidity*

The Company posted a current ratio of 1.34:1 as of September 30, 2019, a higher than the 1.17:1 current ratio as of December 31, 2018. The increase can be attributed to the increase in trade receivable accounts.

#### *Leverage*

Debt-to-equity ratio as of September 30, 2019, was determined to be 3.94:1 lower than the 5.90:1 ratio as of December 31, 2018. The decrease was brought about by the net income earned during the given quarter. However, there were increase in trade and other payable accounts.

### Results of Operation

#### *Revenues*

Revenues from contracts for 2019Q3 amounted to P 54.91M, a 287.90% higher than the P 14.16M in 2018Q3. The increase can be attributed to the higher accomplishment for the newly awarded contract in 2019. Moreover, contract revenues for the 2019Q3 were generated from the Housing project in Tierra Verde Residences Phase I located in Carmona, Cavite.

#### *Gross Profit*

Gross profit from construction contracts increased by 132.17% from P 1.88M in 2018Q3 to P4.36M in 2019Q3. On the other hand, gross profit ratio decrease from 13.25% to 7.93%. Thus, resulted to higher gross profit in 2019Q3.

#### *Cost and Expenses*

Costs and expenses for 2019Q3 amounted to P 51.35M, 300% higher than the P 12.83M in 2018Q3. Cost of services increased by 311.69% from P12.28M in 2018Q3 to P 50.55M in 2019Q3. The increase was primarily brought about by the increase in revenue generated in 2019Q3 since most of these costs are variable in nature.

For the total operating expenses, 2019Q3 amounted to 0.80M, 45.37% higher than the 2018Q3 of 0.55M. The increase was primarily brought about by the increase in tax expenses for the given quarter in 2019.

#### *Operating Profit (Loss)*

As a result of the foregoing, operating profit (loss) in 2019Q3 amounted to P 4.36M from P1.88M in 2018Q3. However, operating margin (loss) ratio decreased from 13.25% in 2018Q3 to 7.93% in 2019Q3 due to higher cost of services. The increase in operating profit can be attributed to the higher sales revenues earned by the Company in 2019Q3 as discussed under revenue section above.

#### *Other Income / Charges*

No financing costs incurred in 2018Q3 and in 2019Q3 since there was no interest-bearing loans for the given quarter. Other income pertains only to interest earned by the Company for its bank deposits.

#### *Net Income (Loss)*

As a result of the higher revenue this 2019Q3, net income/(loss) increased from P 0.93M in 2018Q3 to P 2.49M in 2019Q3. This resulted to the net income/(loss) ratio of 6.58% in 2018Q3 to 4.54% in 2019Q3. Finally, this translated into earnings/(loss) per share of P0.0227 in 2019Q3 from P0.0085 in 2018Q3.

### **Key Performance Indicators**

#### *Return on Investment (ROI)*

The Company computes return on investment (ROI) by dividing net income for the period by the weighted average capital stock, wherein capital stock equals capital stock subscribed plus net additional paid-in capital. This is to determine how much stockholders have earned on their investment in the Company.

For 2019Q3, the Company posted an ROI of 2.27% compared to the 2018Q3 ROI of 0.85%. The increase in ROI can be attributed to the higher revenue and net income generated for the given period.

#### *Fixed Assets Turnover*

Fixed assets turnover is computed as sales for the period divided by the average fixed assets. A significant portion of the fixed assets (property and equipment, net of accumulated depreciation) is composed of construction and other site-based equipments. Since these equipments are major components in generating revenues, the fixed assets turnover is therefore deemed important. The higher the fixed assets turnover, the better it is for the Company. A high fixed assets turnover ratio would mean that the Company was able to make full use of its assets in generating revenues. However, in 2018Q3 and 2019Q3, the fixed assets were fully depreciated.

#### *Current Ratio*

Current ratio is computed as current assets divided by current liabilities. The Board of Directors and the Management believe that this is an important measure of the liquidity of the Company as it reflects the capacity of the Company to pay for its short-term maturing obligations particularly trade

payables, bank loan and advances from customers. The higher the current ratio, the better it is for the Company.

Current ratio as of September 30, 2019 was computed at 1.34:1 higher than the 1.17:1 ratio at the beginning of the year. The increase can be attributed to the increase in the trade receivable accounts.

#### *Debt to Equity Ratio*

Debt-to-equity ratio is computed by dividing the Company's liabilities by the total stockholders' equity as of the end of the year. The leverage ratio indicates how the Company's operations are financed, that is, either by debt or equity. A 1:1 debt equity ratio is the preferred ratio as it favors both the creditors and the stockholders.

Debt-to-equity ratio as of September 30, 2019 was determined to be 3.94:1 lower than the 5.90:1 times as of December 31, 2018. The decrease was brought about by the net profit earned during the 2019Q3. However there were increase in trade and other payables accounts..

Item 2.2. Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations of the following:

2.2.a. Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

There are no material commitments that may affect the company's liquidity.

2.2.b. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

There are no material commitments for capital expenditures.

2.2.c. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations

The 3<sup>rd</sup> quarter of the year 2019, the Company generated its revenue from construction activities. The Management expects that Company will still continue to engage in construction until such time that its plan to engage into real estate business is pursued.

2.2.d. Any significant elements of income or loss that did not arise from the issuer's continuing operations

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

2.2.e. The causes of any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements (present in tabular form)

**Balance Sheets Items:**

<b>Account Title</b>	<b>As Of</b>		<b>Inc/(Dec)</b>		<b>Remarks</b>
	<b>09/30/2019</b>	<b>12/31/2018</b>	<b>Amount</b>	<b>%</b>	
Cash & cash equivalents	15,207,526	11,995,819	3,211,707	27%	Increase was due to higher collection efficiency for the current year
Trade and other receivables	24,469,531	10,532,707	13,936,824	132%	Increase due to the increase in trade receivables for the construction services rendered but not yet paid
Prepayments and other current assets	33,855,957	27,129,437	6,726,520	25%	Increase is due to the creditable withholding tax account and down payment made to subcontractors for newly awarded contracts
Total Assets	73,533,014	49,657,963	23,875,051	48%	Increase due to increase in Cash and cash equivalents, Trade Receivables and Prepayment accounts as described above.
Trade and other payable	54,140,591	30,722,107	23,418,484	76%	Increase was due to the downpayment made for newly awarded contracts
Due to Related Parties	608,805	11,608,805	(11,000,000)	-95%	Decrease pertains to payment for the payables to related parties
Total Liabilities	54,882,428	42,463,944	12,418,484	29%	Increase was due to the increase in trade payable as described above
Retained Earnings(Deficit)	(92,859,055)	(104,315,622)	11,456,567	-11%	Difference pertains to income earned as described in the Income Statement Items below
Total equity	18,650,586	7,194,019	11,456,567	159%	Increase pertains to the income earned during the period
Total Liabilities and equity	73,533,014	49,657,963	23,875,051	48%	Increase was due to the increase in trade payable and other payable accounts as described above

**Income Statement Items:**

Account Title	For the Quarter Ending		Inc/(Dec)		Remarks
	09/30/2019	09/30/2018	Amount	%	
Revenues	54,909,934	14,155,666	40,754,269	288%	Increase was due to higher accomplishment for the given quarter in 2019Q3.
Contract Cost	50,554,732	12,279,798	38,274,934	312%	Increase was due to higher construction activities pertains to awarded contracts in 2019 plus the remaining accomplishment in 2018
Gross Profit	4,355,203	1,875,868	2,479,334	132%	Increase was due to higher profit margin generated in 2019Q3
Administrative expenses	542,546	267,273	275,273	103%	Increase was due to higher taxes and licenses paid in 2019Q3
Other operating expenses	252,853	279,886	(27,033)	-10%	Decrease was due to lower repairs and maintenance incurred in 2019Q3
Total Operating expenses	795,399	547,159	248,240	45%	Increase was due to higher taxes and licenses paid in 2019Q3
Other gains - net	4,125	1,032	3,093	300%	This pertains to interest earned for the given quarters
Income Before Tax	3,563,929	1,329,742	2,234,187	168%	Increase was due to higher revenue and profit margin generated in 2019Q3
Tax Expense	1,069,179	398,922	670,256	168%	Increase was due to higher income generated in 2019Q2.
Net Income	2,494,750	930,819	1,563,931	168%	Increase was due higher revenue and profit margin generated in 2019Q3

2.2.f. Any seasonal aspects that had a material effect on the financial condition or results of operations

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

**PART II--OTHER INFORMATION**

**NONE**

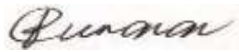
**SIGNATURES**

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

Issuer **SUPERCITY REALTY DEVELOPMENT CORPORATION**

Date.....

Principal Financial/Accounting Officer/Controller

Signature and Title \_\_\_\_\_ /  **MR. ENRIQUE C. CUNANAN**  
**ADGM-Finance & Admin**

Date .....November 12, 2019