COVER SHEET

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S.E.C. Registration Number

8 9 9 0 H O L D I N G S I N C .

(Company's Full Name)

1 1 t h F L O O R L I B E R T Y C E N T E R

H V D E L A C O S T A S A L C E D O

V I L L A G E M A K A T I

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

ATTY. MAUREEN CHRISTINE O. LIZARONDO-MEDINA

Contact Person

88880999

Company Telephone Number

1 2 **3 1**

Month *Day*

Fiscal Year

SEC Form 20-IS

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [] Preliminary Information Statement

   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter **8990 HOLDINGS, INC.**

3. **Makati City, Metro Manila**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **CS2000511816**

5. BIR Tax Identification Code **239-508-223-000**

6. **11th Floor, Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City, 1200 Philippines**
   Address of principal office and postal code

7. Registrant's telephone number, including area code **(632) 8478-9659**

8. **14 September 2020, Monday, 2:00 p.m., to be conducted online.**

   The Chairman and Chairman Emeritus will conduct the online meeting from the principal place of business of the Company at the 11th Floor, Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City. The Corporate Secretary will likewise participate in the online meeting from Makati City.
   Date, time and place of the meeting of security holders

9. **20 August 2020**
   Approximate date on which the Information Statement is first to be sent or given to security holders

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	5,391,399,020
Series A Preferred Shares	50,000,000
Corporate Bonds Series A, B, and C	Php9,000,000,000.00

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

    Yes

    The Registrant's common and preferred shares are listed on the Philippine Stock Exchange.
    The Registrant's Corporate Bonds Series A, B, and C are listed on the Philippine Dealing Exchange

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

A copy of this Information Statement may be accessed through the Corporation's website: http://8990holdings.com/

8990 HOLDINGS, INC.
11th Floor, Liberty Center
104 HV Dela Costa Street, Salcedo Village, Makati City

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Please be advised that the Annual Meeting of the stockholders of **8990 HOLDINGS, INC.** (the "**Company**") for the year 2020 will be conducted **online** on **14 September 2020, Monday,** at **2:00 p.m.** Stockholders who wish to participate in the proceedings may do so by signing on at the following URL address: https://registration.8990holdings.com.

The Chairman and Chairman Emeritus will conduct the online meeting from the principal place of business of the Company at the 11th Floor, Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City. The Corporate Secretary will likewise participate in the online meeting from Makati City.

The following shall be the agenda of the meeting:

1. Call to Order

2. Certification of Notice and Quorum

3. Approval of the minutes of the last stockholders' meeting held on 29 July 2019;

4. Presentation and Adoption of the President's Report and Annual Report and Approval of the Audited Financial Statements for the year 2019;

5. Ratification of all acts of the Board of Directors and Management since the last annual stockholders' meeting held on 29 July 2019;

6. Election of the Directors (including the Independent Directors) of the Company for the ensuing fiscal year;

7. Approval to delegate the appointment of the external auditor of the Company for the year 2020 to the Board of Directors;

8. Other business as may properly come before the meeting and at any adjournment thereof; and

9. Adjournment

Minutes of the 2019 Annual Meeting of Stockholders is available at the website of the Company, www.8990holdings.com, and will be appended to the Information Statement that will be distributed or disseminated to all stockholders as of the record date.

The Board of Directors has set the 17th day of August 2020, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

Given the current circumstances and in order to ensure the safety and welfare of our stockholders in light of the COVID-19 situation, the Company will dispense with the physical attendance of stockholders at the meeting. Consequently, attendance will only be by remote communication, with voting being accomplished *in absentia* through the Company's online voting system at URL address: https://registration.8990holdings.com or through the Chairman of the meeting, as proxy.

Stockholders intending to participate by remote communication should pre-register with the Company via HOUSE's Electronic Registration and Online-voting (HERO) System at URL address: https://registration.8990holdings.com during the given registration period and in any case, no later than 7 September 2020 .

Following such pre-registration and subject to validation procedures, stockholders may vote either electronically via the HERO System, no later than 14 September 2020 or submit duly accomplished proxies on or before 7 September 2020 to the Office of the Corporate Secretary at Picazo Buyco Tan Fider & Santos Law Office, Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City and/or by email to cpalmagil@picazolaw.com or molizarondo@picazolaw.com. Validation of proxies is set on 9 September 2020 at 2:00 pm.

The detailed rules and procedures for participating in the meeting through remote communication and for casting their votes in absentia are set forth in the Information Statement.

In compliance with the SEC Advisory dated May 6, 2015, a copy of the Interim Unaudited Financial Statements of the Company as of and for the quarter ended 30 June 2020 with Management Discussion and Analysis shall be posted in the website of the Company on or before 14 September 2020. A hard copy of the same Interim Unaudited Financial Statements will be provided to any requesting shareholder, free of charge, as soon as said Interim Unaudited Financial Statements becomes available but in no case later than 14 September 2020.

Very truly yours,

Cristina S. Palma Gil

CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Call to Order

The Chairman of the Board of Directors, Mr. Mariano D. Martinez, Jr., will call the meeting to order.

2. Certification of Notice and Quorum

The Corporate Secretary, Atty. Cristina S. Palma Gil-Fernandez will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation, and will certify the number of shares represented in the meeting, for the purpose of determining the existence of quorum to validly transact business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up a designated web address which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting. A stockholder who votes in absentia or who participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

(i) Stockholders may attend the meeting remotely through HOUSE's Electronic Registration and Online-voting (HERO) System (the "HERO System"). Stockholders may send their questions or comments prior to the meeting by e-mail at corpcommunication@8990holdings.com. The HERO System shall include a mechanism by which questions may be posted live during the meeting. The Company will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Company's Investor Relations Office.

(ii) Each of the Agenda items which will be presented for resolution will be shown on the screen during the live streaming as the same is taken up at the meeting.

(iii) Stockholders must notify the Company of their intention to participate in the meeting by remote communication to be included in determining quorum, together with the stockholders who voted in absentia and by proxy.

(iv) Voting shall only be allowed for stockholders registered in the HERO System at https://registration.8990holdings.com or through the Chairman of the meeting as proxy.

(v) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock represented at the meeting.

(vi) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.

(vii) The Company's stock transfer agent and Corporate Secretary will tabulate and validate all votes received.

3. Approval of the minutes of the last stockholders' meeting held on 29 July 2019

The minutes of the last Annual Meeting of Stockholders held on 29 July 2019 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code. A copy of such minutes has been uploaded on the Company's website and will also be distributed to the stockholders prior to the meeting.

4. Presentation and Adoption of the President's Report and Annual Report and Approval of the Audited Financial Statements for the year 2019

The President's Report and the Annual Report of the Company for the year 2019 and the audited financial statements of the Company for the year ended 31 December 2019 (a copy of which is attached to this Information Statement) will be presented for the information, understanding, and approval of the stockholders. The President's Report and Annual Report for 2019 will provide context and details on the financial performance and results of operations of the Company for 2019. This report and presentation are in line with the Company's s thrust to observe and abide by the best corporate governance practices. It will allow stockholders to understand the financial condition of the Company and they will be given the opportunity to propound questions to management on matters relating to the performance of the Company.

The comments and feedback from the stockholders and their approval or disapproval of these reports and the financial statements will provide guidance to the Board of Directors in the management of the business of the Company.

5. Ratification of all acts of the Board of Directors and Management since the last annual stockholders' meeting held on 29 July 2019

The ratification of all acts and resolutions of the Board of Directors and all the acts of management taken or adopted in 2019 will be sought from the stockholders during the meeting. A brief summary of these resolutions and actions are set forth in the Information Statement and the President's Report and the Annual Report for 2019. Copies of the minutes of meetings of the Board of Directors are available for inspection by any stockholder at the principal office of the Company during business hours.

The ratification of the acts and resolutions of the Board and management will also serve as an avenue for the stockholders to better understand how the Board manages the business and operations of the Company. The ratification will also serve as confirmation by the stockholders that they approve of the manner by which the Board and management of the Company have been running its business and affairs.

6. Election of the Directors (including the Independent Directors) of the Company for the ensuing fiscal year

The Corporate Secretary will present the names of the persons who have qualified and have been duly nominated for election as directors and independent directors of the Company consistent with the Company's By-Laws and Manual on Corporate Governance and other applicable laws and regulations.

The election of the members of the Board of Directors allows the stockholders to directly participate in the selection of the individuals who will serve in the Board which exercises the corporate powers of the Company.

The procedure for voting by remote communication, in absentia or by proxy, including cumulative voting, is provided in this Information Statement.

7. Approval to delegate the appointment of the external auditor of the Company for 2020 to the Board of Directors

The approval of the stockholders of the company is being sought for the delegation of the appointment of the external auditor of the Company to the Board of Directors.

8. Other business that may properly be brought before the meeting.

Stockholders may be requested to consider such other issues/matters as may be raised throughout the course of the meeting.

9. Adjournment.

After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

Stockholders who will not, are unable or do not expect to attend the meeting in person but would like to be represented thereat may choose to execute and send a duly accomplished proxy to the Office of the Corporate Secretary (Atty. Cristina S. Palma Gil-Fernandez) at Picazo Buyco Tan Fider & Santos Law Office, Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City, on or before 4 September 2020. A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to cpalmagil@picazolaw.com.

PROXY

The undersigned stockholder of **8990 HOLDINGS, INC.** (the "Company") hereby appoints the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote _______________ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company to be held on 14 September 2020, Monday, 2:00 p.m., to be conducted online, and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 July 2019.
   ❑ For ❑ Against ❑ Abstain

2. Notation of the President's Report and Approval of the 2019 Audited Financial Statements
   ❑ For ❑ Against ❑ Abstain

3. Ratification of all acts of the Board of Directors and Management since the last Annual Stockholders' Meeting held on 29 July 2019
   ❑ For ❑ Against ❑ Abstain

4. Ratification of Acts of the Board of Directors and Management
   ❑ For ❑ Against ❑ Abstain

5. Election of Directors for the ensuing year (Please indicate number of votes)

	FOR	**AGAINST**	**ABSTAIN**
1. Mariano D. Martinez, Jr.			
2. Alexander Ace Sotto			
3. Luis N. Yu, Jr.			
4. Richard L. Haosen			
5. Raul Fortunato R. Rocha			
6. Ian Norman E. Dato			
7. Lowelly L. Yu			
8. Manuel S. Delfin, Jr.			
9. Dominic J. Picone			
10. Manuel C. Crisostomo (ID)			
11. Arlene C. Keh (ID)			
12. Han Jun Siew			
13. Roan Buenaventura-Torregaza			

6. Appointment of External Auditors
   ❑ For ❑ Against ❑ Abstain

7. Other Matters
   ❑ For ❑ Against ❑ Abstain

Printed Name of the Stockholder	**Signature of Stockholder/ Authorized Signatory**	**Date**

WE ARE NOT ASKING OR SOLICITING YOU FOR A PROXY.

Instructions

This proxy should be received by the Corporate Secretary on or before 7 September 2020, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy will also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

Notarization of this proxy is not required.

WE ARE NOT ASKING YOU FOR A PROXY.

YOU ARE NOT BEING REQUESTED TO SEND US A PROXY.

A. <u>GENERAL INFORMATION</u>

Item 1. Date, time and place of meeting of security holders.

The Annual Meeting of the stockholders of 8990 HOLDINGS, INC. (the "**Company**") will be held on **14 September 2020, Monday, 2:00 p.m., to be conducted via remote communication**.

The Chairman and Chairman Emeritus will conduct the online meeting from the principal place of business of the Company at the 11th Floor, Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City. The Corporate Secretary will likewise participate in the online meeting from Makati City.

However, considering the COVID 19 pandemic and to conform with the government's mandate to exercise social distancing and to avoid mass gatherings, attendance and voting in the AGM by the stockholders shall be done only via remote communication by signing in through https://registration.8990holdings.com.

The mailing address of the Company is at the 11th Floor, Liberty Center, 104 HV Dela Costa Street, Salcedo Village, Makati City.

This Information Statement will be first sent or given to security holders (by posting on PSE Edge and the Company's website) on or around 20 August 2020.

Item 2. Dissenters' Right of Appraisal

Under Sections 41 and 80 of the Revised Corporation Code, the following are the instances when a stockholder may exercise his appraisal right:

1. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;

3. In case of merger or consolidation; and

4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

In order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the annual meeting. Within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Company for the fair value of his shares which shall be agreed upon by the dissenting stockholder and the Company. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder upon surrendering the certificates of stock representing his shares, the fair value of said shares on the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If the dissenting stockholder and the Company cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be determined by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Company and a third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Company within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of the Revised Corporation Code.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.None of the directors of the Company has informed the Company that he intends to oppose any action to be taken by the Company at the stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 30 June 2020, the Company's total outstanding shares entitled to vote consist of **5,391,399,020** common shares, with each share entitled to one (1) vote. As of 30 June 2020, a total of **959,196,978** common shares or 17.79% of the outstanding capital stock of the Company are owned by foreigners.

The record date for the purpose of determining the stockholders entitled to vote is 17 August 2020.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 23 of the Revised Corporation Code provides, in part, that: *"….in stock corporations, stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit…"…."*

For this year's meeting, the Board of Directors had adopted a resolution to allow stockholders entitled to notice of, and to attend the meeting, to exercise their right to vote *in absentia.*

The following are the list of the top twenty (20) stockholders of the Company as of 30 June 2020:

Rank	Name of stockholder	Nature of shares	Number of shares	Percentage
1	Iholdings, Inc.	Common	2,334,828,447*	43.31%
2	Kwantlen Development Corporation	Common	1,079,621,378**	20.02%
3	PCD Nominee Corporation (Non-Filipino)	Common	959,196,777	17.79%
4	PCD Nominee Corporation (Filipino)	Common	546,152,432***	10.13%
5	Luis N. Yu, Jr.	Common	258,099,322	4.79%
6	Mariano D. Martinez, Jr.	Common	168,916,767	3.13%
7	Unido Capital Holdings Inc.	Common	160,549,600	2.98%
8	Willibaldo Maria J. Uy or Hilda J. Uy	Common	8,000,000	0.15%
9	Maria Linda B. Martinez	Common	2,000,000	0.04%
10	Antholin T. Muntuerto	Common	300,000	0.01%

11	Mark Werner J. Rosal	Common	200,000	Nil
12	Nicolas C. Divinagracia	Common	100,000	Nil
13	Ma. Christmas Reniva Nolasco	Common	11,500	Nil
14	Ian Norman E. Dato	Common	5,001	Nil
15	David Limqueco Kho	Common	5,000	Nil
16	Hector A. Sanvictores	Common	2,000	Nil
17	Stephen G. Soliven	Common	1,500	Nil
18	Jesus San Luis Velencia	Common	300	Nil
19	Han Jun Siew	Common	100	Nil
20	Shareholders' Association of the Philippines, Inc.	Common	100	Nil
TOTAL ISSUED AND OUTSTANDING			**5,391,398,524**	**99.99%**

** Including 151,746,340 shares lodged with the PCD.*
*** Including 153,296,360 shares lodged with the PCD.*
****Excluding 126,591,700 treasury shares, the 151,746,340 shares beneficially owned by iHoldings, Inc. and the 153,296,360 shares beneficially owned by Kwantlen Development Corporation.*

Security Ownership of Record and Beneficial Owners of at least 5% of the Company's Securities as of the Record Date

The following are the owners of record of more than five percent (5%) of the Company's outstanding shares of stock, the number of shares owned and percentage of shareholdings of each of them, as of 30 June 2020:

Type of Class	Name and address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner (Direct)	Citizenship	Number of shares held	Percentage
Common	Iholdings, Inc. Unit 605 Ayala FGU Center, Cebu Business Park, Cebu City Stockholder	Record owner is beneficial owner Lowell L. Yu. is expected to vote the shares of Iholdings, Inc.	Filipino	2,183,082,107 – Direct 151,746,340 – Indirect (Lodged with PCD) 2,334,828,447 - Total	43.31%
Common	PCD Nominee Corporation	Pasir Salak Investments Limited, a	Foreign (Various)	959,196,777	17.79%

	(Non-Filipino)[1] 37/F, Tower 1, Enterprise Building, 6766 Ayala Avenue, Makati City Stockholder	Malaysian company, beneficially owns 475,000 or 8.6% of the outstanding capital stock of the Company. Han Jun Siew is expected to vote the shares of Pasir Salak Investments Limited. TPG Rafter Holdings, Ltd., a Cayman Islands company, beneficially owns 475,000 or 8.6% of the outstanding capital stock of the Company. Ronald Cami or Dominic Picone is expected to vote the shares of TPG Rafter Holdings, Ltd.			
Common	Kwantlen Development Corporation Unit 605 Ayala FGU Center, Cebu Business Park, Cebu City Stockholder	Record owner is beneficial owner Mariano D. Martinez, Jr. is expected to vote the shares of Kwantlen Development Corporation	Filipino	926,325,018 – Direct 153,296,360 – Indirect (Lodged with PCD) 1,079,621,378 - Total	20.02%

[1]PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depositary, Inc. (PCD), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

Common	PCD Nominee Corporation (Filipino) 37/F, Tower 1, Enterprise Building, 6766 Ayala Avenue, Makati City Stockholder	Various	Filipino	546,152,432*	10.13%

** Excluding the 151,746,340 shares beneficially owned by iHoldings, Inc. and the 153,296,360 shares beneficially owned by Kwantlen Development Corporation.*

Other than the abovementioned, the Company has no knowledge of any person who, as of the record date, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

Security Ownership of Management as of the Record Date

The following are the number of common shares of stock owned of record and beneficially by the directors and corporate officers of the Company, and the percentage of shareholdings of each, as of 30 June 2020:

Type of Class	Name and address of owner	Number and nature of ownership	Citizenship	Percentage
Common	**Mariano D. Martinez, Jr.** Unit 605 Ayala FGU Center, Cebu Business Park, Cebu City	168,916,767 shares (Direct) 1,979,200 shares (Indirect)*	Filipino	3.13%
Common	**Luis N. Yu, Jr.** Unit 605 Ayala FGU Center, Cebu Business Park, Cebu City	258,099,322 (Direct)	Filipino	4.79%
Common	**Willibaldo J. Uy**** Phinma Properties Center. 29 EDSA , Mandaluyong	8,000,000 shares (Direct)	Filipino	0.15%
Common	**Manuel C. Crisostomo** #37 J. Serina St., Carmen Cagayan de Oro City	1 share (Direct)	Filipino	0.00%
Common	**Arlene C. Keh** 12th Floor Equitable Tower, Paseo de Roxas Street, Makati City	1 share (Direct)	Filipino	0.00%
Common	**Lowell L. Yu** Unit 605 Ayala FGU Center, Cebu Business Park, Cebu City	1 share (Direct)	Filipino	0.00%

Common	**Manuel S. Delfin, Jr.** 32 Cabildo Jr. Urdaneta Villa, Makati City	1 share (Direct)	Filipino	0.00%
Common	**Richard L. Haosen** FBS Compound, Maguikay Mandaue City	1 share (Direct) 40,000 (Indirect – Lodged with PCD)	Filipino	0.00%
Common	**Ian Norman E. Dato** 3103A East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City	5,001 shares (Direct)	Filipino	0.00%
Common	**Raul Fortunato R. Rocha** c/o 8990 Holdings, Inc. 11th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village, Makati City, Metro Manila	101 shares (Direct) 500,000 shares (Indirect – Lodged with PCD)	Filipino	0.00%
Common	**Dominic J. Picone** TPG Capital (S) Pte Ltd, #15-01 UOB Plaza 1 | 80 Raffles Place | Singapore 048624	1 share (Direct) 99 shares (Indirect – Lodged with PCD)	American	0.00%
Common	**Han Jun Siew** No. 189 Persuaran Perupuk Sierramas, Sungal Buloh, 47000, Selangor, Malaysia	100 shares (Direct)	Malaysian	0.00%
Common	**Alexander Ace Sotto** c/o 8990 Holdings, Inc. 11th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village, Makati City, Metro Manila	100 shares (Direct)	Filipino	0.00%
Common	**Roan Buenaventura-Torregoza** c/o 8990 Holdings, Inc. 11th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village, Makati City, Metro Manila	1,500 (Direct)	Filipino	0.00%
NA	**Cristina S. Palma Gil-Fernandez** c/o Picazo Buyco Tan Fider & Santos Law Office Penthouse, Liberty Center 104 H.V. dela Costa St., Salcedo Village Makati City, Metro Manila	0	Filipino	0.00%
NA	**Maureen O. Lizarondo-Medina** c/o Picazo Buyco Tan Fider & Santos Law Office Penthouse, Liberty Center 104 H.V. dela Costa St., Salcedo Village Makati City, Metro Manila	0	Filipino	0.00%
NA	**Teresa C. Secuya** 2nd Floor PGMC Bldg, 76 Calbayog cor. Libertad St., Mandaluyong City, Metro Manila	0	Filipino	0.00%

N/A	**Patricia Victoria G. Ilagan** c/o 8990 Holdings, Inc. 11th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village, Makati City, Metro Manila	0	Filipino	0.00%

** shares owned by Ms. Maria Linda B. Martinez, the spouse of Mr. Mariano D. Martinez, Jr.*
****** *Passed away on 15 October 2019.*

As of 30 June 2020, the foreign ownership level of 8990 Holdings, Inc. is as follows:

Security Type	Stock Symbol (PSE)	Number of Foreign-Owned Shares	Number of Local-Owned Shares	Number of Outstanding Voting Shares	Foreign Ownership (in%)
Common (voting)	HOUSE	959,196,978	4,432,202,042	5,391,399,020	17.79
Preferred (non-voting)	8990P	684,850	49,315,150	50,000,000	1.37%

Changes in Control

The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company.

Item 5. Directors and Executive Officers

Term of Office

Directors shall hold office for a period of one (1) year until their successors shall have been elected and qualified during the succeeding annual meeting of the stockholders, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of the Directors that elected or appointed them unless such officers are sooner removed for cause.

Background Information

<u>Directors</u>

The following are the names, ages, citizenship and periods of service of the directors/independent directors of the Company who have been nominated for election at the Annual Meeting:

Name	Age	Citizenship	Period during which individual has served as such
Mariano D. Martinez, Jr.	66	Filipino	July 2012 to present
Luis N. Yu, Jr.	64	Filipino	July 2012 to present
Manuel C. Crisostomo**	66	Filipino	February 2016 to present
Arlene C. Keh**	57	Filipino	August 2012 to present
Manuel S. Delfin	59	Filipino	July 2014 to present
Lowell L. Yu	43	Filipino	July 2014 to present
Raul Fortunato R. Rocha	67	Filipino	July 2014 to present
Richard L. Haosen	57	Filipino	July 2014 to present
Ian Norman E. Dato	39	Filipino	July 2014 to present
Dominic J. Picone	42	American	July 2014 to present

Alexander Ace Sotto	39	Filipino	March 2018 to present
Han Jun Siew	39	Malaysian	July 2018 to present
Roan Buenaventura-Torregoza	34	Filipino	N/A (Nominated)

*** Independent Directors*

Other than Ms. Roan Buenaventura-Torregoza, all the foregoing nominees are incumbent directors who are being nominated for re-election.

Officers

The following are the names, ages, positions, citizenship and periods of service of the incumbent officers of the Company:

Name	Age	Citizenship	Positions Held	Period during which individual has served as such
Mariano D. Martinez, Jr.	66	Filipino	Chairman	July 2012 to present
Alexander Ace Sotto*	64	Filipino	Acting President / Chief Operating Officer	October 2019 to present January 2018 to present
Richard L. Haosen	57	Filipino	Treasurer and Head of Treasury	December 2015 to present
Roan Buenaventura-Torregoza	34	Filipino	Chief Financial Officer	December 2015 to present
Teresa C. Secuya	58	Filipino	Compliance Officer	September 2012 to present
Cristina S. Palma Gil-Fernandez	52	Filipino	Corporate Secretary	September 2012 to present
Maureen O. Lizarondo-Medina	33	Filipino	Assistant Corporate Secretary	July 2015 to present
Patricia Victoria G. Ilagan	44	Filipino	Investor Relations Officer	April 2017 to present

** Mr. Sotto's predecessor-in-interest, Mr. Willibaldo J. Uy, passed away on 15 October 2019. Pending the appointment of a new president to serve the unexpired portion of Mr. Uy's term, the Board of Directors tasked the chief operating officer (COO), Alexander Ace Sotto, to carry out the duties of a president in an acting capacity.*

Business Experience and Other Directorships

Directors

The business experience of each of the nominees for director and the officers of the Company for the last five (5) years is as follows:

Mariano D. Martinez, Jr.

Mr. Martinez assumed chairmanship of the Company in September 2012. He is the President and CEO of 8990 Luzon Housing Development Corp. (2008 to present), and Ceres Homes, Inc. (2002 to present). He is also the President of Kwantlen Development Corporation (2010 to present), and Fog Horn, Inc. (2004 to present). Mr. Martinez had previously held the position of President for Happy Well Management & Collection Services Inc. (2008) and BP Waterworks Incorporated (1997). He is currently a Board Advisor to the SHDA, the largest industry organization for real estate developers in the Philippines. He held the positions of Chairman (2001-2002) and President (1999-2001) for the SHDA. Mr. Martinez holds a Bachelor of Science in Business Management degree from De La Salle College (1976). Mr. Martinez has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

Luis N. Yu, Jr.

Mr. Yu became a director of the Company in July 2012. Mr. Yu is the Founder and Chairman Emeritus of the Company. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

Manuel C. Crisostomo (Independent Director)

Mr. Crisostomo became an independent director of the Company on 29 January 2016. Mr. Crisostomo was Senior Vice President and CEO of the Home Development Mutual Fund (HDMF) from 2001 to 2002, capping a government career spanning various positions for 25 years. He was the President and CEO of Firm Builders Realty Development Corporation from 2005 to 2013 and served as National President and Chairman of SHDA from 2010 to 2011. Mr. Crisostomo has a BS Industrial Engineering degree from the University of the Philippines and passed the Career Executive Service Officer of the Civil Service Commission.

Arlene C. Keh (Independent Director)

Ms. Keh became an independent director of the Company in August 2012. Ms. Keh holds the position of President of CG & E Holdings Corporation, Cypress Grove Estates Corporation, and CGE South Hills Ventures, Incorporated. She is also the Managing Director of Ceres Homes, Incorporated, Director and Treasurer of C-S Mansions and Development Corporation and Alabang Homes Condotel, Inc. Ms. Keh is a member of the Board of Governors of the SHDA, consultant to the Board of Directors of SM Foundation, Incorporated, and a member of the Board of Directors/Trustees of Foundation for Professional Training, Inc., Asian Appraisal Company, Incorporated and Amalgamated Project Management Services, Inc. Ms. Keh holds a Masters in Business Administration from the J.L. Kellogg Graduate School of Management, Northwestern University, Chicago Illinois, USA and the Hong Kong University of Science and Technology, Clearway Bay, Hong Kong. She has a Bachelor of Science in Biology degree (Summa Cum laude) from the University of the Philippines, where she also earned the Dean's Medal for the Highest Academic Achievement.

Manuel S. Delfin, Jr.

Dr. Delfin is currently a partner in Allied Ophthalmic Consultants. He is also a consultant and the Vice-Chairman of the Department of Ophthalmology in Manila Doctors Hospital. He is also a consultant in Patients First Medical Center. Apart from his medical affiliations, he is also currently serving the following positions: (i) Corporate Secretary of UP Medical Foundation; (ii) President of Lakan Bakor Foundation; (iii) Treasurer of Philippine Glaucoma Society; (iv) Assistant Secretary of Philippine Glaucoma Foundation; (v) Director of Happy Wells Management & Corp.; and (vi) Director of 77 Avenida Corp. Dr. Delfin graduated with a bachelor's degree in Zoology from the University of the Philippines Diliman, cum laude, in 1982. He obtained his medical degree from the University of the Philippines College of Medicine in 1986. He also obtained his residency from the same university in 1990. He obtained his fellowship in Glaucoma from California Pacific Medical Center, USA, under Dr. Dr. Robert L. Stamper MD and Dr. Marc F. Lieberman MD.

Lowell L. Yu

Mr. Yu is currently the President of iHoldings Inc. He also holds chairmanship positions at 77 Living Spaces, Inc, Grand Majestic Convention City Corp., 101 Restaurant City, Inc., iKitchen Inc., MyMarket, Inc. and Govago, Inc. He is also a founding partner of Dato and Yu Law offices. He previously worked as an AVP of Business Development of Earth+Style/Quantuvis Resources. Atty. Yu holds a Masters degree in Management from the Asian Institute of Management and a Bachelor of Laws from Siliman University.

Raul Fortunato R. Rocha

Mr. Rocha was born in Tabaco Albay on August 28, 1953. A banker for fourteen years and a businessman with businesses that include real estate development and leasing. He is currently the president of LYRR Realty Development Corporation and Naga Queenstown Realty and Development Inc. He is also the Chairman of the Board of Directors of Tabaco Port Cargo Corp. He graduated from Divine Word College Legazpi City in 1976 with a degree of BSC Major in Management. He is a member of various organizations like Rotary Club of Naga East, Metro Naga Chamber of Commerce and Industry and Kapisanan ng mga Broadcaster ng Pilipinas (KBP).

Richard L. Haosen

Mr. Haosen is also currently serving as the Head of Treasury of the Company. Prior to his current positions, he served as the Chief Financial Officer of the Company and the General Manager of the Treasury for 8990 Housing. Before joining the Company in 2010, he served as the Vice President/Division Head of the Business Lending Division – Cebu and the Business Lending Group – Visayas/Mindanao of Metropolitan Bank and Trust Company (MBTC) from 2006 to 2010. He also served as Unit Head of MBTC Cebu Account Management Unit from 2005 to 2006, and as Account Officer of MBTC Cebu Downtown Center Branch from 1994 to 2005. Mr. Haosen obtained his license as a Certified Public Accountant in 1982. He also has a degree in B.S. Commerce, major in Accounting from the Ateneo de Davao University (1982).

Ian Norman E. Dato

Mr. Dato is the Managing Partner of Dato Inciong & Associates. He is also an incumbent director of IKitchen, Inc. and MyMarket, Inc. and an incoming one (pending approval by the Monetary Board) of First Naga Rural Bank, Inc. He is Corporate Secretary to 27 corporations. His experience in private law practice includes Ponce Enrile Reyes & Manalastas Law Offices (2012) and Kalaw Sy Vida Selva & Campos (2005-2006). He was in government service between 2003 and 2010 in various capacities, such as: Undersecretary of Justice (2010), Undersecretary of Political Affairs (2008-2010), Assistant Secretary of Political Affairs (2007-2008), and Director in the Presidential Legislative Liaison Office in the Office of the President of the Philippines (2003-2005). He has a Master of Laws degree from University College of London where he graduated with merit in 2011. He obtained his *Juris Doctor* from the Ateneo de Manila University School of Law and a degree in Political Science from the University of the Philippines Diliman. He is a member of the UCL Alumni Association, International Visitors Leadership Program Alumni of the U.S. Department of State, and Chevening Alumni of the Foreign & Commonwealth Office of the United Kingdom.

Dominic J. Picone

Mr. Picone is a Principal and Head of Asia Financial Services (ex. India) at TPG Capital, based in Singapore. In addition to 8990, he has been involved with current and past TPG portfolio companies including BFI Finance, Masan Group, Fairmont Raffles Hotels, Bank BTPN, United Test & Assembly Center (UTAC), and CIMB. He is an alternate board member of UTAC Holdings, and serves on the audit, risk, and compensation committees of BFI Finance. Prior to joining TPG in 2005, Mr. Picone worked in the Investment Banking Division of Credit Suisse First Boston in Melbourne, primarily focused on mergers and acquisitions in Australia and New Zealand. A native of Australia, he received a Bachelor of Commerce (Honours – Finance) and a Bachelor of Laws from the University of Melbourne.

Alexander Ace Sotto

Mr. Sotto has been with 8990 Holdings Inc for the past 13 years since he joined the company in 2004. Prior to his appointment as Chief Operations Officer he was the General Manager for Construction of the Company. He also holds the positions of Governor of the Subdivision and Housing Developers Association (SHDA) for Visayas and Advisor for the Subdivision and Housing Developers Association (SHDA) in Central Visayas. He holds a Bachelor of Science degree in Civil Engineering from the University of San Carlos Technological Center, Talamban, Cebu City in 2002.

Mr. Sotto's predecessor-in-interest, Mr. Willibaldo J. Uy, passed away on 15 October 2019. Pending the appointment of a new president to serve the unexpired portion of Mr. Uy's term, the Board of Directors tasked Mr. Sotto to carry out the duties of a president in an acting capacity.

Han Jun Siew

Mr. Han Jun Siew is currently a Senior Vice President in the Investments division of Khazanah Nasional Berhad, supporting the Financial Institutions Group sector and Philippines coverage. Within Khazanah, Jun Siew has worked on a wide range of investment projects, particularly in banking, insurance and reinsurance investments. He joined Khazanah in 2012 with about six (6) years of working experience in banking, corporate financial and strategy consulting in Malaysia and the region. Jun Siew started his career in a corporate strategy development role within a Malaysian banking institution. He then progressed further into corporate finance and strategy consulting in PwC, providing advisory services in relation to valuation, specialized financial advisory, restructuring, business planning and market entry for clients in the banking, insurance, construction, plantation and telecommunication sectors within the ASEAN region. He holds a Bachelor of Business and Commerce (Economics, Banking and Finance) from Monash University, Australia.

Roan Buenaventura-Torregoza

Ms. Roan Buenaventura-Torregoza, is the Chief Financial Officer of the Company. She assumed the position of Acting Chief Financial Officer of the Company on 4 December 2015. Prior to her current position, she served as Deputy Chief Financial Officer, Assistant General Manager for Audit, and Management Services Manager for 8990 Holdings, Inc. Before joining the Company in 2014, she served as Account Officer of Wholesale Finance Department of BPI Family Savings Bank, Inc. from 2008 to 2012. Ms. Buenaventura-Torregoza finished her Master in Business Administration Concentration in Finance from Asian Institute of Management as W. Sycip Graduate School of Business Scholar in December 2013. She also has a degree in B.S. Business Administration from the University of the Philippines-Diliman (2007).

The Company has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, which was adopted in the By-Laws of the Company as amended on 9 June 2010. The two (2) independent directors, Mr. Manuel C. Crisostomo and Ms. Arlene C. Keh, were nominated by a registered shareholder of the Company who is not a director, officer or substantial shareholder of the Company and is not related to either of the nominated independent directors. Mr. Manuel C. Crisostomo and Ms. Arlene C. Keh have duly accepted their nominations.

The qualifications of all nominated directors including the nominated independent directors, have been pre-screened in accordance with the rules of the Company. Only the nominees whose names appear on the Final List of Candidates are eligible for election as directors (independent or otherwise). No other nominations were entertained after the preparation of the Final List of Candidates and no further nominations shall be entertained or allowed during the annual stockholders' meeting. The list is made available to the Securities and Exchange Commission and to all the stockholder through the filing and distribution of the Information Statement. The name of the person or group of persons who recommended the nomination of the independent directors is identified in the Information Statement including any relationship with the nominee.

Officers

The business experience of each of the officers and executives of the Company for the last five (5) years is as follows:

Mariano D. Martinez, Jr.
(*See business description above)*

Alexander Ace Sotto
(*See business description above)*

Roan Buenaventura-Torregoza
(*See business description above)*

Teresa C. Secuya

Ms. Secuya assumed the position of Compliance Officer of the Company in September 2012. Ms. Secuya is also currently the Executive Assistant to the Chairman of 8990 Luzon Housing Development Corp. Prior to her current positions, she served as the Executive Secretary of the President of Ceres Homes, Inc. (February 2006 to December 2009), Executive Assistant of the Chairman of Urban Basic Housing Corporation (May 1999 to January 2003), Executive Assistant for Admin Affairs of Newpointe Realty & Development Corp. (June to July 1996), Marketing Assistant of HIC Construction & Development Corp. (March to May 1996), and Proprietor of Jobs Drugs and Gifts (November 1991 to March 1996). She obtained her Bachelor of Arts degree, major in Communication Arts from the Ateneo de Davao University in 1982.

Cristina S. Palma Gil-Fernandez

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in September 2012. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has 25 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate. She currently serves as a Corporate Secretary of several large Philippine corporations, including three (3) other publicly-listed Philippine corporations, as Assistant Corporate Secretary to one of the largest publicly-listed infrastructure companies in the Philippines.

Maureen O. Lizarondo-Medina

Atty. Maureen Christine O. Lizarondo-Medina assumed the position of Assistant Corporate Secretary of the Company in July 2015. She graduated cum laude with a degree in Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2007 and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 2011. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices.

Patricia Victoria G. Ilagan

Prior to joining the Company, Ms. Ilagan worked as an equities analyst at Philippine Equity Partners (a local research partner of Bank of America Merrill Lynch) from 2015 to 2017. She has a Master's Degree in Business Administration from Esade Business School and a Bachelor's Degree in Management from the Ateneo de Manila University. Her previous roles also include working as Senior Research Associate at Macquarie Capital Securities Philippines from 2010 to 2012 and Senior Manager for Financial Planning and Analysis at Bloomberry Resorts and Hotels, Inc. from 2012 to 2015.

Apart from the directors and officers of the Company as enumerated above, the Company has no other significant employee. Except for Mr. Lowell L. Yu who is the son of Mr. Luis N. Yu, Jr., none of the aforementioned Directors or Executive Officers or persons nominated or chosen by the Company to become Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Company on any matter relating to the Company's operations, policies or practices.

The Company is not aware of: (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (ii) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (iii) any of the directors and executive officers being subject to 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 his involvement in any type of business, securities, commodities or banking activities; and (iv) any of the directors and executive officers being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated, occurring during the past five (5) years up to the latest date that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Company.

Except as described below and other than those disclosed in the Company's Annual Report for 2019, and the Financial Statements as of 31 December 2019, the Company has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

For more discussion on Related Party Transactions, please see Note 27 of the Financial Statements as of 31 December 2019.

The members of the various committees of the Board of Directors are as follows:

Executive Committee

Mariano D. Martinez, Jr.	-	Chairman
Willibaldo J. Uy (+)	-	Member
Luis N. Yu, Jr.	-	Member
Richard L. Haosen	-	Member

Audit and Risk Management Committee

Arlene C. Keh	-	Chairman (Independent Director)
Mariano D. Martinez, Jr.	-	Member
Luis N. Yu, Jr.	-	Member
Dominic J. Picone	-	Member
Han Jun Siew	-	Member

Nominations and Compensation Committee

Manuel C. Crisostomo	-	Chairman (Independent Director)
Dominic J. Picone	-	Member
Willibaldo J. Uy (+)	-	Member

Corporate Governance Committee

Manuel C. Crisostomo	-	Chairman (Independent Director)

Willibaldo J. Uy (+)	-	Member
Han Jun Siew	-	Member

Except as disclosed in Item 6 below, none of the aforementioned Directors and Executive Officers is covered by a special compensatory plan or arrangement, nor do any of them hold any outstanding warrants or options in respect of the Company or its shares.

Certifications of Independent Directors are attached hereto as Annexes “A” and “A-1”.

The Chairman’s Certificate attesting to the fact that none of the directors and officers of the Company holds any position in any capacity in any government agency or instrumentality is hereto attached as Annex “B”.

Item 6. Compensation of Directors and Executive Officers

The following are the Company’s President and four most highly compensated executive officers for the year ended 31 December 2019:

Name	**Position**
Willibaldo J. Uy*	President and CEO
Alexander Ace Sotto	Acting President/ Chief Operating Officer
Roan Buenaventura-Torregoza	Chief Financial Officer
Richard L. Haosen	Treasurer and Head of Treasury
Anthony Vincent S. Sotto	General Manager – Operations

**Passed away on 15 October 2019.*

The following table identifies and summarizes the aggregate compensation of the Company’s President and CEO and the four highly most compensated executive officers of the Company in 2018, 2017, and 2016.

Name	**Year**	**Salary**	**Bonuses**	**Other Annual Compensation**
President and the four most highly compensated executive officers named above	2020 (Est.)	Php8,700,000.00	Php8,000,000.00	Php6,300,000.00
	2019	Php9,600,000.00	Php9,100,000.00	Php8,221,467.00
	2018	Php9,600,000.00	Php8,400,000.00	Php8,264,846.00
	2017	Php9,600,000.00	Php7,200,000.00	Php8,214,139.00
Aggregate compensation paid to all other officers as a group unnamed	2020 (Est.)	Php12,700,000.00	Php11,000,000.00	Php7,100,000.00
	2019	Php13,600,000.00	Php12,500,000.00	Php9,017,797.00
	2018	Php13,600,000.00	Php11,400,000.00	Php9,094,949.00
	2017	Php13,600,000.00	Php9,800,000.00	Php9,071,380.00

The Company’s By-Laws provide that, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. Also provided therein is the compensation of directors which shall not be more than 10% of the net income before income tax of the Company during the preceding year, which shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting.

Currently, the directors are entitled to a per diem allowance of Php10,000.00 for each attendance in the Company's board meetings.

The following corporate officers of the Company hold shares in the Company as of record date:

Name	Position	No. of shares
Mariano D. Martinez, Jr.	Chairman	168,916,767 shares (direct) 1,979,200 shares (indirect)
Alexander Ace S. Sotto	Acting President/ Chief Operating Officer	100 shares (direct)
Richard L. Haosen	Treasurer and Head of Treasury	1 share (direct) 40,000 shares (indirect)
Roan Buenaventura-Torregoza	Chief Financial Officer	1,500 (direct)

Item 7. Independent Public Accountants

Punongbayan & Araullo has audited the Company's financial statements without qualification for the period ending 31 December 2018 and 31 December 2019. Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. The partner-in-charge for the periods indicated is Mr. Christopher M. Ferareza.

From 2016 to 2019, the Company engaged Punongbayan and Araullo as the independent external auditor. From 2012 to 2015, Sycip Gorres, Velayo & Co was the Company's independent external auditor.

During the Company's three most recent fiscal years or any subsequent interim periods, there was no instance where the Company's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Company had any disagreement with its public accountants on any accounting or financial disclosure issue.

The current and previous independent auditors engaged by the Company have no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to securities issued by the Company. The current and previous independent auditors will/did not receive any direct or indirect interest in the Company or in any of its securities (including options, warrants or rights thereof).

The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Apart from audit-related services, the independent auditors of the Company have not rendered tax, accounting, compliance, advice, planning, and other tax services for the Company within the last two (2) fiscal years.

The 2019 audit of the Company is in compliance with paragraph (3)(b)(iv) of Securities Regulation Code Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

Considering the difficulty in conducting audit brought by community quarantine measures imposed by the Philippine government to mitigate the spread of CoVid-19 and the desire of the Board to review certain policies brought about by current circumstances, the Board has proposed that it be authorized by the stockholders to appoint the independent external auditor for fiscal year ending 31 December 2020. The delegation to the Board of the power to appoint the external auditor will grant the Company flexibility in choosing an auditor who can ensure an accurate and transparent audit (despite the limitations brought by the pandemic measures), , meet changes in policies (if any) and also satisfy the health and safety requirements of the Company. In any event, the Board shall ensure that the external auditor appointed pursuant to the authority granted by the stockholders shall be independent from the Board's control.

Item 8. Compensation Plans

The Corporation has no employee stock option at the moment.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Authorization or Issuance of Securities Other than for Exchange

Not applicable.

Item 10. Modification or Exchange of Securities

Not applicable.

Item 11. Financial and Other Information

a. The Management Report is attached hereto as Annex “C”.

b. The Audited Financial Statements of the Company as of December 31, 2019, including the Company’s Statement of Management’s Responsibility, are attached hereto as Annex “D”.

c. The Annual Report for the year ended December 31, 2019 is attached hereto as Annex “E”

d. The SEC Form 17-Q for the results of operation and financial position of the Company as of March 31, 2020 (the 1st quarter 17-Q Report) is likewise attached hereto as Annex “F”.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not applicable.

Item 13. Acquisition or Disposition of Property

Not applicable.

Item 14. Restatement of Accounts

Not applicable.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The President's Report and the Audited Financial Statements for the year ended 31 December 2019 will be submitted for approval and ratification by the stockholders.

Item 16. Matters Not Required to be Submitted

Not applicable.

Item 17. Other Proposed Actions

1. Election of the members of the Board of Directors, including the Independent Directors, for the fiscal year 2020

2. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 July 2019 covering the following matters: (1) Approval of the President Report and Annual Report for 2018 and the Audited Financial Statements for the year ended 31 December 2018; (2) Ratification of all acts and resolutions of the Board and management for 2018; (3) Election of Directors for fiscal year 2019; (4) Reclassification of 50,000,000 unissued common shares with par value of Php1.00 per share or an aggregate par value of Php50,000,000.00, to 5,000,000,000 voting preferred shares with par value of Php0.01 per share or an aggregate par value of Php50,000,000.00, and the corresponding amendment to the Company's Articles of Incorporation; and (5) Appointment of external Auditor for 2018.

3. Ratification of all acts of the Board of Directors and Management since the last annual stockholders' meeting held on 29 July 2019 including:

   (a) all material resolutions adopted by the Board and duly reported by the Company to the SEC and PSE through the filing of SEC Form 17-C;

   (b) all other resolutions adopted by the Board in the ordinary course of business; and

   (c) all other acts executed by Management in the exercise of their functions in the regular and ordinary course of business of the Company.

   Copies of the minutes of meetings of the Board of Directors are available for inspection by any stockholder upon written request at the principal office of the Company during business hours.

4. Approval to delegate the appointment of external auditor for the ensuing fiscal year to the Board of Directors

Item 19. Voting Procedure

Manner of Voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Considering the COVID 19 pandemic and to conform with the government's mandate to exercise social distancing and to avoid mass gatherings, voting may only be done *in absentia* or through the submission of a duly executed proxy.

Stockholders as or Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote *in absentia,* duly verified and validated by the Company shall be provided with unique log-in credentials to securely access the voting portal and participate and watch the online meeting of the stockholders of the Company. A stockholder voting electronically in absentia shall be deemed present for purposes of quorum.

The Corporate Secretary and stock transfer agent will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies.

Voting requirements

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

(b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2019, as well as the approval or ratification of the other actions set forth under the heading “Other Proposed Actions” above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary and stock transfer agent will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

Considering the COVID 19 pandemic and to conform with the government’s mandate to exercise social distancing and to avoid mass gatherings, voting may only be done by remote communication, *in absentia* or by proxy.

All votes received shall be tabulated by the Office of the Corporate Secretary with the assistance of the Company’s stock transfer agent. The Corporate Secretary shall report the partial results of voting during the meeting. The actual voting results shall be reflected in the minutes of the meeting.

The detailed instructions for participation through remote communication are set forth in Annex “A” to the Notice of Meeting (Agenda Details and Rationale) hereof.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

8990 HOLDINGS, INC.
11th Floor, Libertty Center, 104 HV Dela Costa Street
Salcedo Village, Makati City, Philippines
Attention: PATRICIA VICTORIA G. ILAGAN

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 Makati on 19 August 2020.

8990 HOLDINGS, INC.

By:

MARIANO D. MARTINEZ, JR.
Chairman of the Board

ANNEX A

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARLENE C. KEH**, Filipino, of legal age and with business address at 12th floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **8990 HOLDINGS, INC.** and have been its independent director since August 2012.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATIONS	POSITION/S	PERIOD OF SERVICE
CG & E Holdings Corporation	President	Current
Bellefonte Properties, Inc.	President	Current
Cypress Grove Estates Corporation	President	Current
CGE South Hills Ventures, Incorporated	President	Current
C-5 Mansions & Development Corporation	Director and Treasurer	Current
Bellevue Properties Inc.	Treasurer	Current
Multi-Stores Corporation	Director & Corporate Secretary	Current
Alabang Home Condotel Incorporated	Director and Treasurer	Current
Sun Bay Resorts Corporation	President	Current
Chahaya Corporation	Chairman & President	Current
Subdivision and Housing Developers Association	Board of Governors and Corporate Secretary	Current
SM Foundation Inc.	Adviser to the Board	Current
World Surgical Foundation Philippines, Inc.	Co-Founder, Director and Corporate Secretary	Current
Philippine College of Surgeons Surgery in the Underserved Regions and for Education Commission (PCS SURE Commission)	Commissioner	Current
Foundation for Professional Training, Inc.	Board of Trustees	Current
8990 Holdings Inc.	Independent Director	Current
Asian Appraisal Company Incorporated	Director	Current
Amalgamated Project Management Services Incorporated	Director	Current
Ceres Homes Incorporated	Director	Current
Canyon Hills Real Estate and Dev't Inc.	Director	Current
Canyon Hills and Marina Inc.	Director	Current
Country Leisure & Development Corporation	Director	Current

First Fortune Venture Trading Corporation	Director	Current
First Ideal Land Incorporated	Director	Current
Fog Horn Inc.	Director	Current
Ideal Pabahay Ventures, Inc.	Director	Current
Laurel Lakeside Corp.	Director	Current
My Shopping Lane Cebu Corporation	Director	Current
Pabahay Equity Ventures Incorporated	Director	Current

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of 8990 Holdings, Inc. as provided for in Section 38 of the Securities Regulations Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following directors/officer/substantial shareholder of 8990 Holdings, Inc. (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

5 NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None.		

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 an independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

7. I shall inform the Corporate Secretary of 8990 HOLDINGS, INC. of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this AUG 1 9 2020 at ____________________.

ackeh

ARLENE C. KEH
Independent Director

AUG 19 2020

SUBCRIBED AND SWORN, to before me this ______ day of ____________ in Makati City, affiant exhibiting to me her Passport No. EC3268957.

RALPH MICHAEL V. LORILLA
Appointment No. M-290
Notary Public for Makati City
Until December 31, 2020
Liberty Center- Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 71946
PTR No. 8148370/Makati City/01-20-2020
IBP No. 108422/Makati City/01-07-2020
MCLE No. VI-0019660/03-26-2019

Doc. No. 324;
Page No. 106;
Book No. 111;
Series of 2020.

ANNEX A-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MANUEL C. CRISOSTOMO**, Filipino, of legal and with address at #378 J. Serina Street, Carmen, Cagayan De Oro City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent director of **8990 HOLDINGS, INC.** and have been its independent director since February 2016.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATIONS	POSITION/S	PERIOD OF SERVICE
COMMONWEALTH FOODS INCORPORATED	INDEPENDENT DIRECTOR	CURRENT

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of 8990 Holdings, Inc. as provided for in Section 38 of the Securities Regulations Code, its implementing Rules and Regulations and other SEC issuances.

4. I am related to the following directors/officer/substantial shareholder of 8990 Holdings, Inc. (covered company and its subsidiaries and affiliates) other that the relationship provided under Rule 38.2.3 of the Securities Regulations Code (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation proceeding (as the case may be):

OFFENSE CHARGE/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Not applicable		

6. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

7. I shall inform the Corporate Secretary of 8990 HOLDINGS, INC. of any changes in the abovementioned information within five days from its occurrence.

AUG 1 9 2020

IN WITNESS WHEREOF, I have hereunto affixed my signature this ______________ at ________________.

MANUEL C. CRISOSTOMO
Independent Director

AUG 1 9 2020

SUBSCRIBED AND SWORN, to before me this ______ day of _____________ in Makati City, affiant exhibiting to me SSS-03-3777948 issued on _____________ at _____________.

Doc. No. 525;
Page No. 166;
Book No. III;
Series of 2020.

RALPH MICHAEL V. LORILLA
Appointment No. M-290
Notary Public for Makati City
Until December 31, 2020
Liberty Center- Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 71946
PTR No. 8148370/Makati City/01-20-2020
IBP No. 108422/Makati City/01-07-2020
MCLE No. VI-0019660/03-26-2019

ANNEX B

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

CERTIFICATION

I, **MARIANO D. MARTINEZ, JR**, Filipino, of legal age, and with office address at 11th Floor, Liberty Center, 104 H.V Dela Costa St., Salcedo Village, Makati City, being duly worn in accordance with the law, hereby certify that:

1. I am the Chairman of the Board of Directors of **8990 HOLDINGS, INC.** (the "Corporation") a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at the 11th Floor, Liberty Center, 104 H.V Dela Costa St., Salcedo Village, Makati City.

2. Based on the records of the Corporation, none of the directors and principal officers of the Corporation hold any position in any capacity with any government agency or instrumentality.

3. I am executing this certification in relation to the submission of the Information Statement of the Corporation with the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto affixed my hand this AUG 19 2020 at ____________.

MARIANO D. MARTINEZ, JR
Chairman of the Board

SUBCRIBED AND SWORN TO BEFORE ME, on AUG 19 2020 at Makati City, affiant exhibited to me his Philippine Passport No. EC7800326 issued on 26 May 2016 at PCG Vancouver.

Doc. No. 475;
Page No. 96;
Book No. I;
Series of 2020.

NADINE PATRIZIAH D. AGUSTIN
Appointment No. M-236
Notary Public for Makati City
Until December 31, 2021
Liberty [illegible] Law
104 H.V. Dela [illegible] Makati City
Roll of Attorneys No. [illegible]3956
PTR No. 814838 [illegible] City/01-20-2020
IBP No. 101866/Makati City/ 01-07-2020
MCLE Exempted-Admitted to the bar in 2019

MANAGEMENT REPORT

A. DESCRIPTION OF BUSINESS

Business Development

8990 Holdings, Inc. (the "Company") is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on October 28, 2008. The Company is the top property developer in the Philippines for 2015, 2016 and 2017, in terms of take-out value from the Home Development Mutual Fund ("HDMF"). The Company has been developing Mass Housing Projects in high-growth areas across the Visayas, Mindanao and Luzon since 2003. In doing so, the Company has benefited significantly from the industry experience of its principals who, prior to the establishment of the Company's Subsidiaries and through certain 8990 Related Companies, developed their first Mass Housing project in 1991 in Cagayan de Oro. The Company has built a reputation of providing quality and affordable homes to consumers in the fast-growing Philippine Mass Housing market. The Company's DECA Homes, Urban DECA Homes, and Urban DECA Towers brands have also gained a strong reputation in the market, resulting in the Company garnering numerous awards such as BCI Asia Top 10 Developers in 2019, Bes Low Cost Housing Developer (National) awarded last March 2017 by Q Asia's Seal of Product and Quality Service, Top 10 Developers in the Philippines in 2015 & 2016 by BCI Asia, 2016 Outstanding Developer Low Rise Mass Housing by FIABCI-Philippines, 2015 Best Mid-Cap Firm in the Philippines by Finance Asia, and 2015 Prestigious Seal Awardee for Best Developer in Low-Cost Housing by Gawad Sulo Foundation. As of December 31, 2019, the Company has completed Fifty-eight (58) mass housing projects, and is currently developing Nineteen (19) more mass housing projects. Across these completed and ongoing projects, the Company has, since 2003, delivered sixty-eight thousand eighty-five units (68,085), with approximately fifty one thousand (51,000) additional units available for development and sale from ongoing projects. The Company also has an identified pipeline of three (3) projects scheduled to commence in 2020 and which in total are expected to provide approximately nine thousand eight hundred (9,800) units available for sale.

The Company believes that its industry experience has equipped it with the ability to understand the demands, needs, preferences, means and circumstances of consumers in the Philippine mass housing market. The Company offers an affordable pricing and payment model, and has developed its CTS in-house financing program to cater to mass housing market Filipino consumers who do not have the accumulated savings to pay high down payments for homes, but have sufficient recurring income to support monthly amortization payments. Under this program, customers only pay a minimal down payment and can quickly move into their chosen homes. The Company retains ownership of such homes until full payment is made by the customer. The CTS in-house program is further strengthened by the Company's strong relationship with Home Development Mutual Fund (HDMF) otherwise known as PAG-IBIG, the primary Government agency providing housing financial assistance to Filipinos through the long-established PAG-IBIG loan program. The Company has structured the CTS program such that the requirements for such product generally mirror the requirements to avail a PAG-IBIG home loan. This essentially ensures the take-up by PAG-IBIG of such loans upon application by customers, converting receivables of the Company into cash and lessening the financing and other risks appurtenant to potential buyer defaults.

Consistent with the Company's thrust of providing quality and affordable housing units to its customers, the Company also introduced a pre-cast construction process, which enables it to construct complete residences ready for move-in much faster than under the conventional concrete cinder block method. Through this process, the Company is able to construct townhouses and single-storey attached units in just eight (8) to ten (10) days, with an additional five (5) days for single-storey houses with lofts. The use of this process allows the Company to realize significant cost savings and enables it to turn over units to its customers in a fast and efficient way.

In addition to horizontal mass housing subdivision projects, the Company also develops medium-rise building ("MRB") condominium projects. The Company began development of its first MRB mass housing project in Cebu in 2008 and has now expanded the MRB projects in Muntinlupa and in Tondo, Manila.

In 2018 and 2019, the Company recorded consolidated revenues from sales of PhP11,745.9 million and PhP15,276.5 million, respectively, with resulting net income of PhP4,674.9 million and PhP5,578.5 million, respectively.

Competitive Strengths

The Company considers the following to be its principal competitive strengths:

Favorable market and industry demographics of the Mass Housing sector.

The Company believes that the Mass Housing sector has shown favorable market demographics in recent years and will continue to do so in the medium- to long-term. Consistent with steadily expanding GDP and rising consumption and spending domestically, the Company believes that the growing Philippine workforce is primarily comprised of young individuals with regular cash flows, which will drive continued expansion and growth in the Philippine housing sector. According to HLURB, from 2001 to 2011, a total of 1,829,165 Mass Housing units were built; during this same period, however, the backlog for new Mass Housing units was approximately 3,087,520 units. In addition, according to the SHDA/CRC Report (based on data from HLURB, HUDCC, United Nations World Population Prospects and the National Statistics Office of the Philippines), by 2030 the total housing need in the Philippines is expected to increase to approximately 6.3 million units, largely driven by the demand for Mass Housing units at approximately 4.8 million units.

The Company believes that it is squarely positioned to capitalize on the existing housing need and growing demand for Mass Housing in the Philippines. This is borne out by the Company's attractive business model of quick construction and roll-out of quality finished houses with affordable monthly amortizations. The Company typically rolls out its horizontal housing developments in phases of up to 200 houses, with a typical phase being completely rolled out after around two months from start of construction. While construction is ongoing, the Company also simultaneously conducts its marketing and sales campaigns, including reservation and processing of homebuyer applications. Given that the Company is serving a need-based market segment within which there is significant demand for housing supply, a substantial number of units are pre-sold prior to completion of construction. This has resulted in strong sales growth recorded by the Company in recent years.

Leading Mass Housing developer with established track record and brands for the underserved Mass Housing segment.

The Company is the largest Mass Housing developer in the Philippines in terms of units licensed under B.P. 220 from 2011 to 2013, according to HLURB. In 2003, the Company launched its projects under the DECA Homes brand. As of December 31, 2019, the Company has completed 58 Mass Housing projects and is developing another 19 Mass Housing and MRB projects. As a result of this track record, the Company has built a reputation of providing quality and affordable homes to consumers in the fast-growing Philippine Mass Housing market, resulting in the Company garnering numerous awards such as the BCI Asia Top 10 Developers in 2019.

The Company believes that it is one of the few developers dedicated to serving the housing needs of the Mass Housing segment throughout the Philippines, with most of its direct competitors being smaller regional developers with limited geographical coverage. This has allowed the Company to build significant nationwide brand equity for its DECA Homes and Urban DECA Homes brands across its target market and also achieve economies of scale from its operations.

Customer-focused product and payment scheme best suited for the Mass Housing market, coupled with effective collection and risk management policies.

The Company believes that its industry experience has equipped it and its management with in-depth knowledge and understanding of the needs, preferences, means and constraints of the Mass Housing segment customer base. The Company continuously undertakes demographic analysis of its customer base, which helps in developing products and payment schemes that are in line with the needs and lifestyles of its target customers. The Company believes that sustainable affordability is critical in serving the Mass Housing segment. Accordingly, the Company tailors the house area, lot area and locations of its developments to deliver housing products where the monthly amortization payments are affordable for its target customers when compared to monthly rental payments for comparable housing units, hence allowing a smooth transition from home rental to ownership. Furthermore, the Company's innovative CTS Gold financing program typically requires a relatively small upfront payment (normally 2% of the purchase price of the unit, compared to approximately 10% to 20% equity down payment generally required by other developers). This allow home buyers to purchase and move into a house without material effect on their savings. Fast and efficient processing under the CTS Gold financing program, combined with the Company's pre-cast construction process, translates into the ability to deliver units to customers within a short time frame. This combination of market knowledge, technical expertise and customer understanding results in a compelling proposition for the Company's target Mass Housing segment, which is primarily driven by end-user demand.

To complement and support the CTS financing program, the Company has developed a comprehensive collection platform comprising policies, structures, systems, organizations and mechanisms focused on collection efficiency and the mitigation of payment delinquency. The Company proactively approaches customer credit management, beginning at the point prior to actual sale by conducting in-house seminars/lectures covering key topics related to purchasing a housing unit such as documentary requirements, payment structure and credit and legal obligations connected with the housing unit purchase. The Company has also implemented a comprehensive credit verification process for all potential buyers looking to purchase housing units under the in-house CTS program, which includes a rigorous and systematic documentation approval process. In addition, the Company is able to leverage on its previous experience as collection agent for Pag-IBIG in formulating and implementing highly effective collection processes, including discontinuing the supply of certain utilities to the unit and/or disallowing certain privileges with respect to use of the Company's facilities in the developments. This has resulted in the Company recording estimated collection efficiency rates, defined as amount collected out of current amount due, of over 93% to 94% since 2011. Moreover, the Company believes that, in part as a result of its collection processes, of the customer accounts which become delinquent, approximately half become active again within three months of default. For the remaining half of the delinquencies that ultimately result in default, the Company is able to regain possession and typically resell the property in due time.

Market innovations with respect to construction processes, which translates into efficiencies and cost-savings.

The Company has continually invested in innovation to update its building processes and minimize wasted materials while at the same time maintaining the quality of its products and rapid completion of housing units. To this end, the Company has developed its own unique building system that makes use of a pre-cast construction process, enabling the Company to construct and complete housing units and MRBs in a cost- and time-efficient manner without compromising the quality and standards of the housing units being turned over to its customers. The utilization of this pre-cast construction process on-site, as opposed to traditional building methods, likewise results in significant cost reduction for the Company, particularly on labor costs. The Company believes that these factors help it to achieve and maintain healthy profit margins. Since pre-cast is manufactured in a controlled casting environment, it is easier to control the mix, placement, and curing;

hence, quality can be monitored easily and wastage, typically a large cost for those still utilizing traditional construction methods, is significantly reduced. The Company sources cement from the largest cement manufacturers, which it then blends in-house, together with other additives in specific proportions, to create its proprietary concrete blend. This concrete mix has a faster curing time than standard concrete mixes, which allows for faster setting of pre-cast molds, resulting in panels that can withstand approximately four times as much pressure per square inch than traditional cinder block structures. For instance, the recent 7.2 magnitude earthquake, which affected Cebu and Bohol tested the structural strength and quality of the Company's projects in the area. The Company commissioned an independent structural engineer to inspect the units in its affected projects and the inspection indicated that there was only minor superficial damage and that the units remained structurally stable and fit for occupancy. Through the use of this process, the Company is able to construct townhouses and single attached units in just eight to 10 days with an additional five days for single-story houses with lofts.

The Company continuously improves and refines this process and has mastered its efficient implementation in the field. This construction process is highly scalable and, as such, enables the Company's high levels of growth.

Strong relationships with key housing and shelter agencies.

The Company, through its Subsidiaries and Principals, has been recognized by key Government shelter agencies with respect to its success in the industry. In particular, the Company was recognized by HLURB as the developer with the most number of subdivision units licensed under B.P. 220 from 2011 to 2013 and was also recognized as the top property developer in the Philippines for 2015, 2016 and 2017, in terms of take-out value from the HDMF. In addition, the accreditation of the Company's projects with the Board of Investment under the Investments Priorities Plan ("IPP") allows each accredited project to enjoy certain tax incentives.

These recognitions demonstrate that the Company has a good reputation and working relationship with key Government agencies that are essential to any success in the Mass Housing development industry. Pag-IBIG serves as the primary Government housing financial assistance program in the Philippines, with a statutory mandate to provide financial assistance for the housing requirements of its members and allot not less than 70% of its available funding for deployment of housing loans to qualified buyers. The Company closely coordinates with Pag-IBIG to increase the efficiency in Pag-IBIG's take-up of the Company's contracts-to-sell under its CTS Gold in-house financing scheme. The Company has also voluntarily submitted a proposal for it to be recognized as an authorized collection agent by Pag-IBIG for its home buyers, thus lessening the manpower needed by Pag-IBIG to follow up and keep accounts current.

Experienced management team with extensive expertise in Mass Housing development.

The Company prides itself in having an experienced management team under the leadership of Mr. Luis Yu, Jr. (Chairman Emeritus and Founder), Mr. Mariano Martinez, Jr. (Chairman of the Board) and Mr. Willibaldo J. Uy (President and CEO), who each have extensive experience and in-depth knowledge of the real estate business, particularly in the Mass Housing market, and span an aggregate of over 90 years in the industry. The three Principals believe that they have, between them, developed over 80 subdivisions and constructed over 70,000 housing units on an aggregate of over 850 hectares in major cities such as Cagayan de Oro, Cebu City, Davao City and Metro Manila. In addition, they have also developed, over the years, positive relationships with key market participants, including construction companies, regulatory agencies, local Government agencies and banks. Mr. Yu carries with him over 30 years of experience in the Mass Housing business. Mr. Martinez has over three decades of experience in the Mass Housing industry and was once the National President of the Subdivision and Housing Development Association ("SHDA"), the largest national organization of subdivision and housing developers in the Philippines with over 200 members. Mr. Uy brings with him over two decades of experience in the development of Mass Housing projects across the country. Furthermore, he has also been the National Chairman of the SHDA.

Key Strategies

The Company's overall business strategy, and the key to its current and past success in the Mass Housing industry, is to deliver with speed and quality the right products (a DECA Homes house or Urban DECA Homes MRB unit) to its target customers, mainly comprising low to middle income earners able to afford a monthly amortization payment of approximately ₱2,800 (the estimated amortization for a ₱450,000 loan for a Socialized Housing unit with 6.5% annual interest rate for the first year and a 25-year amortization schedule) to ₱17,000 (the estimated amortization for a ₱2,000,000 loan with 9% annual interest rate and a 25-year amortization schedule) under the Company's in-house financing program, at the right price range (the estimated amortization for a ₱450,000 to ₱2.0 million per housing/condominium unit).

To further build on its competitive strengths and allow further expansion of its business, the Company is looking to undertake the following:

- Increase existing coverage and expand geographically.
- Continue to support Mass Housing home ownership via innovative financing products.
- Continue to replenish land bank for development.
- Continue to diversify into new product types.
- Attain increase efficiencies in all facets of its operations and processes.

Increase existing coverage and expand geographically.

The Company intends to further grow its existing Mass Housing revenue base. To accomplish this, the Company intends to (1) increase the number and variety of projects in the cities in which it currently has existing developments, as well as to (2) geographically expand into new cities. For example, the Company has brought to Metro Manila the Urban DECA Homes high-rise building concept in Tondo, Manila, and Mandaluyong.

Continue to support Mass Housing home ownership via innovative financing products.

The Company seeks to promote increased home ownership in the Mass Housing segment in part by continuing to develop financing products tailored to the specific needs, requirements and financial situation of Mass Housing customers. In particular, the Company intends to seek ways to improve on and further provide flexibility to its CTS Gold financing program, an innovative product developed using the Company's experience in the Mass Housing segment, which allows home buyers to move into their chosen homes after a low down payment and provides affordable monthly amortizations.

Continue to replenish land bank for development.

The Company plans to continue to explore opportunities to replenish its land bank for future developments, selectively acquiring parcels and properties that meet its requirements for potential projects. The Company aims to seek out properties located in close proximity to public transportation terminals and major thoroughfares in cities, and also seeks to locate suitable project sites near developing business centers and high growth communities across the Philippines.

Continue to diversify into new product types.

The Company plans to supplement its subdivision and MRB offerings by launching two high-rise condominium projects under the brand "Urban DECA Towers" in the highest density urban areas of Metro Manila. This concept involves the construction and sale of condominium units that are half the size (i.e. approximately 13 sq. m.) of typical studio apartments. This project is envisioned to provide a weekday lodging for low-to-mid-income commuters who typically have to endure two to four hours of daily travel time and spend up to ₱5,000 each month in transportation costs traveling between their inner-city places of work and their homes in the outlying neighborhoods of Metro Manila. Key to the success of this concept is the up to ₱7,000 per month price point that works for the Company's low- to mid-income customers, coupled with the savings in transportation time and costs that would accrue to the condominium buyers.

Attain increased efficiencies in all facets of its operations and processes.

The Company will seek to improve its construction efficiencies in part by adding more mechanization and by standardizing the sizes of its building components. The Company will also seek to further improve collections by updating its customer qualification process and improving its delinquency remedial measures. In pursuing these items, the Company believes that it will be able to lower operating costs even further and improve its operational efficiency.

<u>The 8990 Group</u>

8990 Group is comprise of the parent, which is also the holding company, 8990 Holdings, Inc. and six (6) wholly-owned subsidiaries namely: [1] 8990 Housing Development Corporation (8990 Housing); [2] 8990 Luzon Housing Development Corporation (8990 Luzon); [3] 8990 Mindanao Housing Development Corporation (8990 Mindanao); [4] 8990 Davao Housing Development Corporation (8990 Davao); [5] 8990 Leisure and Resorts Corporation (8990 Leisure); and [6] Fog Horn, Inc. (Fog Horn)

8990 Holdings, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC), and was listed in Philippines Stock Exchange (PSE) on July 8, 2005 and October 20, 2010, respectively.

Subsidiaries

The following table presents certain information regarding the Company's Subsidiaries as of December 31, 2019.

Subsidiary	Country of incorporation	Company's Ownership Interest
8990 Housing	Philippines	100%
8990 Luzon............................	Philippines	100%
8990 Mindanao	Philippines	100%
8990 Davao	Philippines	100%
8990 Leisure..........................	Philippines	100%
Fog Horn.	Philippines	100%

8990 Housing

Established in 2003, 8990 Housing is flagship subsidiary of the Company. Its primary purpose is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. 8990 Housing registered with the Philippine SEC on March 20, 2003. Its principal office address is 8990 Bldg., Negros Street, Cebu Business Park, Cebu City.

8990 Luzon

8990 Luzon is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on October 28, 2008. 8990 Luzon engages in acquiring by purchase, lease, donation or otherwise, and own, using, improving, developing, subdividing, selling, mortgaging, exchanging, leasing and holding for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances. The registered principal office address of 8990 Luzon is 2nd Floor PGMC Bldg., 76 Calbayog St. corner Libertad St., Mandaluyong City.

8990 Mindanao

8990 Mindanao is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on September 17, 2009. 8990 Mindanao primarily engages in developing mass housing projects. Its registered principal office address is 8990 Corporation Center, Quirino Avenue, Davao City. 8990 Mindanao owns certain parcels of land used for the Company's development projects.

8990 Davao

8990 Davao is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on September 17, 2009. 8990 Davao primarily engages in the mass housing development business. Its registered principal office address is 8990 Corporation Center, Quirino Avenue, Davao City. 8990 Davao owns certain parcels of land used for the Company's development projects.

8990 Leisure

8990 Leisure is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on November 24, 2009. 8990 Leisure engages in acquiring, purchasing, holding, managing, developing and selling land with or without buildings or improvements for such consideration and in such manner or form as the company may determine of as the law permits, erecting, constructing, altering, managing, operating, leasing in whole or in part, buildings and tenements of the company or other persons, engages in real estate consultation and management including identifying, purchasing, conceptualizing, preparing master plans and layouts for land and building developments, managing the properties of and advising clients, developing or executing plans, undertaking project management and overseeing construction, except for management of funds, portfolios, securities and other similar assets. 8990 Leisure owns certain parcels of land used for the Company's development projects. 8990 Leisure's principal office address is 2nd Floor PGMC Bldg., 76 Calbayog St. corner Libertad St., Mandaluyong City.

Fog Horn

Fog Horn is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on January 14, 2004. Fog Horn engages in acquiring by purchase, lease, donation or otherwise, and own, using, improving, developing, subdividing, selling, mortgaging, exchanging, leasing and holding for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances. Fog Horn's registered principal office address is located at the 3rd Floor PGMC Bldg., 76 Calbayog St. corner Libertad St., Mandaluyong City.

Bankruptcy, Receivership and Similar Proceedings

To the best of its knowledge, the Company and its subsidiaries are not subject to any bankruptcy, receivership and/or similar proceedings.

Material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On May 15, 2012, IHoldings, Januarius, and Kwantlen purchased 79.5% of the outstanding capital stock of the Company from certain stockholders of the Company. In compliance with the Republic Act No. 8799, also known as the Securities Regulation Code of the Philippine (SRC) and the Implementing Rules and Regulation of the SRC, as amended, (IRRs), a tender offer for all other remaining shares of the Company was conducted, the terms and conditions of which were disclosed through the Tender Offer Report dated June 19, 2012. Following the lapse of the tender offer period on July 19, 2012, during which no stockholder tendered any shares, a Final Tender Offer Report dated August 2, 2012 was filed with the Philippine SEC.

On May 29, 2012, prior to the closing of the sale referred to above, the Company transferred all of its assets to IP Converge Data Services, Inc. (IPCDSI) and subsequently transferred all of its equity interest in IPCDSI to its parent company at the time, IP Ventures, Inc. (IPVI), and consequently became a shell company.

On July 25, 2012, pursuant to the sale transaction discussed in the immediately preceding paragraph, IPVI and IPVG Employees, Inc. (IEI) transferred a total of 136,400,000 shares of the Company to IHoldings, Januarius and Kwantlen through the facilities of the PSE. As a result, IHoldings, Januarius and Kwantlen acquired ownership, and control over 61.4% of the Company's total outstanding capital stock. The remaining 40,000,000 shares of the Company acquired pursuant to the sale were transferred through the PSE immediately upon the lapse of the lock-up period applicable to said shares.

On May 6, 2013, the Company acquired all of the outstanding shares in the Subsidiaries from their respective shareholders under a Deed of Exchange dated May 6, 2013, as amended and supplemented on June 8, 2013 and, in exchange, agreed to issue a total of 3,968,357,534 shares from the increase of the Company's authorized capital stock in favor of the Subsidiaries' majority shareholders at the time. Consequently, under a private placement transaction and to ensure continued compliance with Philippine minimum public ownership requirements of the PSE, the Company applied with the Philippine SEC to: [1] increase its authorized capital stock to accommodate the foregoing issuance; [2] change the primary purpose of the Company into a financial holding company; and [3] change its corporate name to "8990 Holdings, Inc.". The Philippine SEC approved the application for the foregoing on October 1, 2013.

On February 1, 2019, The Board approved the adoption by the Company of a share buyback program, with the following terms and conditions: [a] The buyback program shall be for a period of up to eighteen (18) months from the date of board approval (or until 1 August, 2020), unless period is otherwise shortened by the Board of Directors; [b] The Company shall be authorized to repurchase up to Php2 Billion worth of common shares; [c] The Share Buyback Program will not involve any active and widespread solicitation for stockholders of the Company to sell their shares; [d] The majority/controlling shareholders of the Company (i.e. Iholdings, Inc. and Kwantlen Development Corporation, as well as their respective controlling shareholders) will not participate in the Share Buyback Program; [e] The Share Buyback Program will be implemented in the open market through the trading facilities of the Philippine Stock Exchange; [f] the Company shall repurchase shares using cash and book them as treasury shares; [g] The share buyback program will be implemented in an orderly manner and will not (and should not) affect any of the Company's prospective and existing projects and investments; [h] any share buyback implemented shall take into account the need to maintain the liquidity of the Company's stock in the market, as well as public ownership requirements; [i] any significant development in the Share Buyback Program will be duly disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange. The purpose for the Share Buyback Program is to enhance and improve shareholder value and to manifest confidence in the Company's value and prospects through the repurchase of the common shares.

On March 15, 2019, 8990 Holdings, Inc., through its subsidiary 8990 Housing Development Corporation ("8990 HDC"), entered into a Subscription Agreement with Genvi Development Corporation ("Genvi"), for the subscription by 8990 HDC of a total of 2,913,128 common shares out of the existing but unissued capital stock of Genvi, at the subscription price of Two Hundred Ninety-one Million Three Hundred Twelve Thousand Eight Hundred Pesos (Php 219,312,800.00) in cash. The Subscription Transactions is intended to be the first phase of the Genvi Acquisition, which was completed through the subscription by 8990 HDC, resulting to 8990 HDC to own approximately 72.83%. 8990 HDC hopes to consolidate its ownership of Genvi by acquiring the remaining 27.17% of the resulting issued and outstanding capital stock of Genvi following completion of continuing discussions with the current shareholders of Genvi and confirmation of due diligence findings.

On June 30, 2019, the second phase of the Genvi Acquisition was completed through the acquisition of the remaining 27.17% of Genvi by 8990 HDC. The second phase of the transaction was through a separate share purchase transaction between 8990 HDC and the shareholders of Genvi. The consideration for the second phase of the transactions was Eight Hundred Million Pesos (Php 800,00,00.00). The completion of the second phase resulted to 8990 HDC owning 100% of the total issued and outstanding capital stock of Genvi. The purpose of the acquisition was to allow 8990 Holdings Inc., to expand into other real estate segments, such as high-end developments.

Business of Issuer

Business segments of the 8990 Group are as follows:

- Construction of low-cost mass housing
- Construction of medium-rise condominium units
- Construction of high-rise condominium units
- Hotel operations

Construction of low-cost mass housing

Under brand name DECA Homes, The Company's residential subdivisions are located in Cebu, Iloilo, Davao, Pampanga and Cavite. This is the main business segment of the 8990 Group with widest reach and highest revenue contribution. About fifty three percent (53%) of revenues in 2017 were from low-cost mass housing business segments. Refer to Note 21 of the 2017 Audited Consolidated Financial Statements for details.

The Company constructs three (3) types of housing unit namely:

1. Single-storey detached – a residential unit which is situated on its own or in a separate lot without sharing any walls with another home or building
2. Single-storey attached – a single floor residential unit built in a row of four (4) or more units joined by a common side walls
3. Townhouse – a two-storey residential unit built in a row of four (4) or more units joined by a common side walls

Floor areas range from thirty five (35) square meters to one hundred twenty (120) square meters with corresponding unit price range of four hundred fifty thousand pesos (PhP450,000) to one million two hundred fifty thousand pesos (PhP1,250,000). Facilities include concrete roads, underground drainage system, centralized water system, power system, cable and telephone lines, gated entrance with security personnel, and perimeter fence. Amenities may include Wakeboard Park, swimming pool, basketball court, clubhouse/multipurpose hall, church, and commercial market.

Construction of medium-rise condominium units

The Company's medium-rise building (MRB), building with four (4) to five (5) storeys, is marketed under Urban DECA Homes brand, and with revenue contribution of about twenty six percent (26%) in 2017. The first MRB project, is located in Mandaue City, Cebu, the Company recently opened its first MRB in Metro Manila in Sucat, Muntinlupa and there are other MRB projects to be launched in NCR are in the pipeline. MRB in Cavite was also launched in 2016. Each MRB unit has a floor area of twenty five (25) square meters to thirty six (36) square meters, with unit price between eight hundred thousand pesos (PhP800,000) to one million two hundred fifty pesos (PhP2,000,000).

MRB facilities are concrete roads, sidewalks with curbs and gutters, underground drainage system, centralized water system, power system, cable and telephone lines, gated entrance with security personnel, and perimeter fence. On-site leisure amenities may include swimming pool, basketball court, clubhouse/multipurpose hall and/or park.

Construction of high-rise condominium units

The Company has ventured into high-rise condominium projects under the brand Urban DECA Towers in the highest density urban areas of Metro Manila. This concept involves the construction and sale of condominium units that are half the size (approximately 13 sq. m.) of typical studio apartments. A unit would have a bathroom and a combination sleeping/living/dining area suited for occupancy by a single person or a couple. Each unit would cost around ₱1,000,000, which equates to initial monthly amortization payments of around ₱8,000 under the Company's CTS financing product (with typical 25-year term, 9.5% annual interest rate subject to adjustment after fifth year). The lower floors of the building would contain common areas (i.e. gym, living-room style lobby, function rooms, etc.) and commercial shopping/dining areas. The buildings are intended be situated in dense urban neighborhoods with easy access to major transportation routes/facilities and within easy distance of major white-collar employment centers (i.e., central business districts).

Making use of the "Micro Living" concept, Urban DECA Towers is envisioned to provide weekday accommodation for low- to mid-income commuters who typically have a two- to four-hour daily commute and spend up to ₱5,000 each month in transportation costs traveling between their places of work and homes in the outlying neighborhoods of Metro Manila. Key to the success of this concept is the ₱8,000 per month or lower amortization price point that has proven to work with the Company's low- to mid-income customers, coupled with the savings in transportation time and costs that would accrue to the condominium unit buyers.

Summary of Projects

The tables below summarize the status of the various new and ongoing projects the Company has under its various Subsidiaries as of December 31, 2019:

Ongoing Projects	**Type**	**Total units**	**Location**
Deca Clark Resort Residences	Low cost mass housing	5,166	Pampanga
Deca Clark Resort Residences 12	Low cost mass housing	213	Pampanga
Urban Deca Homes Manila	HRB	13,212	Manila
Urban Deca Homes Ortigas	HRB	19,046	Pasig
Urban Deca Homes Marilao	MRB	3,780	Bulacan
Deca Homes Marilao Extension	Low cost mass housing	187	Bulacan
Urban Deca Homes Hampton	MRB	1,988	Cavite
Urban Deca Homes Mahogany	MRB	448	Cavite
Deca Homes Pavia Resort Residences	Low cost mass housing	2,122	Iloilo
Deca Homes Pavia Resort Residences 2	Low cost mass housing	2,987	Iloilo
Deca Homes Sta Barbara (Economic)	Low cost mass housing	661	Iloilo
Deca Homes Sta Barbara (Socialized)	Low cost mass housing	6,708	Iloilo

Deca Homes Ormoc (Economic)	Low cost mass housing	360	Leyte
Deca Homes South of Bacolod (Economic)	Low cost mass housing	2,912	Bacolod
Urban Deca Homes Tisa 2	MRB	1,392	Cebu
Deca Homes Mulig (Economic)	Low cost mass housing	1,590	Davao
Deca Homes Talomo	Low cost mass housing	5,948	Davao
Deca Homes Gensan (socialized)	Low cost mass housing	2,530	General Santos
Deca Homes Meycauyan	Low cost mass housing	5,178	Bulacan

Liquidity Management

Financing Options

PAG-IBIG Transfer
The Company may enter into take-out arrangements with Pag-IBIG as needed, where it transfers its CTS receivables, typically within four years of the loan commencement period, subject to the Company's requirements. In 2019, the Company was able to take out ₱4,642 million worth of receivables from Pag-IBIG Fund. The acceptance or rejection of a CTS receivable by Pag-IBIG is based on certain guidelines such as employment, number of contributions made by the homeowner/Pag-IBIG member and net disposable income, among other factors. As a result of the Company's CTS requirements mirroring those of Pag-IBIG's, the Company estimates that substantially all of its historic requests for take-outs have been accepted by Pag-IBIG. However, in the event that a material number of take-up applications are delayed or even denied, the Company's cashflow and recognized revenues could be materially affected. Moreover, the conversion into cash of the Company's CTS receivables as a result of take-ups by Pag-IBIG also affects the Company's results of operations. As a greater amount of CTS receivables are converted pursuant to the Company's take-up arrangements, the Company's finance income and receivables decrease while its cash balances correspondingly increase.

Other Receivables Management Options

In addition to its receivables take-up arrangements with institutions such as PAG-IBIG, the Company also regularly adopts other measures to manage its level of receivables from its housing sales, as well as to generate cash necessary for operations. For example, from time to time, the Company enters into loan arrangements with banks against its receivables portfolio as collateral. In addition, the Company also sells receivables to banks and other financial institutions on a non-recourse basis. In 2019, a total of ₱7,921 million worth of receivables were sold to a financial institution. The Company has also begun to explore possible securitization transactions with respect to its receivables portfolio. The success of any of these receivable management measures, depending on the amount involved and terms agreed, may affect the Company's results of operations in terms of its liquidity and the levels of its receivable assets.

Credit and Collection

The Company has a credit and collection team which is in charge of handling the amortization payments of buyers. The team is responsible for the timely collection of payments, depositing of post-dated checks and the eventual remittance of payments to the Company's treasury group and undertaking remedial measures for delinquent accounts. The Company has also developed a comprehensive collection platform comprising policies, structures, systems, organizations and mechanisms focused on collection efficiency and the mitigation of payment delinquency.

The Company's credit and collection team is composed of Sixty-eight (68) permanent employees organized per area of operation. Of the Sixty-eight (68), Eight (8) are supervisors in charge of NCR, North Luzon, South Luzon, Cebu/Ormoc, Iloilo/Bacolod, and Davao/Gensan, while Sixty-one (60) are employees functioning as remittance officers, frontline customer service officers and site collection officers. The team is supported contractual employee who serves as collection officer in the various projects nationwide. These collection officer ensure enforcement of the Company's credit and collection policies. In addition, the services of nine (9) law firms have been retained by the Company to handle the legal side of collection, including the sending of demand letters, notices of cancellation and the eventual eviction of the delinquent borrower.

Submission of Check Payments

Potential homebuyers of the Company's housing units are required to submit twenty five (25) post-dated checks. The first twenty four (24) checks are equivalent to the first twenty four (24) monthly amortization payments, while the 25th check represents the outstanding principal balance as of the 25th month and serves as an assurance that the borrower will again submit another twenty four (24) post-dated checks (equivalent to the payments for 25th to 48th months) plus another 25th check equivalent to the outstanding principal balance as of the 49th month. This cycle is repeated until the loan is fully paid at the end of the term. The excess of the twenty four (24) checks will be deposited if the borrower fails to submit the next set of twenty five (25) checks.

The Company imposes a PhP2,200 bank penalty fee and a PhP200 fee per bounced check as facilitation and retrieval fee. Likewise, a fee of PhP200 is charged if the buyer replaces the check with cash paid directly to the Company.

The Company's estimated collection efficiency rates for the past nine years are as follows:

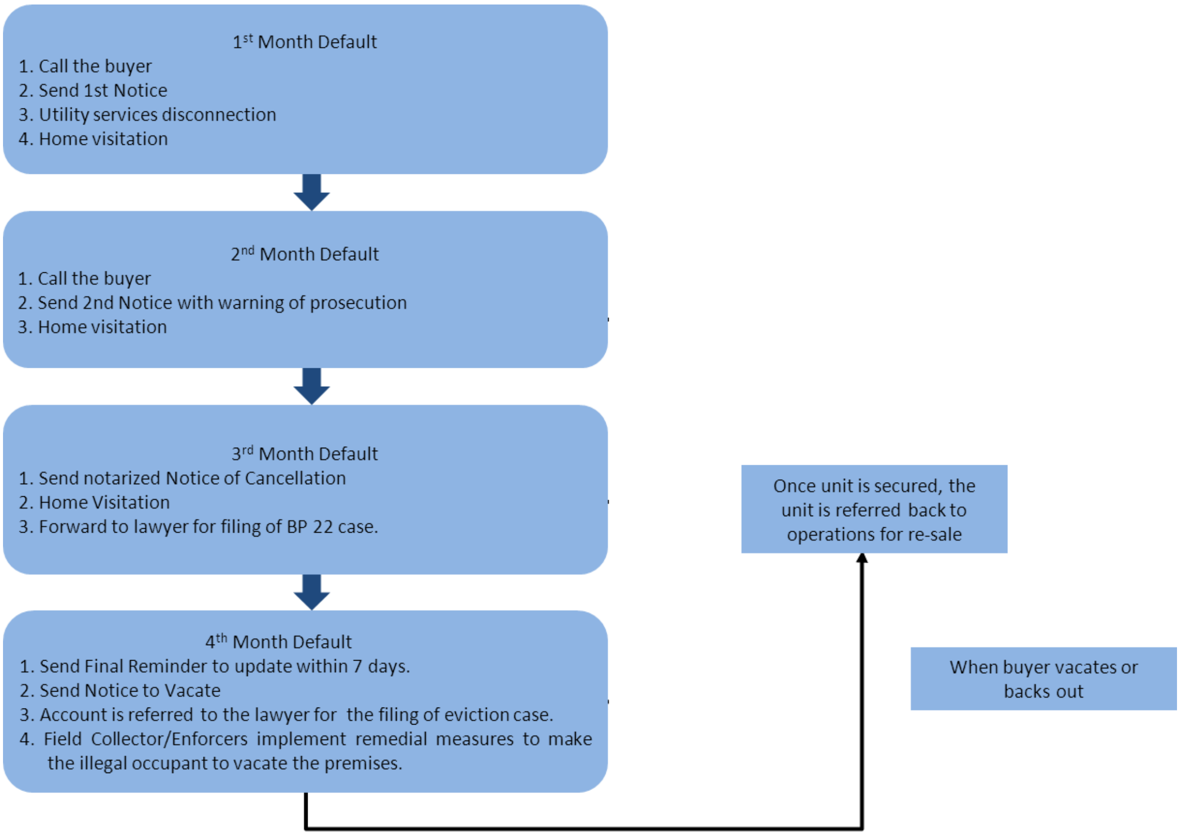
Period	Performing Accounts Ratio
2008[(2)]	94%
2009[(2)]	95%
2010[(2)]	93%
2011	93%
2012	94%
2013	93%
2014	93%
2015	96%
2016	95%
2017	94%
2018	94%
2019	94%

Notes:

(2) Prior to 2011, the collection efficiency rates refer to rates for receivables managed on behalf of PAG-IBIG.

In the Company's experience, through remedial measures, approximately half of the defaulting accounts usually become current again after a one to three (1 to 3) months payment lag, while the other half of the defaulting accounts result in the cancellation of the CTS and remarketing of the property. The Company was able to leverage on its experience and expertise in acting as PAG-IBIG's collection agent prior to 2011 in the formulation and execution of its credit and collection policies.

Collection Process in the Event of Default



Accounts are considered in default when the buyer fails to pay one (1) monthly amortization, while payments are considered late if the buyer fails to pay his amortization on the due date. In 2012, approximately four percent (4%) of all customers, out of the seven percent (7%) of all customers who were in default, updated their accounts within the first three (3) months of default.

Marketing and Sales

Marketing

The Company believes it has an extensive marketing network. The Company's marketing and distribution network consists of approximately two hundred thirty six (236) teams, with twenty eight (28) headed by unit managers and two hundred eight (208) headed by licensed brokers and with a combined total of more than three thousand (3,000) active agents. All of the unit managers and the agents under them are exclusively contracted to the Company. Furthermore, all unit managers are accredited licensed realtors. The Company's commission structure and incentive schemes vary relative to the network's affiliation and sales structure. The Company's marketing teams are compensated through commission fees and are provided some administrative support by the Company. The Company trains its marketing teams monthly on topics including new Company policies, product information and terms and conditions of sale.

As a marketing strategy, the Company's sales and marketing teams regularly conduct presentations to potential clients to inform them of the Company's products. Mall exhibits have likewise provided the Company with an effective platform to introduce its product offerings and get leads on prospective buyers. Another strong source of sales relates to "repeat buyers," in the form of family members of those who already own a DECA Home unit.

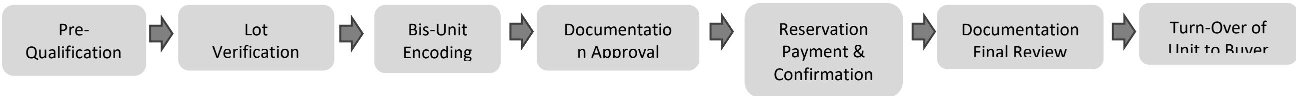
Moreover, promotional discounts are also offered by the Company to attract buyers and increase their interest. These include:

- Cash Discounts. The Company gives discounts upon full payment of the required down payment and is based on the total contract price of the house and lot package (which price ranges from PhP450,000 to PhP1.25 million). Cash discount as follows:

Down Payment Fully Paid Within	Cash Discount
7 Days	3%

CTS 2018 Sales Process

The CTS Gold product follows a rigorous process of credit verification for all potential buyers. The following diagram illustrates the process under the CTS Gold product:



- Pre-Qualification – The buyer provides basic requirements such as valid identification, proof of income (pay slips, certificate of employment and compensation, bank statements, income tax return, etc.), signed loan documents and complete post-dated checks.

- Lot Verification – The availability of the unit is verified.

- BIS-Unit Encoding – A unit manager assigns and encodes the buyer's identification into its system to avoid double reservation.

- Documentation Approval – A documentation manager submits the buyer's information folder to a documentation account officer. The account officer verifies and screens the documents provided by the borrower. Physical appearance of the buyer is required to verify accuracy of all information provided. Incomplete documentation folders are sent back to the documentation manager for re-evaluation.

- Reservation Payment and Confirmation – Reservation payment is paid for by the buyer and documented by an account officer.

- Documentation Final Review – The documents are sent to a documentation manager for final review.

- Turn-Over of Unit to Buyer – Take-out occurs only when construction of the unit is complete and the buyer accepts the unit. Attendance to a buyer orientation is required which will cover documentation, credit and legal obligation, construction and technical discussion.

<u>Foreign Sales</u>

Considering that the Company is engaged in the real estate business, sales or revenues and net income contributed by sales to foreigners are minimal.

<u>Suppliers</u>

All of the raw materials used by the Company were sourced from domestic Philippine suppliers. Suppliers are chosen based on a number of criteria, including the quality of the raw materials supplied, stability of supply in the past, delivery time, pricing of the raw materials as well as the financial and industrial strength of the supplier. The Company's sourcing strategy is to deal with reliable suppliers at the best available price, to prefer national over local suppliers, and to encourage on-time delivery.

The Company maintains relationships with over two hundred (200) suppliers. For the year ended December 31, 2019, the Company's five (5) largest materials suppliers: Steelasia Mnufacturing Corp., AIM Global Products, Inc., Communication Hardware Corp., Diamond Interior Ind. Corp., and Solid Cement Corp., in aggregate accounted for approximately forty (40%) of the Company's total amount of purchases.

Customers

The Company mainly focuses on serving the needs of the mass housing market. Specifically, the Company targets (a) the upper-end of the lower class segment of society and (b) the lower-end of the middle class segment of society. The Company's target market primarily consists of buyers who are gainfully employed (such as government employees, business processing operations (BPO) employees, manufacturing workers, etc.). In 2019, these account for approximately ninety-four percent (94%) of the Company's horizontal unit buyers, and ninety-five percent (95%) for buyers of vertical developments. Self-employed (i.e., tending to their own businesses), accounts for the remaining six percent (6%) and five percent (5%), respectively. The Company likewise caters to OFWs, which, for many years, have played an important role in keeping the Philippine economy afloat through their remittances that help fuel consumption, specifically real-estate purchases.

Customer Service and Warranties

The Company believes it is important to ensure that quality service is afforded to homebuyers throughout and after the relevant sales period. Customer service employees oversee pre-delivery quality control inspections and respond to post-delivery customer needs. The Company responds to customer requests during the construction phase and coordinates the legal requirements that customers must comply with when making a purchase, including signing deeds, obtaining permits, and securing funding.

Under the terms of the Company's CTS contracts, buyers may seek repairs for patent (i.e., observable) defects in new homes prior to their acceptance of the residential unit. If the defect is latent (i.e., non-observable), customers may seek repairs within one (1) year from the date the housing unit was turned over to them for occupancy.

In addition to the foregoing contractual warranties, the Company may be subject to additional liabilities arising from construction defects under Philippine law. However, the Company has historically spent immaterial amounts on claims from customers for construction or other defects.

Competition

The Company believes it does not have significant direct competition from national (i.e. Metro Manila-based) real-estate developers for low cost housing projects within its price range (i.e. PhP450,000 to PhP2.0 million per housing unit). Although competitors with nationwide scope, such as Amaia Land Corporation, a subsidiary of Ayala Land, Inc.; Century Limitless Corporation, a subsidiary of Century Properties Group, Inc.; Filinvest Land, Inc., under the "Futura Homes" brand; Suntrust Properties, Inc., a subsidiary of Megaworld Corporation; Robinsons Land Corporation, under the "Robinsons Communities" brand; Summerhills Home Development Corporation, a subsidiary of SM Prime Holdings, Inc.; and Vista Land, under the "Camella Homes" brand, do undertake affordable housing projects, they do so at a higher price range (i.e. PhP1.5 million and up), which is a different market from that of the Company's.

The Company has direct competitors at the local/regional level that sell housing units within its PhP450,000 to PhP2.0 million price range. These include: Johndorf and ProHomes in Cebu; Foothills Development Corporation and HLC Development Corporation in Davao; ProFriends, Ion Realty, Happy Homes and San Raphael Realty in Iloilo; Hausland, Fiesta Communities and El Valerio Realty in Pampanga; and ProFriends, Homemark Development, Picar Development, Rudex, Masaito and New APEC in Cavite.

Employees

As of the date of this report, the Company has a total of Four Hundred Sixty-one (461) employees. This is broken down as follows:

Function	Number of Employees
Managers	58
Accounting Staff	62
Conversion Staff	35
Credit & Collection Staff	68
Documentation Staff	70
Human Resources/Administrative Assistant	43
Management Information Systems Staff	14
Planning/Engineering Staff	59
Audit	4
Pre-Docs	16
Treasury	4
Records Management	9
	7
Materials & Procurement	5
	6
Condo Corp/HOA	
Receivables Management	
Legal	1
Total Employees as of 2019	**461**

Furthermore, to date, there is no existing collective bargaining agreement between the Company and its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Company's relationship with its employee in general is satisfactory. The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations.

The Company anticipates that it will have the same number of employees within the ensuing 12 months.

Intellectual Property

The Company is in the process of registering “DECA Homes”, “Urban DECA Homes” and “Urban DECA Towers” as brand names with the Intellectual Property Office. These trademarks are important in the aggregate because name recognition and exclusivity of use are contributing factors to the success of the Company’s and its Subsidiaries’ property developments. In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

Research and Development

The amount spent by the Company for research and development is minimal and is deemed not material.

Health, Safety and Environment

The Company regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. The Company maintains various environmental protection systems and conducts regular trainings on environment, health and safety.

Insurance

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company carries all-risks insurance during the project construction stage. The Company also requires all of its purchasers to carry fire insurance and sales redemption insurance, for which it pays the annual premium upfront to the insurer and charges purchasers on a monthly basis. For its vertical projects, the Company requires its general contractors to carry all-risks insurance for the period of building construction. The Company does not carry business interruption insurance.

Risks Relating to the Companies Business

The recent COVID-19 global pandemic has had and is expected to continue to have an adverse effect on the Company's business and operations.

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of 30 June 2020, there have been over ten million confirmed cases worldwide. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses, and travel restrictions.

In the Philippines, President Rodrigo Duterte declared the entire Luzon island under total lockdown (Enhanced Community Quarantine or ECQ) on 16 March 2020, which restricted the movement of the population with certain exceptions, in response to the increasing number of COVID-19 cases in the country. Among the lockdown measures implemented include suspension of work or alternative working arrangements in the private sector except in establishments providing basic necessities, suspension of mass transport facilities, and travel restrictions.

ECQ was originally set to end by 12 April 2020 but has been first extended to 30 April 2020 then to 15 May 2020. Lockdown was further extended for some areas including Metro Manila and Cebu to 31 May 2020 under the Modified Enhanced Community Quarantine (MECQ) while some regions were placed under either General Community Quarantine (GCQ) or Modified General Community Quarantine (MGCQ). On 1 June 2020, quarantine measures were relaxed and Metro Manila was placed under GCQ. On 16 June 2020, Cebu City was again placed under total lockdown following the rise of COVID-19 cases in the region. While quarantine measures continue to be eased nationwide, there can be no assurance that ECQ or similar measures will not be re-imposed.

In addition, Congress enacted Republic Act No. 11469 or the "Bayanihan to Heal As One Act", which granted the President the power to provide for a minimum of thirty (30)-days grace period on residential rents which fell due during the ECQ, without incurring penalties, interests, and other charges. In relation thereto, the Department of Trade and Industry (DTI) issued a Memorandum Circular No. 20-12, which provided that residential rents and commercial rents for Micro, Small and Medium Enterprises (MSMEs) that have stopped operating during the ECQ shall be entitled to the grace period. The cumulative amount of rents shall be spread out or equally amortized in the six months following the end of the ECQ and shall be added to the rent dues on these succeeding months without penalties, interest, fees, and charges.

The Bayanihan to Heal as One Act also provided the President the power to direct financial institutions, including the Pag-Ibig Fund, to implement a grace period for the payment of housing loans, among others. The implementing rules provide that the mandatory grace period should be at least thirty (30) days, which is automatically extended if the ECQ period is extended.

The curtailed economic activity brought about by the quarantine measures caused decreases in consumer purchasing power and has resulted in significant drops in demand for housing and other real properties, which in turn affect the revenues targets of the Company and its subsidiaries. The COVID-19 pandemic has also (i) disrupted the global supply chains of materials, facilities and other products through the effects of travel restrictions, quarantines, closure of factories and facilities, and political, social, and economic instability; (ii) increased volatility or caused disruption of global financial markets and affected businesses' capabilities of accessing capital markets and other funding resources on favourable or acceptable terms; and (iii) resulted in social and political instability. The COVID-19 pandemic has also affected and continues to affect the employment of migrant Filipinos, who largely contribute to the demand for the Company's projects. As the situation evolves, these indirect impacts may become more significant and could also have a severe adverse impact on the Company's and its subsidiaries' operation and cash flow.

The extend to which the COVID-19 pandemic impacts the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and migrate the effects of COVID-19 pandemic adversely affects the business and financial results of the Company and its subsidiaries, it may also have the effect of heightening many of the other risks described in this Information memorandum and thus adversely affecting the Company's operational and capabilities of repaying the Notes.

All of the Company's business activities are conducted in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of the Philippine economy.

Historically, the Company has derived primarily all of its revenue from the sale of real estate assets in the Philippines and its business is highly dependent on the state of the Philippine economy. Demand for, and prevailing prices of real estate assets are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines, the overall employment levels in the Philippines and the amount of remittances received from OFs. Historically, the Philippines has periodically experienced economic downturns. For example, the general slowdown of the global economy in 2008 and 2009 had a negative effect on the Philippine economy, which in turn had a negative effect on the Philippine property market as property sales declined.

There is no assurance that there will not be a recurrence of an economic slowdown in the Philippines. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- decreases in the amount of remittances received from OFs;
- decreases in or changes in consumption habits in the Philippines;
- decreases in property values;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- the sovereign credit ratings of the Philippines;

- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- changes in the Government's taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, political or economic developments in or affecting the Philippines.

The Philippines is currently expecting an economic downturn following the Taal volcano eruption in January and the COVID-19 pandemic and the resultant lockdown. The country's gross domestic product contracted 0.2% in the first quarter of 2020 and is expecting a bleaker outlook in the second quarter when lockdowns were in full swing in many areas and economic activities were still constrained. A global recession is also predicted for the year 2020 as the economic effects of the COVID-19 pandemic are felt in other countries, which also adversely affect the Philippine economy.

Further, considerable economic and political uncertainties currently exist in the Philippines that could have adverse effects on consumer spending habits, construction costs, availability of labor and materials and other factors affecting the Company's business.

To mitigate this risk, the Company intends to further grow its existing Mass Housing revenue base; promote increased home ownership in the Mass Housing segment through the development of financing projects tailored to specific needs, requirements and financial situation of its Mass Housing customers; diversify into new product types to supplement its subdivision and MRB offerings; and increase efficiencies in all facets of its operations and processes.

The Company is exposed to risks associated with its in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program.

The Company provides a substantial amount of in-house financing to its customers via its CTS program. As a result, and particularly during periods when the unemployment rate rises or when the overall level of overseas remittances decline, the Company faces the risk that a greater number of customers who utilize the Company's in-house financing facilities will default on their payment obligations, which would require the Company to incur expenses such as those relating to sales cancellations and eviction of occupants, additional expenses caused by delinquent accounts, a disruption in cash inflows, risk of holding additional inventory in its balance sheets and reduced finance income.

In addition, in instances where various customer receivables have been given as collateral for the Company's financing arrangements with banks or in instances where sales of receivables are made with recourse to the Company, a default in these receivables would require the Company to either pay down the corresponding balance on the loan, or replace the defaulting receivable with another from its portfolio. There can be no guarantee that the Company will not be asked to pay cash for these defaulting obligations in the future. In such an event, the defaulting receivable would also be assigned back to the Company, and there can also be no guarantee that the Company will be able to resell the mass housing unit underlying the receivable easily or at all. If the number of and amount involved in any defaults are significant, the Company's financial position and liquidity may be adversely affected.

Moreover, other cheaper financing options may become available and if customers choose to obtain financing from other sources, such as banks and other financial institutions, this would result in a decline in the income the Company derives from interest due on in-house financing. The inability of the Company to sustain its in-house financing activities could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company makes it a point to turn over the housing unit to the buyer as soon as the unit is finished and the minimal required equity is paid in order to create a sense of ownership. This has been proven effective in avoiding defaults.

The Company will be in a better position in cases where cheap financing options would be available to the buyers as this will immediately result to cash payments rather than long term receivables, hence, will be able to have readily available funds to build new inventories for sale, and would not need to avail of any external financing be it from creditors or equity holders.

The Company's liquidity and financial results are affected by PAG-IBIG's willingness to process loan take-ups and the expediency by which PAG-IBIG processes these take-ups.

Under its business and operating model, the Company typically provides in-house financing to its customers via its CTS Gold financing team upon the initial purchase of a potential home. From time to time, the Company requires the prospective purchaser to apply with PAG-IBIG for take-up of the loan obligation. Should PAG-IBIG grant the prospective buyer's application, PAG-IBIG would then grant a home loan to the prospective buyer, who in turn would use the loan to pay the purchase price of the mass housing unit to the Company. However, due to the number of applications pending with PAG-IBIG at any one time, there are often delays in the processing of these loan take-ups. Furthermore, PAG-IBIG may also deny loans for various reasons, such as incomplete documents, among others. In addition, other factors, such as review of titles by banks that purchase receivables from the Company, may also delay the financing process. Depending on the degree of any such delays or denials, and the amounts of the loans and number of customers involved, these could have a material adverse effect on the Company's liquidity because the loans would be retained on the Company's books as receivables and delay its cashflow. Moreover, in the event that PAG-IBIG completely ceases the take-up of these loans, the Company would have to keep these loans for a significant portion of time and may encounter difficulty in selling these loans to other financial institutions. Any of these events may have a material adverse effect on the Company's financial condition and results of operations.

The Company has put in place a team dedicated to process loan take outs from PAG-IBIG to be able to turn around the receivables from the buyers at the least possible time, and arrest possible liquidity problems. Credit evaluation of the Company also matches that of PAG-IBIG to further minimize the instances of rejected loan take outs.

The Company is currently in the process of updating its accounting systems and other internal controls.

As an organization which recently underwent a corporate reorganization and that is now subject to the reporting requirements for listed companies, the Company is currently updating and streamlining its overall operational systems and controls. Notably, the Company is implementing upgrades to its management information systems and processes with respect to accounting controls, documentation and internal reporting. As such, the Company may experience difficulties in the implementation of these new systems and processes organization-wide, and may not be able to effectively integrate these upgrades and new systems across its Subsidiaries. In addition, there can be no assurance that the implementation of these system upgrades will produce the desired improvements in timeliness and quality of the Company's reporting and internal controls. Any failure of the Company to properly upgrade and implement these systems, or to effectively integrate these changes across the entire organization, may not produce the desired efficiencies or may result in imprecise reporting of the Company's accounts and results, which may in turn have a material adverse effect on its results of operation and financial condition.

The Company entered into a service agreement with BPO International (BPOI) to handle its bookkeeping requirements including preparation of financial reports such as balance sheets, Income Statement and Statement of Cashflow, and conduct bank reconciliation on a regular basis. This move allows the Company to produce accurate and reliable financial reports as the team is dedicatedly engaged to do so. Moreover, the prepared financial reports by BPOI will be reviewed by the Company's accounting group prior finalization. Despite the involvement of BPOI in the Company's financial reporting, internal finance and accounting group manpower is retained, if not beefed up, to be able to successfully handle growing volume of financial transactions brought about by the exponential growth of the business.

The real estate industry in the Philippines is capital intensive, and the Company may be unable to readily raise necessary amounts of funding to acquire new land or complete existing projects.

The real estate industry in the Philippines is capital intensive, and market players are required to incur significant expenditures to acquire land for development, complete existing projects and commence construction on new developments. For the years 2017, 2018 and 2019, the Company spent ₱1,323,920,834, ₱1,891,910,627 and ₱2,120,652,237, respectively, for land banking expenditures for its real estate development projects.

Historically, the Company has funded a significant portion of its capital expenditure requirements as well as steady growth from external sources of finance; however, it may also fund such requirements through other means, such as equity sales, among others, in the future. There can be no assurance that, to complete its planned projects or satisfy its other liquidity and capital resources requirements, the Company will be able to obtain sufficient funds at acceptable rates to fund its capital expenditure requirements, or that iw ill be able to obtain sufficient funds at all. Failure to obtain the requisite funds could delay or prevent the acquisition of land, completion of old projects or commencement of new projects and materially and adversely affect the Company's business, financial condition and results of operations.

To mitigate this risk, the Company maintains strong relationship with key housing and shelter agencies. It may also obtain financing from capital markets.

A portion of demand for the Company's products is from OFWs, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are located.

Sales to OFs, including OFWs and Filipino expatriates, generate a portion of the demand for the Company's housing and land development projects. A number of factors could lead to, among other effects, reduced remittances from OFWs, a reduction in the number of OFs or a reduction in the purchasing power of OFs. These include:

- an appreciation of the Philippine peso, which would result in decreased value of the other currencies transmitted by OFWs;
- a downturn in the economic performance of the countries and regions where a significant number of these potential customers are located, such as the United States, Italy, the United Kingdom, Singapore, Hong Kong, Japan and the Middle East;
- a change in Government regulations that currently exempt the income of OFWs from taxation in the Philippines;

- the imposition of restrictions by the Government on the deployment of OFWs to particular countries or regions, such as the Middle East; and

- restrictions imposed by other countries on the entry or the continued employment of foreign workers.

As an example, the Company believes that the global economic downturn of 2008 resulted in OFW remittances tending to be used for basic family expenses or savings and bank deposits rather than for investing in or purchasing real estate. In addition, turmoil in the Middle East and North Africa have resulted in OFs being repatriated from these regions and losing their steady sources of income. Currently, the constrained economic activities brought by the COVID-19 has resulted in mass layoffs and repatriation of thousands of OFWs. These events adversely affect demand for the Company's projects from OFs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk the Company relies on Management's extensive experience and in-depth knowledge of the real estate business, particularly in the Mass Housing market. The Company has also adopted strategies, among others, to increase its existing coverage and grow geographically.

The Company's focus on residential housing and land development exposes it to sector-specific risks, including competition in the Philippine residential real estate industry.

The housing market involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. The Company's results of operations are therefore dependent, and are expected to continue to be dependent, on the continued success of its residential and land development projects.

Additionally, the Philippine residential real estate industry is highly competitive. The Company's income from, and market values of, its real estate projects are largely dependent on these projects' popularity when compared to similar types of projects in their areas, as well as on the ability of the Company to correctly gauge the market for its projects. Important factors that could affect the Company's ability to effectively compete include a project's relative location versus that of its competitors, particularly to transportation facilities and commercial centers, the quality of the housing and related facilities offered by the Company, price and payment terms of the project, available financing for the project and the overall attractiveness of the project. The time and costs involved in completing the development and construction of residential projects can be affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes with contractors and subcontractors, and the occurrence of other unforeseeable circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. Moreover, failure by the Company to complete construction of a project to its planned specification or schedule may result in contractual liabilities to purchasers and lower returns, all of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes that it is one of the few developers dedicated to serve the housing needs of the mass housing segment throughout the Philippines, with most of its direct competitors being smaller regional developers with limited geographical coverage. This has allowed the Company to build significant nationwide brand equity for its DECA Homes and Urban DECA Homes brands across its target market and also achieve economies of scale from its operations.

Historically low interest rates, expansion in overall liquidity, extensive construction of housing units and other factors could lead to the risk of formation of asset bubbles in real estate.

For the past several years central banks globally, including the BSP, have kept overall interest rates at historically low levels for an extended period of time. This has occurred in conjunction with recent high levels of liquidity in the Philippines owing to strong and growing remittances from OFWs, the expansion of consumer credit provided by banks, the expiry of the BSP's requirement for banks to maintain special deposit accounts and strong inflows of foreign investments, among other factors. In addition, the pace of real estate construction, particularly for housing in and surrounding Metro Manila and other urban areas, has likewise been strong by historical standards. All these have increased the risk that rising prices may not be sustainable, particularly in the real estate sector. If rising prices are not sustained, the results could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is confident in the efforts of the BSP to control inflation and prevent the formation of asset bubbles in real estate. The country also has a very young demographic profile benefitting from rising disposable income. The Company believes that the Mass Housing sector has shown favorable market demographics in recent years and will continue to do so in the medium- to long-term. The Company also has an experienced management team to mitigate this risk.

Competition for the acquisition of land for new projects and risks relating to the management of its land bank, including fluctuations in demand and prices, may adversely affect the Company's business.

The Company's future growth and development are dependent, in part, on its ability to acquire additional tracts of land suitable for the Company's future real estate projects. When the Company attempts to locate sites for development, it may experience difficulty locating parcels of land of suitable size in locations and at prices acceptable to the Company, particularly parcels of land located in areas surrounding Metro Manila and in other urban areas throughout the Philippines. In the event the Company is unable to acquire suitable land at prices and in locations that could translate into reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

In addition, the risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots and housing inventories can fluctuate significantly as a result of changing market conditions. There can be no assurance that the measures the Company employs to manage land inventory risks will be successful. In the event of significant changes in economic, political, security or market conditions, the Company may have to sell subdivision lots and housing and condominium units at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk the Company relies on Management's extensive experience and a strategy of replenishing its land bank for future developments, selectively acquiring parcels and properties that meet its requirements for potential projects.

The Company, at the end of 2019, has significant land held for future development with aggregate value of PhP13,355.1 million. The Company believes that this land held for future development is enough to satisfy the needs for five (5) to eight (8) years. The Company intends to continue to look for land in various parts of the Philippines for future development.

There can be no assurance that the Company will not suffer from substantial sales cancellations. The Company faces certain risks related to the cancellation of sales involving its residential projects and, if the Company were to experience a material number of sales cancellations, the Company's historical revenue would be overstated.

As a developer and seller of residential real estate, the Company's business, financial condition and results of operations could be adversely affected in the event a material number of horizontal subdivision, MRB unit or high-rise unit sales are cancelled.

The Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled by the Company, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

While the Company historically has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. The Company may also experience losses relating to these cancellations. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able to re-sell the same property or re-sell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

Understanding the needs of the market is the key to avoid sales cancellations. Providing the buyers with affordable package under the "build-sell-finance" scheme minimizes the chances of cancellations. Credit checking prior to actual sale is conducted, thus, further, lowering the likelihood of cancellations and the exposure to obligations under the Maceda Law.

Increased inflation, fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on the Company and on demand for its products. For example:

- Higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.

- Because the Company believes that a substantial portion of its customers procure financing (either using the Company's in-house financing program or through banks) to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.

- If PAG-IBIG increases the rates at which it lends to customers, the Company would also need to increase the rates of its inhouse financing program due to the in-house financing program's mirroring of PAG-IBIG requirements as part of the Company's strategy for easier off-take by PAG-IBIG.

- If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.

- The Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by the BSP on bank lending. If the Company were to reach the single borrower limit with respect to their current or preferred bank or banks, the Company may have difficulty obtaining financing on the same or similar commercial terms from other banks.

- Increased inflation in the Philippines could result in an increase in raw material costs, which the Company may not be able to pass on to its customers as increased prices or to its contractors by having the Company's contractors absorb raw material cost increases.

The occurrences of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition and results of operations.

Titles over land owned by the Company may be contested by third parties.

While the Philippines has adopted a system of land registration that is intended to conclusively confirm land ownership and is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land. The Company has occasionally had to defend itself against third parties who claim to be the rightful owners of land that has been either titled in the name of the persons selling the land to the Company or that has already been titled in the name of the Company. In the event a greater number of third-party claims are brought against the Company or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote significant time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation.

The Company makes sure that prior to land acquisition, market and feasibility studies are conducted, and all related documents have been checked. Complete documentation is also practiced upon actual purchase of the land.

The Company faces risks relating to project cost and completion.

Construction of property projects may take as long as a year or longer before generating positive net cash flow through sales. As a result, the Company's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. Other factors that could adversely affect the time and the costs involved in completing the development and construction of the Company's projects include:

- natural catastrophes and adverse weather conditions;

- changes in market conditions, economic downturns, unemployment rate, and decreases in business and consumer sentiment in general;

- delays in obtaining government approvals and permits;

- changes in laws or in Government priorities;

- relocation of existing residents and/or demolition of existing constructions;

- shortages of materials, equipment, contractors and skilled labor;

- labor disputes with contractors and subcontractors;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites;
- lack of familiarity with high-rise projects; and
- other unforeseen problems or circumstances.

Any of these factors could result in project delays and cost overruns, which may harm the Company's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Furthermore, the failure by the Company to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns. The Company cannot provide any assurance that it will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

The pre-cast technology allows the Company to complete townhouses and single-storey attached units in just eight (8) to ten (10) days, with an additional five (5) days for single-storey houses with lofts. The use of this process allows the Company to realize significant cost savings and enables it to turn over units to its customers in a fast and efficient way.

The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.

If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing housing and land development projects. Any negative effect on the Company's reputation or its brand could also affect the Company's ability to sell its housing and land development projects. This would impair the Company's ability to reduce its inventory and working capital requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

Projects of the Company have dedicated project managers, who assure that regular monitoring and quality control are in place. The project managers also make sure that the projects live up to the DECA Homes and Urban DECA Homes brands. The Company also provides warranties to housing unit purchasers as provided for in the relevant Contract to Sell between purchaser and the Company.

Independent contractors may not always be available, and once hired by the Company, may not be able to meet the Company's quality standards or to complete projects on time and within budget.

The Company relies on independent contractors to provide various services, including land clearing, infrastructure development and various construction projects. In particular, the Company relies mainly on the Lasvazmun and Conmax groups of companies to complete the construction for substantially all of its projects. Should either of the contractors mentioned above become unable to perform with respect to their contracted scope of work, there can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget and schedule, which could result in costs increases or project delays.

Furthermore, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality and timing. Contractors may also experience financial or other difficulties up to insolvency, and shortages or increases in the price of construction materials or labor may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and the Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

Lasvazmun and Conmaz groups of companies are exclusive contractors of the Company for its mass housing projects. These contractors have been partners with the Company since it started. Quality of work and reliability of the said contractors have been tested by the Company through time.

The Company uses exclusive external third-party brokers to sell all of its residential housing and land development projects.

The Company uses exclusive external third-party brokers to market and sell all of its residential housing and land development projects to potential customers. If these brokers do not meet their requisite sales targets, the Company's business, financial condition and results of operations could be adversely affected. Moreover, there is competition for the services of third-party brokers in the Philippines and many of the Company's competitors may attempt to recruit brokers away from the Company. If a large number of these third-party brokers were to cease selling for the Company, the Company would be required to seek other external brokers, and there can be no assurance that the Company could to so quickly or in sufficient numbers. Also, negative publicity on the Company's exclusive third-party brokers may spill over and have a negative effect on the Company's reputation. Furthermore, with the passage of R.A. No. 9646 or The Real Estate Service Act of the Philippines and its implementing rules, more stringent requirements are now being imposed in respect of the practice of real estate service, as well as the qualification and licensing of real estate service practitioners. There can be no assurance that the imposition of these requirements will not affect the real estate service practice of the Company, or its ability to retain its existing third-party brokers or identify new third party brokers. These factors could disrupt the Company's business and negatively affect its financial condition, results of operations and prospects.

To mitigate this risk, all of the unit managers and the agents who constitute the marketing and distribution network of the Company are exclusively contracted by the Company. Furthermore, all unit managers are accredited licensed realtors. The Company trains its marketing teams monthly on topics including new Company policies, product information and terms and conditions of sale.

The Company operates in a highly-regulated environment and it is affected by the development and application of regulations in the Philippines.

The Philippines' housing market is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the Philippine Department of Agrarian Reform ("DAR") so that the land can be re-classified as non-agricultural land and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

In July 2019, Senate Bill No. 256 or the Agricultural Land Conversion Ban Bill was filed which seeks to prohibit the conversion of irrigated and irrigable agricultural land for non-agricultural uses. The bill is currently pending before Senate Committee on Local Government. If passed into law, the ban may delay the implementation of the Company's proposed projects because the supply of land available for development may be limited. This may further lead to an increase in the acquisition cost of land and the development cost of the Company's projects.

Meanwhile, Presidential Decree No. 957, as amended, ("P.D. 957") and B.P. 220 are the principal statues which regulate the development and sale of real property as part of a condominium project or subdivision. P.D. 957 and B.P. 2020 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which enforces these statutes. Regulations applicable to the Company's operations include standards regarding:

- the sustainability of the site;
- road access;
- necessary community facilities;
- open spaces;
- water supply;
- sewage disposal systems;
- electricity supply;
- lot sizes;
- the length of the housing blocks; and
- house construction.

All subdivision development plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities and donation of roadways to and other easements in favor of the relevant government agencies. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, its Subsidiaries or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will not be revoked.

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing and condominium units. Project permits and any license to sell may be suspended, cancelled or revoked by the HLURB based on its own findings or upon complaint from an interested party and there can be no assurance that the Company, its Subsidiaries, associates or partners will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the Company's ability to complete projects on time, within budget or at all, and could have a material adverse effect on its financial condition and results of operations.

The Company makes sure that all necessary permits and licenses are secured and renewed, if needed, for each project. A dedicated team tasked to secure and/or renew all necessary permits and licenses is in place. Relevant dues and taxes are also paid regularly.

Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.

In general, developers of real estate projects are required to submit project descriptions to regional offices of the Philippine Department of Environment and Natural Resources ("DENR"). For environmentally-sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment ("EIA") may be required and the developer will be required to obtain an Environmental Compliance Certificate ("ECC") to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

The Company submits and fulfills all required environmental compliance that is mandated by law. The Company regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. The Company maintains various environmental protection systems and conducts regular trainings on environment, health and safety. The Company has

The loss of certain tax exemptions and incentives will increase the Company's tax liability and decrease any profits the Company might have in the future.

The Company benefits from provisions under Philippine law and regulations which exempt sales of residential lots with a gross selling price of PhP1.9 million or less and sales of residential houses and lots with a gross selling price of PhP3.2 million or less from the value-added tax ("VAT") of twelve percent (12%). In the event these sales become subject to the VAT, the selling prices for the Company's subdivision lots and housing and condominium units will increase and this could adversely affect the Company's sales. Because taxes such as the VAT are expected to have indirect effects on the Company's results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government's VAT-exemption policy could have an adverse effect on the Company's results of operations.

Furthermore, the accreditation of the Company's projects with unit price between PhP450,000 and PhP3,000,000 with the BOI as under the IPP allows each accredited project to enjoy certain tax incentives. For each accredited project, the Company's sales of low cost subdivision lots and housing units are currently not subject to corporate income tax. Also, the Company's projects with unit price of PhP450,000 and under are considered socialized housing projects and enjoy income tax free status by virtue of Republic Act No. 7279. However, accreditation of certain projects was delayed in 2013. Also, the Legislative-Executive Development Advisory Council is recommending a bill concerning the rationalization of certain fiscal incentives that could have an effect in the Company should it be approved by Congress. This bill intends to remove the tax holiday given to low cost housing projects in the BOI's IPP and instead provide a government subsidy to buyers of the housing units. Should this bill be implemented it could have a material effect on the Company's overall level of profitability. Furthermore, there is no guarantee that the Company's future development projects will be able to benefit from the income tax holiday described above, or that accreditation to receive such benefit will not be delayed. The delay or absence of this income tax holiday on any of the Company's future development projects could have an adverse effect on the Company's results of operations.

VAT is a pass-on tax to consumers, and in case VAT exemption will be lifted for mass housing products, then, the Company may opt to revisit pricing scheme to be able to effectively run its business. The Company is able to sell its housing units at an affordable price because of its BOI exemption. Should BOI rules change, taking away the tax incentive, then the mass housing industry as a whole will revisit its business model and reorganize as needed.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and on November, 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction and casualties of an as yet undetermined amount, in Tacloban, certain parts of Samar, and certain parts of Cebu City, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's housing and land development projects, many of which are large, complex estates with infrastructure, such as buildings, roads and perimeter walls, which are susceptible to damage. Damage to these structures resulting from such natural catastrophes could also give rise to claims against the Company from third parties or from customers, for example for physical injuries or loss of property. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

While the Company carries all-risks insurance during the project construction stage and requires all of its purchasers to carry fire insurance, the Company does not carry any insurance for certain catastrophic events, and there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Neither does the Company carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from such property, while remaining liable for any project construction costs or other financial obligations related to the property. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

Natural calamities affect all business types at similar levels. And since these events cannot be avoided, and at some instances cannot be predicted, the Company only addresses what it can, and makes sure that it has all the relevant and reasonable insurances that it can have.

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company carries all-risks insurance during the project construction stage. The Company also requires all of its purchasers to carry fire insurance and sales redemption insurance, for which it pays the annual premium upfront to the insurer and charges purchasers on a monthly basis. For its vertical projects, the Company requires its general contractors to carry all-risks insurance for the period of building construction. The Company does not carry business interruption insurance.

Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses that were designed or built by them for a period of 15 years from the date of completion of the house. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a house sold by it when such hidden defects render the house unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six months from the delivery of the house to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the "Building Code"), which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreements with the Company's contractors. Neither can there be any assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business, financial condition and results of operations.

Having developed the processes used in the construction of its projects, the Company trains its contractors on these topics. The Company also sends its engineers to oversee critical functions in project construction to ensure the quality of work of its contractors. Every project has an engineering team assigned to it to assure that repairs, which are within the warranties of the Company, is properly addressed.

Further, under the terms of the Company's CTS contracts, buyers may seek repairs for patent (i.e., observable) defects in new homes prior to their acceptance of the residential unit. If the defect is latent (i.e., non-observable), customers may seek repairs within one (1) year from the date the housing unit was turned over to them for occupancy.

The Company has a number of related-party transactions with affiliated companies.

The companies controlled by the principal owners have a number of commercial transactions with the Company. The Company had entered into a number of transactions with its related parties, which primarily consist of advances and reimbursements of expenses and sale and purchase of real estate properties and development.

The transactions referred to above are described in Note ___ of the 2018 Audited Consolidated Financial Statements. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the principal owners. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its stakeholders. Conflicts of interest may also arise between the Company and the Selling Shareholders in a number of other areas relating to its businesses, including:

- Major business combinations involving the Company and its Subsidiaries;
- Plans to develop the respective businesses of the Company and its Subsidiaries; and
- Business opportunities that may be attractive to the Selling Shareholders and the Company.

The Company can provide no assurance that its related-party transactions will not have a material adverse effect on its business or results of operations.

All related-party transactions are executed with caution and guided judgement, and are properly documented.

The Company is highly dependent on the continued service of its directors, members of senior management and other key officers.

The Company's directors, members of its senior management, and other key officers have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. Key executives and members of management of the Company include Luis N. Yu, Jr. and Mariano D. Martinez, Jr.. If the Company loses the services of any such person and is unable to fill any vacant key executive or management positions with qualified candidates, or if the qualified individual takes time to learn the details of the Company, the Company's business and results of operations may be adversely affected.

The Company hired several executives, who are all graduates of Masters in Business Administration from Asian Institute of Management. These executives directly reports to the three (3) key executives and are currently assigned to different departments of the Company. A former employee of a non-government organization is now assigned as the Investors Relations Officer of the Company. Lastly, a former banker, with specialty on real estate, is assigned to Finance and Accounting group of the Company.

Any deterioration in the Company's employee relations could materially and adversely affect the Company's operations.

The Company's success depends partially on its ability to maintain a productive workforce. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's employee relations could have a material and adverse effect on the Company's financial condition and results of operations.

To date, there is no existing collective bargaining agreement between the Company and its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Company's relationship with its employee in general is satisfactory. The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations.

B. PROPERTIES

Project Development and Construction

Land Acquisition

Land acquisition offer to the Company and/or joint ventures begins with the Company making a marketability determination of the location of the property, based on the intended development. The Company has developed specific procedures to identify land that is suitable for its needs and performs market research to determine demand for housing in the markets it wishes to enter. These factors include:

- the general economic condition of the environment surrounding the property;
- suitable land must be located near areas with sufficient demand or that the anticipated demand can justify any development;
- the site's accessibility from nearby roads and major thoroughfares;
- the availability of utility infrastructure, such as electric transmission facilities, telephone lines and water systems; and
- the overall competitive landscape and the neighboring environment and amenities.

The Company also considers the feasibility of obtaining required governmental licenses, permits and authorizations, as well as adding necessary improvements and infrastructure including sewage, roads and electricity.

If the property passes the initial procedure, the Company then conducts due diligence on the property. The evaluation process focuses on the following major factors:

- legal documents (e.g. title) related to the property;
- property valuation;
- geographic location (i.e. proximity to public transportation);
- technical characteristics of the property (e.g., location of fault lines); and
- other factors impacting the suitability and feasibility of developing future projects.

Before the Company acquires land, it conducts extensive checks on both the owner and the land itself, with a particular focus on the veracity of the title covering the land and whether it can be traced back to the original judicial decree granting title over the land. As and when needed, the Company also engages third parties, such as surveyors and engineers, to verify that the land it seeks to acquire is covered by the technical description of the title. The Company also conducts its own valuation of the property based on, among other factors, other similar properties in the market and an assessment of the potential income derivable from any development suitable for the property. The Company also conducts engineering and environmental assessments in order to determine if the land is suitable for construction. The land must be topographically amenable to housing development.

After the second stage is passed, the Company then determines the fair price and terms for the acquisition and then negotiates with the land owner for the purchase.

Site Development and Construction

Once the land for a project site has been acquired by the Company, site development and construction work for the Company's projects are contracted out to qualified and accredited independent contractors. The Company's accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. The Company primarily contracts the Lasvazmun group of companies (consisting of Lasvazmun Homes, Inc. and Las Caerus Homes, Inc.) for construction work in Luzon, Iloilo and some parts of Cebu and the Conmax group of companies (consisting of Conmax Inc. and Creofab Inc.) for construction work in Davao and other parts of Cebu. Formal arrangements with both groups have been in effect since 2011, ensuring that both contractors are exclusive to the Company only. The Company maintains relationships with many contractors, including El Eloha Construction, Lasvazmun Homes, Inc., Las Caerus Homes, Inc., Conmax Inc., Creofab Inc., Panico Construction, Aconstruct Builders, Scheirman Construction Consolidated Inc., Megawide Construction Corp. ARSD Constructions Corp., AGS Contek and Development Corp., and Remso General Merchant Iloilo. Typically, these contractors are paid approximately twenty percent (20%) to twenty five (25%) initially as down payments, with sixty five percent (65%) to seventy percent (70%) paid on a turnkey basis and the remaining ten percent (10%) paid after three (3) months, retained as coverage for any faults.

The Company builds its horizontal subdivision units in five steps: [1] casting, [2] foundation preparation, [3] assembly, [4] roofing and retouching, and [5] finishing and detailing:

1. Construction begins with the casting process, which comprises setting molds and pre-casting the walls and ceiling slabs near the actual project site. The Company's pre-casting process utilizes the proprietary concrete mix developed by the Company internally, which produces concrete slabs that are approximately four (4) times stronger than typical concrete slabs used in the Philippines and dry in approximately twenty two (22) hours (compared to 21 days for standard casting).

2. Simultaneously, the foundation at the site is prepared and laid, comprising laying down reinforcing bars and allocations for wiring and pipes, setting hooks for the assembly stage and pouring the concrete mixture. This phase is completed in one (1) day.

3. At the assembly stage, cranes are used to lift the pre-cast components and erect the components in the foundation that is prepared while casting is still in progress. The ends of the components are welded together. This process also takes one day.

4. Roofing and retouching involves the addition of steel beams to support the roof, installation of the roof, and the retouching of rough edges in the concrete structure. This stage takes two (2) to three (3) days to complete.

5. Lastly, finishing and detailing takes four (4) to five (5) days to complete and involves smoothing out the walls, floors and ceilings of the unit, applying paint, and installing doors, windows, and electrical and plumbing fixtures.

The Company currently has capacity to develop up to twelve thousand nine hundred (12,900) units annually. The Company can further expand its capacity by increasing the number of its pre-fabrication molds without requiring significant additional investments in time or resources.

Having developed the processes used in the construction of its projects, the Company trains its contractors on these topics. The Company also sends its engineers to oversee critical functions in project construction to ensure the quality of work of its contractors.

Land Bank

As an integral part of its strategy, the Company believes that it maintains a land bank of sufficient size and nature to ensure that it has adequate land to cover its development requirements. The Company has invested in properties situated in what the Company believes are prime locations across the Philippines for existing and future low-cost Mass Housing and land development projects for the next four to five years, most of which is located in areas with close proximity to major roads and primary infrastructure, and aims to expand its land bank to cover development in the next seven to eight years. As of December 31, 2019, the Company had a land bank of approximately 630.11 hectares of raw land for the development of its various projects, with some properties subject to liens or encumbrances.

Details of the Company's raw land inventory as of December 31, 2019 are set out in the table below:

	In Hectares
Luzon	
Meycauayan, Bulacan	44.20
Cubao, Quezon City	0.43
Ortigas Ext, Pasig	13.23
San Mateo, Rizal	31.20
Batasan, Quezon City	17.04
Balara, Quezon City	17.60

Commonwealth, Quezon City	2.00
Alabang Zapote, Las Pinas City	4.80
Filinvest, Alabang	0.12
Otis, Mendiola	2.80
Yakal Makati	0.14
Juan Luna, Manila	0.13
Taft, Manila	0.08
Tanza Property	10.00
Montecello, Baguio	4.27
Subtotal Luzon	**148.04**
Visayas	
AS Fortuna, Banilad, Cebu	1.80
Guadalupe, Cebu	3.20
Leganes, Iloilo	25.40
Cebu Buss Park, Cebu	0.31
Vistamar, Cebu	0.18
Mactan, Cebu	44.90
Ormoc, Leyte	5.70
San Miguel, Iloilo	39.95
Granada, Bacolod	62.00
Talamban, Cebu	2.90
Monterazzas, Cebu	153.61
Subtotal Visayas	**339.95**
Mindanao	
Mulig, Davao	15.30
Quirino, Davao	0.71
Tigatto, Davao	24.83
Talomo, Davao	101.28
Subtotal Mindanao	**142.12**
Total Land Bank	**630.11**

The Company intends to continue to look for land in various parts of the Philippines for future development.

Property and Equipment

The following table summarizes the various real estate properties owned by the Company not intended for use as the site of future projects as of December 31, 2019:

Subsidiary and Property Description	Location	Present Use
8990 Housing		
8990 Corporate Center	Negros St., Cebu Business Park, Cebu City	The three-storey building sits on a property owned by L and D Realty Corp, an affiliate of the Company. It is used as the headquarters of 8990 Housing. A portion of the ground floor and some areas of the 3rd floor are leased out.
8990 Corporate Center	E. Quirino Ave., Davao City	The four-storey building serves as the Company's Davao branch. Some portions of the ground floor, the 3rd floor and the 4th floor are leased out.
3-hectare resort with the following amenities: clubhouse, swimming pool, basketball courts, mini soccer field and fishing lake	Tacunan, Davao City	Serves as additional amenities for the subdivision residents.
7-hectare Wakeboard Park	Mintal, Davao City	Wakeboard park with other amenities presently leased to Session Park
8990 Luzon		
12-hectare Wakeboard Park	Margot, Pampanga	Wakeboard park with other amenities presently leased to Session Park

Leases

The Company has an existing non-cancellable operating lease as a lessee covering its office premises with a term of one year and renewable annually. In 2019 and 2018, the Parent Company renewed the lease for another year.

In 2014, The Company entered into another non-cancellable operating lease as a lessee covering a corporate suite for a term of one year; expiring on June 22, 2015 which was renewed and expired in September 2016. It was no longer renewed but 8990 HDC took over the lease within a term expiring on June 21, 2017 with renewal option. In 2019 and 2018, 8990 HDC renewed the lease for another year.

FHI, 8990 HDC and 8990 LHDC entered into separate non-cancellable lease agreements for their office and parking spaces. Except for 8990 LHDC, the Group's lease periods ranges from two to three years, which are renewable thereafter upon mutual agreement of both parties. The lease of 8990 LHDC is renewable annually upon mutual agreement of the contracting parties.

The future minimum rentals payable under these operating leases as of December 31, 2018 are as follows:

Within one year	P 10,012,314
After one year but not more than three years	P 6,823,775
Total	P 16,836,089

C. LEGAL PROCEEDINGS

Neither the Company nor any of its Subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant Subsidiary's interests would have a material effect on the business or financial position of the Company or any of its Subsidiaries.

D. FINANCIAL INFORMATION

8990 HOLDINGS, INC AND SUBSIDIARIES
Unaudited Consolidated Statements of Financial Position as of 31 March 2020 (in Philippine Peso)

	31-Mar		31-Dec	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
ASSETS				
Current Assets				
Cash on hand and in banks	576,195,126	456,984,638	853,902,368	2,143,615,711
Current portion of trade and other receivables	4,558,614,849	3,633,112,293	4,406,960,663	3,158,894,392
Inventories	38,458,610,316	31,637,713,263	36,925,318,545	29,131,375,817
Due from related parties	1,971,609,868	1,492,896,696	1,230,669,970	1,007,656,721
Other current assets	4,424,849,457	4,162,342,363	4,377,768,039	4,262,146,435
Total Current Assets	49,989,879,616	41,383,049,252	47,794,619,585	39,703,689,076
Noncurrent Assets				
Trade and other receivables - net of current portion	19,139,627,867	17,364,185,667	17,790,085,254	17,268,916,719
Available for sale securities	1,212,863,555	1,349,484,111	1,212,863,555	1,349,484,111
Property and equipment	803,597,140	1,351,303,367	808,466,409	826,474,150
Investment properties	304,373,548	265,579,227	313,096,011	183,805,148
Goodwill	526,474,833	-	526,474,833	-
Other noncurrent assets	365,596,205	252,120,345	374,463,516	312,130,501
Total Noncurrent Assets	22,352,533,148	20,582,672,717	21,025,449,579	19,940,810,628
	72,342,412,764	61,965,721,969	68,820,069,163	59,644,499,705
LIABILITIES AND EQUITY				
Current Liabilities				
Current portion of trade and other payables	6,052,844,348	4,834,465,827	6,438,856,129	5,703,346,881
Current portion of loans payable	13,952,542,851	8,188,055,914	11,828,160,185	7,242,845,485
Bonds payable	8,391,497,498		8,385,745,688	
Deposits from customers	853,701,449	522,382,423	905,526,780	518,309,156
Due to related parties	78,688,308	338,302,472	83,767,452	56,974,725
Income tax payable	88,476,508	48,350,929	82,233,768	65,555,280
Total Current Liabilities	29,417,750,961	13,931,557,564	27,724,290,002	13,587,031,527
Noncurrent Liabilities				
Trade and other payables - net of current portion	1,059,949,361	60,099,037	1,059,949,361	190,176,308
Loans payable - net of current portion	6,790,621,778	8,777,487,856	5,756,697,041	7,764,234,753
Bonds payable	590,794,002	8,957,182,592	590,389,052	8,951,507,702
Deferred tax liability	869,986,728	354,420,711	869,986,728	201,168,505
Total Noncurrent Liabilities	9,311,351,867	18,149,190,197	8,277,022,181	17,107,087,268
Total Liabilities	38,729,102,828	32,080,747,761	36,001,312,184	30,694,118,795
Equity				
Capital Stock	5,567,990,720	5,567,990,720	5,567,990,720	5,567,990,720
Additional paid-in capital	9,303,641,204	9,303,641,204	9,303,641,204	9,303,641,204
Treasury Shares	(1,717,709,658)	(243,347,368)	(1,266,523,478)	
Revaluation reserve	794,938,306	937,243,793	794,938,306	937,243,793
Retained earnings	19,664,449,364	14,319,445,859	18,418,710,227	13,141,505,193
Total Equity	33,613,309,936	29,884,974,208	32,818,756,979	28,950,380,910
	72,342,412,765	61,965,721,969	68,820,069,163	59,644,499,705

8990 HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Comprehensive Income (in Philippine Peso)

	For three months ended March 31		For years ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
REVENUES				
Real Estate Operations				
Real estate sales	3,384,261,927	2,903,891,985	14,873,220,812	11,677,869,283
Rental income	1,398,870	1,292,690	16,469,214	12,508,357
Others	79,865,184	105,187,041	386,815,133	55,496,721
	3,465,525,982	3,010,371,716	15,276,505,158	11,745,874,362
Gain on Sale of Preferred Shares	-	-	-	-
	3,465,525,982	3,010,371,716	15,276,505,158	11,745,874,362
COST OF SALES AND SERVICES				
Real Estate Operations				
Cost of real estate sales	1,492,750,142	1,291,063,385	6,853,164,352	5,263,869,231
Cost of rental services	-	-	265,056	1,774,863
Others	50,035,965	40,808,636	157,331,927	16,335,911
	1,542,786,107	1,331,872,021	7,010,761,335	5,281,980,005
Gross Income	1,922,739,875	1,678,499,696	8,265,743,824	6,463,894,358
Operating Expenses	557,099,572	460,713,716	2,474,326,180	1,985,624,275
Other Operating Income	256,044,922	298,369,168	1,689,669,223	1,403,930,328
Finance Costs	269,338,731	292,825,288	1,621,737,017	1,204,575,440
Operating Income	1,352,346,493	1,223,329,859	5,859,349,850	4,677,624,970
Other Income	-	-	-	130,437
Income Before Income Tax from Continuing Operations	1,352,346,493	1,223,329,859	5,859,349,850	4,677,755,408
Provision for Income Tax	31,377,637	45,389,192	280,829,816	2,857,572
Net Income	1,320,968,857	1,177,940,666	5,578,520,034	4,674,897,835
Other Comprehensive Loss	-	-	(142,305,487)	83,935,932
Total Comprehensive Income	1,320,968,857	1,177,940,666	5,436,214,547	4,758,833,767

8990 HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Equity (in Philippine Peso)

	For the years ended March 31, 2020									
	Capital Stock	Subscribed Capital Stock	Treasury Shares	Additional Paid in Capital	on Post-employment Benefit Plan	Investment Securities thorugh FVOCI	Equity Reserve	Subtotal	Retained Earnings	Total
Balance at January 1, 2020	5,567,990,720	-	(1,266,523,478)	9,303,641,204	(5,620,730)	800,559,036	-	794,938,306	18,418,710,227	32,818,756,980
Cash dividends declared by the Parent Company								-	(75,229,720)	(75,229,720)
Restatement of previous years (Effect of PFRS15 adjustments on Genvi)								-		-
Treasury Shares			(451,186,180)					-		(451,186,180)
Other Comprehensive Income								-		-
Comprehensive income for the year								-	1,320,968,857	1,320,968,857
Balance at March 31, 2020	5,567,990,720	-	(1,717,709,658)	9,303,641,204	(5,620,730)	800,559,036	-	794,938,306	19,664,449,364	33,613,309,936
Balance at January 1, 2019	5,567,990,720	-		9,303,641,204	64,201	937,179,592		937,243,793	13,141,505,193	28,950,380,910
Cash dividends declared by the Parent Company								-	(301,315,000)	(301,315,000)
Restatement of previous years (Effect of PFRS15 adjustments on Genvi)								-		-
Treasury Shares			(1,266,523,478)					-		(1,266,523,478)
Other Comprehensive Income					(5,684,931)			(5,684,931)		(5,684,931)
Comprehensive income for the year						(136,620,556)		(136,620,556)	5,578,520,034	5,441,899,478
Balance at December 31, 2019	5,567,990,720	-	(1,266,523,478)	9,303,641,204	(5,620,730)	800,559,036	-	794,938,306	18,418,710,227	32,818,756,979
Balance at January 1, 2018										
As previously reported	5,567,990,720	-		9,303,641,204	(2,479,173)	-	-	(2,479,173)	11,832,097,031	26,701,249,782
Effect of adoption of PFRS 9						855,787,034		855,787,034	(53,451,381)	802,335,653
As restated	5,567,990,720	-		9,303,641,204	(2,479,173)	855,787,034	-	853,307,861	11,778,645,650	27,503,585,435
Cash dividends declared by the Parent Company	-	-		-			-	-	(3,336,209,896)	(3,336,209,896)
Comprehensive income for the year								-		-
Net income								-	4,674,897,835	4,674,897,835
Other comprehensive income					2,543,374	105,564,162		108,107,536		108,107,536
Transfer of fair value gain on investment securities at FVOCI	-	-		-		(24,171,604)	-	(24,171,604)	24,171,604	-
Balance at December 31, 2018	5,567,990,720	-		9,303,641,204	64,201	937,179,592	-	937,243,793	13,141,505,193	28,950,380,910

	For three months ended March 31, 2019									
	Capital Stock	Subscribed Capital Stock	Treasury Shares	Additional Paid in Capital	on Post-employment Benefit Plan	Investment Securities thorugh FVOCI	Equity Reserve	Subtotal	Retained Earnings	Total
Balance at January 1, 2019	5,567,990,720	-	-	9,303,641,204	64,201	937,179,592	-	937,243,793	13,141,505,193	28,950,380,910
Cash dividends declared by the Parent Company								-	-	-
Restatement of previous years (Effect of PFRS15 adjustments on Genvi)								-		-
Treasury Shares			(243,347,368)					-		(243,347,368)
Other Comprehensive Income								-		-
Comprehensive income for the year								-	1,177,940,666	1,177,940,666
Balance at March 31, 2019	5,567,990,720	-	(243,347,368)	9,303,641,204	64,201	937,179,592	-	937,243,793	14,319,445,859	29,884,974,208

8990 HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Cash Flows (in Philippine Peso)

	For three months ended March 31		For years ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,352,346,493	1,223,329,859	5,859,349,850	4,677,755,407
Adjustments for:				
Interest income	(213,435,495)	(267,627,146)	(1,217,507,161)	(1,212,646,509)
Finance cost	248,624,463	292,519,112	1,596,179,807	1,181,272,643
Write-off of assets	-	-	37,137,321	-
Provision for credit and impairment losses	-	-	112,394,407	74,788,837
Depreciation and amortization	22,561,732	22,550,077	110,338,448	73,826,233
Amortization of discount on bonds payable	6,156,759	5,674,890	24,627,038	23,085,294
Loss (gain) on repossession	-	-	(125,869,859)	97,680,357
Gain on sale of AFS				
Gain on sale of building and improvements	-	-		(130,437)
Retirement Expense	-	-	1,837,185	2,185,046
Operating income before changes in working capital	1,416,253,952	1,276,446,791	6,398,487,036	4,917,816,869
Changes in operating assets and liabilities				
Decrease (increase) in:				
Trade and other receivables	(1,501,196,799)	(569,486,849)	(1,330,792,994)	2,924,002,315
Inventories	(1,633,067,073)	(3,061,957,527)	(4,966,678,832)	(2,813,358,839)
Other assets	(38,214,108)	159,814,228	(659,650,525)	(2,051,701,326)
Increase (decrease) in:				
Trade and other payables	(386,011,781)	(998,958,324)	441,091,671	1,371,747,790
Deposits from customers	(51,825,331)	4,073,267	387,217,624	76,833,397
Net cash used in operations	(2,194,061,140)	(3,190,068,415)	269,673,980	4,425,340,206
Interest received	229,011,078	267,663,997	1,169,174,348	1,196,297,372
Income tax paid	(25,134,897)	90,658,663	(259,577,808)	(329,683,420)
Net cash from (used in) operating activities	(1,990,184,959)	(2,831,745,753)	1,179,270,520	5,291,954,158
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of business			(1,360,765,328)	(566,661,963)
Cash advance to related parties	(5,079,144)	281,327,747	(404,913,621)	(931,719,419)
Loans granted to a third party			(82,947,517)	(314,005,923)
Collections of advances to related parties			109,303,950	103,418,758
Interest received from loans to a third party			48,332,813	16,195,773
Acquisitions of:				
Property and equipment		(73,320,142)	(78,241,258)	(41,820,902)
Investment properties		-	(135,337,479)	(827,457)
Proceeds from (Acquisition of) Investment properties		(250,000)	-	-
Proceeds from:				
Sale of AFS				32,031,175
Disposal of property and equipment				466,410
Net cash used in investing activities	(5,079,144)	207,757,605	(1,904,568,440)	(1,702,923,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment (retirement) of loans payable	3,158,307,403	1,958,463,532	2,577,776,988	1,376,639,344
Interest paid on loans and bonds	(248,624,463)	(292,519,112)	(1,631,734,875)	(1,080,483,953)
Decrease (increase) in the amount of due from related partie	(740,939,898)	(485,239,975)	26,792,727	217,219,312
Buyback of shares (Treasury shares)	(451,186,180)	(243,347,368)	(1,266,523,478)	
Payment of cash dividends	-	-	(301,315,000)	(3,336,209,896)
Net cash provided by financing activities	1,717,556,862	937,357,077	(595,003,638)	(2,822,835,193)
Effect of changes in foreign exchange rates on hand and in b	-	-	-	-
Net increase (decrease) in cash on hand and in banks	(277,707,242)	(1,686,631,073)	(1,320,301,558)	766,195,416
Cash of newly acquired subsidiary			30,588,215	
Cash Balance at the beginning of the year	853,902,368	2,143,615,711	2,143,615,711	1,377,420,295
Cash Balance at the end of the year	576,195,126	456,984,638	853,902,368	2,143,615,711

Revenue

8990 Holdings, Inc.'s (the Company) sales primarily comprise revenues received from its sales of low-cost mass housing units and subdivision lots and medium-rise building housing units, as well as revenues derived from its rental and hotel operations.

Cost of Sales and Services

Cost of sales and services comprises of the Company's costs of sales from its low-cost mass housing sales of housing units and subdivision lots, costs of sales from sales of medium-rise condominium units, costs of sales from sales of medium-rise condominium units, and costs of sales from rental and hotel operations.

Operating Expenses

Operating expenses generally include selling and administrative costs that are not directly attributable to the services rendered. Operating expenses of the Company comprise expenses related to marketing and selling, documentation, taxes and licenses, salaries and employment benefits, write-off of assets, provisions for impairment losses, management and professional fees, communication, light and water, provisions for probable losses, security, messengerial and janitorial services, depreciation and amortization, transportation and travel, repairs and maintenance, rent, entertainment, amusement and representation, supplies, provisions for write-down, subscription dues and fees and miscellaneous expenses (such as extraordinary documentation expenses, liquidation and donation expenses, as well as other expenses).

Finance Costs

Finance costs comprise costs associated with the Company's borrowings, accretion of interest, bank charges and net interest expense on its pension obligations.

Other Income

Other income comprises the Company's interest income from its installment contract receivables, cash in bank and long-term investments. Other income of the Company also comprises income from water supply, gain on repossession of delinquent units and associated penalties, rent income, collection service fees and other miscellaneous income (such as gain from sales cancellations, retrieval fees, association due and transfer fee). The Company also recorded other gains and losses such as a gain from the sale of unquoted debt security classified as loans, and other expenses such as a loss on the sale of a subsidiary.

Provision for Income Tax

Provision for income tax comprises the Company's provisions for regular and minimum corporate income taxes, final taxes to be paid as well as deferred income tax liabilities recognized.

Results of Operations

Three months ended March 31, 2020 compared to three months ended March 31, 2019

Revenue

For the three months ended March 31, 2020, the Company recorded consolidated revenue of PhP3,465.5 million, an increase of 15% from consolidated revenue of PhP3,010.4 million recorded for the three months ended March 31, 2019. The increase was mainly attributable to the increased sales in NCR, Bacolod and Davao.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the three months ended March 31, 2020 was PhP1,542.8 million, an increase of 16% from consolidated cost of sales and services of PhP1,331.9 million recorded for the three months ended March 31, 2019. The increase was mainly attributable to increased sales recorded for the period.

Gross Income

The Company's consolidated gross income for the three months ended March 31, 2020 was PhP1,922.7 million, an increase from consolidated gross income of PhP1,678.5 million recorded for the three months ended March 31, 2019. The Company's gross income margin for the three months ended March 31, 2020 was 555%, compared to a gross income margin of 55.8% recorded for the three months ended March 31, 2019. The Company attributes its strong and maintained gross income margin to its sound internal financial planning policies with respect to land banking activities and project budgeting process.

Operating Expenses

For the three months ended March 31, 2020, the Company recorded consolidated operating expenses of PhP557.1 million, an increase of 21% from consolidated operating expenses of PhP460.7 million recorded for the three months ended March 31, 2019.

Finance Costs

The Company's consolidated finance costs for the three months ended March 31, 2020 were PhP269.3 million, a decrease from consolidated finance costs of PhP292.8 million recorded for the three months ended March 31, 2019. The decrease was mainly attributable to decreased interest charged compared to same period last year.

Other Operating Income

For the three months ended March 31, 2020, the Company recorded consolidated other income of PhP256.0 million, a decrease from the consolidated other income of PhP298.4 million recorded for the three months ended March 31, 2019. Interest income on the Company's installment contract receivables under its CTS Gold program contributes to the majority of the other income.

Income before Income Tax

The Company's consolidated income before income tax for the three months ended March 31, 2020 was PhP1,352.3 million, an increase from consolidated income before income tax of PhP1,223.3 million recorded for the three months ended March 31, 2019.

Provision for Income Tax

The Company's consolidated provision for income tax for the three months ended March 31, 2020 was PhP31.4 million, a decrease from consolidated provision for income tax of PhP45.4 million recorded for the three months ended March 31, 2019. The increase was mainly attributable to the Company's increased other income which are subject to income tax.

Net Income

As a result of the foregoing, the Company's consolidated net income for the three months ended March 31, 2020 was PhP1,321.0 million, a 12% increase from consolidated net income of PhP1,177.9 million recorded for the three months ended March 31, 2019. The Company's consolidated net income margin for the three months ended March 31, 2020 was 38.1%, compared to a consolidated net income margin of 39.1% for the three months ended March 31, 2019.

Financial Position

As at March 31, 2020 compared to as at March 31, 2019

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were PhP576.2 million as at March 31, 2020, an increase from consolidated cash on hand and in banks of PhP457.0 million as at March 31, 2019.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were PhP4,558.6 million as at March 31, 2020, an increase from consolidated current portion of trade and other receivables of PhP3,633.1 million as at March 31, 2019.

Inventories

The Company's consolidated inventories were PhP38,464.2 million as at March 31, 2020, an increase of 22% from consolidated inventories of PhP31,637.7 million as at March 31, 2019. The increase is due to increased inventory for low cost mass housing projects.

Due from related parties

The Company's consolidated due from related parties were PhP1,971.6 million as at March 31, 2020, an increase from consolidated due from related parties of PhP1,492.9 million as at March 31, 2019.

Other current assets

The Company's consolidated other current assets were PhP4,424.8 million as at March 31, 2020, an increase from consolidated other current assets of PhP4,162.3 million as at March 31, 2019, primarily due to increased advances to contractors in relation to construction on the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were PhP19,139.6 million as at March 31, 2020, a 10% increase from consolidated trade and other receivables - net of current portion of PhP17,364.2 million as at March 31, 2019. The increase was due to additional sales which availed of in-house financing scheme.

Property and equipment

The Company's consolidated property and equipment was PhP803.6 million as at March 31, 2020, a decrease from consolidated property and equipment of PhP1,351.3 million as at March 31, 2019.

Investment properties

The Company's consolidated investment properties were PhP304.4 million as at March 31, 2020, an increase from consolidated investment properties of PhP265.6 million as at March 31, 2019.

Other noncurrent assets

The Company's other noncurrent assets were PhP365,6 million as at March 31, 2020, an increase from other noncurrent assets of PhP252.1 million as at March 31, 2019.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were PhP6,052.8 million as at March 31, 2020, an increase from consolidated current portion of trade and other payables of PhP4,834.5 million as at March 31, 2019. The increase is mainly due to increased advances to contractors for downpayment of projects as well as increased accrued expenses for the accruals made in relation to recognition of sales.

Current portion of loans payable

The Company's consolidated current portion of loans payable were PhP13,952.5 million as at March 31, 2020, an increase from consolidated current portion of loans payable of PhP8,188.1 million as at March 31, 2019. The increase was due to increased short-term borrowing of the Company.

Deposits from customers

The Company's consolidated deposits from customers were PhP853.7 million as at March 31, 2020, an increase from consolidated deposits from customers of PhP522.4 million as at March 31, 2019. Increase were due to increased equity collections from Urban Deca Homes Ortigas project.

Due to related parties

The Company's consolidated due to related parties were PhP78.7 million as at March 31, 2020, a decrease from consolidated due to related parties of PhP338.3 million as at March 31, 2019.

Income tax payable

The Company's consolidated income tax payable was PhP88.5 million as at March 31, 2020, an increase from consolidated income tax payable of PhP48.4 million as at March 31, 2019.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were PhP1,059.9 million as at March 31, 2020, an increase from consolidated trade and other payables - net of current portion of PhP60.1 million as at March 31, 2019. The increase is due to recognition of contract liabilities amounting to PhP858.3 million in relation to sold but uncompleted units for Monterazzas de Cebu project by Genvi Development Corporation and Urban Deca Homes Ortigas by 8990 Housing Development Corporation.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was PhP6,790.6 million as at March 31, 2020, a decrease from consolidated loans payable - net of current portion of PhP8,777.5 million as at March 31, 2019.

Deferred tax liability

The Company's consolidated deferred tax liability was PhP870.0 million as at March 31, 2020, an increase from consolidated deferred tax liability of PhP354.4 million as at March 31, 2019. This deferred tax liability was attributable to uncollected revenue as most of the revenue recognition were under in-house financing scheme.

Liquidity and Capital Resources

The Company mainly relies on the following sources of liquidity: [1] cash flow from operations, [2] cash generated from the sale or transfer of receivables to private financial institutions such as banks or to government housing related institutions such as the Home Development Mutual Fund ("PAG-IBIG"), and [3] financing lines provided by banks. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Company is current on all of its loan accounts, and has not had any issues with banks to date. The Company does not anticipate having any cash flow or liquidity problems over the next twelve (12) months. The Company is not in breach or default on any loan or other form of indebtedness.

The Company expects to meet its operating assets and liabilities, capital expenditure, dividend payment and investment requirements for the next twelve (12) months primarily from its operating cash flows, borrowings and proceeds of the shares issuance. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Cash Flows

Cash flow used in operating activities

The Company's consolidated net cash from operating activities is primarily affected by the revenues generated from its operations, primarily the sale of residential housing units, subdivision lots and MRB condominium units. The Company's consolidated net cash used in operating activities were PhP1,990.2 million and for the period ended March 31, 2020 and consolidated net cash from operating activities were PhP2,831.7 million for the period ended March 31, 2019.

Cash flows used in investing activities

Consolidated net cash flow used in investing activities for the period ended March 31, 2019 were PhP5.1 million, and consolidated net cash provided by investing activities for the period ended March 31, 2019 were PhP207.8 million.

For the three months ended March 31, 2020, consolidated net cash flow used in investing activities reflected acquisitions of land for future development, investment in shares, as well as purchases of property and equipment.

Cash flow provided by financing activities
Consolidated net cash flow provided by financing activities for the period ended March 31, 2020 were PhP1,717.6 million, and consolidated net cash flow used in financing activities for the period ended March 31, 2019 were PhP937.4 million.

E. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Factors Affecting Results of Operations

The Company's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and which the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's results of operations and financial condition in the future. See Risk Relating to the Company's Business.

General Global and Philippine Economic Conditions and the Condition of the Philippine Real Estate and Residential Housing Markets

The Company derives substantially all of its revenue from its mass housing development activities in the Philippines. The Philippine real estate and housing markets have historically been affected by the prevailing economic conditions in the Philippines, which may also be affected by the economic conditions in other parts of the world. Accordingly, the Company's results of operations may be significantly affected by the state of the global and Philippine economies generally and specifically the Philippine property and housing markets. The Philippine real estate and housing markets have historically been subject to cyclical trends, and property values have been affected by the supply of and demand for comparable properties, the rate of economic growth, the rate of unemployment and political and social developments in the Philippines. Demand for new residential projects in the Philippines has historically also been affected by, among other things, prevailing political, social and economic conditions in the Philippines, including overall growth levels, the value of the Philippine peso and interest rates, as well as the strength of the economy in other parts of the world, given that a substantial portion of demand comes from overseas Filipino workers. Furthermore, as the Company continues expanding its business, these operations will also be increasingly affected by general conditions in the global and Philippine economies. As a result, the Company expects that its results of operations will continue to vary from period to period largely as a result of general global and Philippine economic conditions.

Collection of Receivables

The Company's results of operations are also affected to a significant degree by the success and efficiency of its collection of receivables from its customers. If the Company experiences any significant delays or defaults on its collection of receivables, it could experience liquidity issues. In addition, a significant number of defaults may result in the Company taking on a significant amount of inventory for the housing units it would repossess from customers. In such an instance, there can be no guarantee that the Company will be able to dispose of these units quickly and at acceptable prices. Any of these occurrences in relation to failure to collect receivables from its customers in a timely manner or at all may have a material adverse effect on the Company's liquidity, financial condition and results of operations.

Liquidity Risk Management

To better manage its liquidity risk, interest risk, as well as improve its cash conversion cycle, the Company typically enters into take-out arrangements with PAG-IBIG where it will transfer its CTS Gold Convertible receivables within four (4) years in exchange for cash. As of the date of this report, the Company has submitted to PAG-IBIG approximately four thousand seven hundred (4,700) CTS receivables, equivalent to approximately PhP4 billion. These accounts are currently being processed by PAG-IBIG, and at various stages of cycle completion. The acceptance or rejection of a CTS receivable by PAG-IBIG is based on certain guidelines of PAG-IBIG such as employment, number of contributions made by the homeowner/PAG-IBIG member and net disposable income, among other factors. The Company believes that substantially all of its requests for take-outs have been accepted by PAG-IBIG. However, in the event that a material number of take-up applications are delayed or even denied, the Company's cashflow and recognized revenues could be materially affected. Moreover, the conversion into cash of the Company CTS receivable as a result of take-ups by PAG-IBIG also affects the Company's results of operations. As greater amount of CTS receivables are converted due to the Company's take-up arrangements, the Company's finance income and receivables decrease while its cash balances correspondingly increase.

In addition to its receivables take-up arrangements with institutions such as PAG-IBIG, the Company also regularly adopts other measures to manage its level of receivables from its housing sales, as well as to generate cash necessary for operations. For example, the Company from time to time enters into loan arrangements with banks against its receivables portfolio as collateral. In addition, the Company also from time to time sells receivables to banks and other financial institutions on a non-recourse basis. The Company has also begun to explore possible securitization transactions with respect to its receivables portfolio. The success of any of these receivable management measures, depending on the amount involved and terms agreed, may affect the Company's results of operations in terms of its liquidity and the levels of its receivable assets.

Interest Rates

The Company generally charges its customers an annual interest rate of nine and a half percent (9.5%) on their housing loans under the CTS program. The Company's financing arrangements with commercial banks and other financial institutions are typically on a fixed interest basis, with interest rates typically averaging approximately six percent (6%) or seven percent (7%) per annum. As the Company typically only needs to borrow approximately half of the amount of loans it grants to its customers, the Company believes that it is substantially protected against fluctuations of interest rates in the market. However, in cases of extraordinary increases in interest rates, such as during the Asian financial crisis of the late 1990s or the global economic downturn of 2008, the Company's financial position and results of operations could be adversely affected.

Tax Incentives and Exemptions

As a developer of low-cost housing with mass housing unit price points not exceeding PhP1.9 million (for lots only) or PhP2.2 million (for residential house and lots or other residential dwellings), the Company benefits from an exemption on VAT under current tax laws and regulations. Furthermore, the accreditation of the Company's projects with unit price between PhP450,000 and PhP3,000,000 with the BOI as under the IPP allows each accredited project to enjoy certain tax incentives. For each accredited project, the Company's sales of low cost subdivision lots and housing units are currently not subject to corporate income tax. Also, the Company's projects with unit price of PhP450,000 and under are considered socialized housing projects and enjoy income tax free status by virtue of Republic Act No. 7279. As such, the Company's sales of low cost subdivision lots and housing units are currently not subject to twelve percent (12%) VAT, and corporate income tax. In the event that the Company loses these tax exemptions or incentives or its tax holiday lapses or is not renewed, these sales would become subject to VAT and corporate income tax. These prospective tax charges will directly affect the Company's net income, and the Company expects that any changes in regulatory and tax policy and applicable tax rates may affect its results of operations from time to time.

Price Volatility of Construction Materials and Other Development Costs

The Company's cost of sales is affected by the price of construction materials such as steel, tiles and cement, as well as fluctuations in electricity and energy prices. While the Company, as a matter of policy, attempts to fix the cost of material components in its agreements with contractors, in cases where demand for steel, tiles and cement are high or when there are shortages in supply, the contractors the Company hires for construction or development work may be compelled to raise their contract prices. With respect to electricity, higher prices generally result in a corresponding increase in the Company's overall development costs. As a result, rising costs for any construction materials or in the price of electricity will impact the Company's construction costs, cost of sales and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Company's products and the relative affordability of such products, particularly as a mass housing developer. This could reduce the Company's profitability.

With regard to sales of subdivision house and lots, if the actual cost of completing the development of a particular project exceeds the Company's estimates, any increase in cost is recorded as part of the cost of sales of subdivision house and lots in the same project. This means that the cost of sales for future sales in the same project will be higher.

Availability of Suitable Land for Development

The Company meticulously selects the sites for its mass housing development projects, typically undergoing a research process of anywhere from six (6) months to one (1) year before deciding to acquire land for its contemplated developments. After initializing projects in the Visayas and Mindanao, the Company is currently looking to expand its footprint in Luzon, and also the Metro and Greater Manila areas. To this end, the Company is currently examining its options for the acquisition of parcels of land in these areas. The Company selects the location of its developments based on numerous factors, such as proximity to public transportation hubs and employment areas, as well as vicinity to retail and other commercial establishments, among others. That said, properties which meet all these criteria may not be available for the price the Company is willing to pay, or the Company may encounter competing offers from other developers who may have more resources at their disposal. If the Company is unable to acquire or select the optimal parcels of land for its development projects and expansion plans or is unable to successfully grow and manage its land bank, its ability to meet its revenue and growth targets may be adversely affected.

Demand for Residential Properties

The Company has benefited from greater demand for residential properties resulting from, among other factors, growth of the Philippine economy, increasing number of Filipinos investing in the Philippine real estate market, strong levels of OFW remittances and increasing demand from expatriate Filipinos. In addition, the Company has also benefited specifically from the underserved backlog for mass housing in the Philippines in recent years. The increased demand for residential properties has been a significant factor in the Company's increased revenues and profits over the last three (3) years. In response to these developments, the Company has further increased the number of mass housing development projects. The Company has also begun to offer new mass housing residential products, such as condominiums, to address potential demand from specific target markets. It is unclear whether the demand for housing in the Philippines will remain high or continues to grow, or whether the demand for the Company's products will reach the levels anticipated by the Company. Negative developments with respect to demand for housing in the Philippines would in turn have a negative effect on the Company's operational results. Conversely, positive developments in housing demand would likely positively contribute to the Company's operational results as observed in the past.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of the Company's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. To provide an understanding of how the Company's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, the critical accounting policies discussed below have been identified. While the Company believes that all aspects of its financial statements should be studied and understood in assessing its current and expected financial condition and results of operations, the Company believes that the following critical accounting policies warrant particular attention. For more information, see Notes 2 and 3 to the Company's 2019 Audited Consolidated Financial Statements.

DESCRIPTION OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Company's sales and other income line items for the periods indicated.

	2017	2018	2019
	₱	₱	₱
		(Audited)	
		(millions)	
Revenue	10,181.7	11,745.9	15,276.5
Cost of Sales and Services	(4,523.3)	(5,282.0)	(7,010.8)
Gross Income	5,658.4	6,463.9	8,265.7
Operating Expenses	(1,684.3)	(1,985.6)	(2,474.3)
Net Operating Income	3,974.1	4,478.3	5,791.4
Finance Costs	(1,134.3)	(1,204.6)	(1,621.7)
Other Income	1,597.3	1,404.1	1,689.7
Income before Income Tax	4,437.1	4,677.8	5,859.3
Provision for Income Tax	(298.4)	(2.9)	(280.9)
Net Income	4,138.8	4,674.9	5,578.5

2017	2018	2019
₽	₽	₽
	(Audited)	

Revenue

The Company's revenue primarily comprises of those received from its sales of low-cost Mass Housing units and subdivision lots and medium-rise building housing units, rental services and other incidental income relating to its real estate operations, as well as revenues derived from its timeshare and hotel operations.

Cost of Sales and Services

Cost of sales and services comprise (i) the Company's costs of sales from its low-cost Mass Housing sales of housing units and subdivision lots, costs of sales from sales of MRB condominium units and costs of sales from sales of timeshares; (ii) cost of rental services; and (iii) the Company's costs of services from its hotel operations (including room and food and beverage sales).

Operating Expenses

Operating expenses generally include selling and administrative costs that are not directly attributable to the services rendered. Operating expenses of the Company comprise expenses related to marketing and selling, documentation, taxes and licenses, salaries and employment benefits, write-off of assets, provisions for impairment losses, management and professional fees, communication, light and water, provisions for probable losses, security, messengerial and janitorial services, depreciation and amortization, transportation and travel, repairs and maintenance, rent, entertainment, amusement and representation, supplies, provisions for write-down, subscription dues and fees and miscellaneous expenses (such as extraordinary documentation expenses, liquidation and donation expenses, as well as other expenses).

Finance Costs

Finance costs comprise costs associated with the Company's borrowings, accretion of interest, bank charges and net interest expense on its pension obligations.

Other Income

Other income comprises the Company's interest income from its installment contract receivables, cash in bank and long-term investments. Other income of the Company also comprises income from water supply, gain on repossession of delinquent units and associated penalties, rent income, collection service fees and other miscellaneous income (such as gain from sales cancellations, retrieval fees, association due and transfer fee). The Company also recorded other gains and losses such as a gain from the sale of unquoted debt security classified as loans, and other expenses such as a loss on the sale of a subsidiary.

Provision for Income Tax

Provision for income tax comprises the Company's provisions for regular and minimum corporate income taxes, final taxes to be paid as well as provision for deferred income tax recognized.

<u>Results of Operations</u>

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue

For the year ended December 31, 2019, the Company recorded consolidated revenue of ₱15,276.5 million, an increase of 30% from consolidated sales of ₱11,745.9 million recorded for the year ended December 31, 2018. The increase was mainly attributable to increased real estate sales. The Company's real estate sales generated ₱14,873.2 million in revenues for the year ended December 31, 2019, an increase of 27% from the ₱11,677.9 million in revenues recorded for the year ended December 31, 2018. The improvement was mainly due to an increase in average selling price of units sold for the year, supported by the growing nationwide market acceptance of the Company's CTS Gold program. The Company's rental income generated ₱16.5 million in revenues for the year ended December 31, 2019, an increase from the ₱12.5 million rental income for the year ended December 31, 2018.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the year ended December 31, 2019 was ₱7,010.8 million, an increase of 33% from consolidated cost of sales and services of ₱5,282.0 million recorded for the year ended December 31, 2018. The increase was mainly attributable to increases in costs of real estate operations, consistent with the sales growth of these segments.

Gross Income

The Company's consolidated gross income for the year ended December 31, 2019 was ₱8,265.7 million, an increase of 28% from consolidated gross income of ₱6,463.9 million recorded for the year ended December 31, 2018. The Company's gross income margin for the year ended December 31, 2019 was 54%, compared to a gross income margin of 55% recorded for the year ended December 31, 2018. The Company attributes its strong and steady gross income margin to its sound internal financial planning policies with respect to landbank acquisition and project budgeting process.

Operating Expenses

For the year ended December 31, 2019, the Company recorded consolidated operating expenses of ₱2,474.3 million, an increase of 25% from consolidated operating expenses of ₱1,985.6 million recorded for the year ended December 31, 2018.

Finance Costs

The Company's consolidated finance costs for the year ended December 31, 2019 were ₱1,621.7 million, an increase from consolidated finance costs of ₱1,204.6 million recorded for the year ended December 31, 2018. The increase was mainly attributable to higher interest rate for the Company's loan from creditor banks, and high interest for bonds payable as it is long term in nature.

Other Operating Income

For the year ended December 31, 2019, the Company recorded consolidated other income of ₱1,689.7 million, an increase from ₱1,403.9 million recorded for the year ended December 31, 2018. The increase was mainly attributable to increase interest income on the Company's cash in banks and short-term placements and loans receivable.

Income before Income Tax

The Company's consolidated income before income tax for the year ended December 31, 2019 was ₱5,859.3 million, an increase from consolidated income before income tax of ₱4,677.8 million recorded for the year ended December 31, 2018.

Provision for Income Tax

The Company's consolidated provision for income tax for the year ended December 31, 2019 was ₱280.8 million, an increase from consolidated provision for income tax of ₱2.9 million recorded for the year ended December 31, 2018.

Net Income

As a result of the foregoing, the Company's consolidated net income for the year ended December 31, 2019 was ₱5,578.5 million, an increase of 19% from consolidated net income of ₱4,674.9 million recorded for the year ended December 31, 2018. The Company's consolidated net income margin for the year ended December 31, 2019 was 37% while 2018 recorded 40%.

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenue

For the year ended December 31, 2018, the Company recorded consolidated revenue of ₱11,745.9 million, an increase of 15% from consolidated sales of ₱10,181.8 million recorded for the year ended December 31, 2017. The increase was mainly attributable to increased real estate sales. The Company's real estate sales generated ₱11,677.9 million in revenues for the year ended December 31, 2018, an increase of 15% from the ₱10,170.8 million in revenues recorded for the year ended December 31, 2017. The improvement was mainly due to an increase in average selling price of units sold for the year, supported by the growing nationwide market acceptance of the Company's CTS Gold program. The Company's rental income generated ₱12.5 million in revenues for the year ended December 31, 2018, an increase from the ₱10.2 million rental income for the year ended December 31, 2017.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the year ended December 31, 2018 was ₱5,282.0 million, an increase of 17% from consolidated cost of sales and services of ₱4,523.3 million recorded for the year ended December 31, 2017. The increase was mainly attributable to increases in costs of real estate operations, consistent with the sales growth of these segments.

Gross Income

The Company's consolidated gross income for the year ended December 31, 2018 was ₱6,463.9 million, an increase of 14% from consolidated gross income of ₱5,658.4 million recorded for the year ended December 31, 2017. The Company's gross income margin for the year ended December 31, 2018 was 55%, compared to a gross income margin of 56% recorded for the year ended December 31, 2017. The Company attributes its strong and steady gross income margin to its sound internal financial planning policies with respect to landbank acquisition and project budgeting process.

Operating Expenses

For the year ended December 31, 2018, the Company recorded consolidated operating expenses of ₱1,985.6 million, an increase of 18% from consolidated operating expenses of ₱1,684.3 million recorded for the year ended December 31, 2017.

Finance Costs

The Company's consolidated finance costs for the year ended December 31, 2018 were ₱1,204.6 million, an increase from consolidated finance costs of ₱1,134.3 million recorded for the year ended December 31, 2017. The increase was mainly attributable to higher interest rate for the Company's loan from creditor banks, and high interest for bonds payable as it is long term in nature.

Other Operating Income

For the year ended December 31, 2018, the Company recorded consolidated other income of ₱1,403.9 million, a decrease from ₱1,576.0 million recorded for the year ended December 31, 2017. The decrease was mainly attributable to decreased interest income on the Company's lower level of installment contract receivables under its CTS Gold program during the year, consistent with its higher sales volumes.

Income before Income Tax

The Company's consolidated income before income tax for the year ended December 31, 2018 was ₱4,677.8 million, an increase from consolidated income before income tax of ₱4,437.1 million recorded for the year ended December 31, 2017.

Provision for Income Tax

The Company's consolidated provision for income tax for the year ended December 31, 2018 was ₱2.9 million, a decrease from consolidated provision for income tax of ₱298.4 million recorded for the year ended December 31, 2017.

Net Income

As a result of the foregoing, the Company's consolidated net income for the year ended December 31, 2018 was ₱4,674.9 million, an increase of 13% from consolidated net income of ₱4,138.8 million recorded for the year ended December 31, 2017. The Company's consolidated net income margin for the year ended December 31, 2018 and 2017 were both 40%.

Year ended December 31, 2017 compared to year ended December 31, 2016

Revenue

For the year ended December 31, 2017, the Company recorded consolidated revenue of ₱10,181.7 million, an increase of 10% from consolidated sales of ₱9,121.5 million recorded for the year ended December 31, 2016. The increase was mainly attributable to increased real estate sales. The Company's real estate sales generated ₱10,170.8 million in revenues for the year ended December 31, 2017, an increase of 12% from the ₱9,109.3 million in revenues recorded for the year ended December 31, 2016. The improvement was mainly due to an increase in average selling price of units sold for the year, supported by the growing nationwide market acceptance of the Company's CTS Gold program. The Company's rental income generated ₱10.9 million in revenues for the year ended December 31, 2017, a decrease from the ₱12.2 million rental income for the year ended December 31, 2016.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the year ended December 31, 2017 was ₱4,523.3 million, an increase of 6% from consolidated cost of sales and services of ₱4,198.1 million recorded for the year ended December 31, 2016. The increase was mainly attributable to increases in costs of real estate operations, consistent with the sales growth of these segments.

Gross Income

The Company's consolidated gross income for the year ended December 31, 2017 was ₽5,658.4 million, an increase of 15% from consolidated gross income of ₽4,923.4 million recorded for the year ended December 31, 2016. The Company's gross income margin for the year ended December 31, 2017 was 56%, compared to a gross income margin of 54% recorded for the year ended December 31, 2016. The Company attributes its strong and steady gross income margin to its sound internal financial planning policies with respect to landbank acquisition and project budgeting process.

Operating Expenses

For the year ended December 31, 2017, the Company recorded consolidated operating expenses of ₽1,684.3 million, an increase of 4% from consolidated operating expenses of ₽1,615.0 million recorded for the year ended December 31, 2016.

Finance Costs

The Company's consolidated finance costs for the year ended December 31, 2017 were ₽1,134.3 million, an increase from consolidated finance costs of ₽963.3 million recorded for the year ended December 31, 2016. The increase was mainly attributable to higher interest rate for the Company's loan from creditor banks, and high interest for bonds payable as it is long term in nature.

Other Income

For the year ended December 31, 2017, the Company recorded consolidated other income of ₽1,576.0 million, an increase from ₽1,535.9 million recorded for the year ended December 31, 2016. The increase was mainly attributable to interest income on the Company's higher level of installment contract receivables under its CTS Gold program during the year, consistent with its higher sales volumes.

Income before Income Tax

The Company's consolidated income before income tax for the year ended December 31, 2017 was ₽4,437.1 million, an increase from consolidated income before income tax of ₽4,023.5 million recorded for the year ended December 31, 2016.

Provision for Income Tax

The Company's consolidated provision for income tax for the year ended December 31, 2017 was ₽298.4 million, a decrease from consolidated provision for income tax of ₽448.9 million recorded for the year ended December 31, 2016.

Net Income

As a result of the foregoing, the Company's consolidated net income for the year ended December 31, 2017 was ₽4,140.9 million, an increase of 14% from consolidated net income of ₽3,575.0 million recorded for the year ended December 31, 2016. The Company's consolidated net income margin for the year ended December 31, 2017 was 40%, compared to a consolidated net income margin of 39% for the year ended December 31, 2016.

<u>Financial Position</u>

As at December 31, 2019 compared to as at December 31, 2018

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were ₽853.9 million as at December 31, 2019, a decrease of 60% from consolidated cash on hand and in banks of ₽2,143.6 million as at December 31, 2018.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were ₽4,407.0 million as at December 31, 2019, a 40% increase from consolidated current portion of trade and other receivables of ₽3,158.9 million as at December 31, 2018.

Inventories

The Company's consolidated inventories were ₽36,925.3 million as at December 31, 2019, an increase of 27% from consolidated inventories of ₽29,131.4 million as at December 31, 2018. The increase was due mainly to the reclassification of lands previously classified as held for future development to inventories subsequent to the commencement of construction of development projects on such land, and work in progress inventories relating to high rise building project in Urban Deca Homes Manila and Urban Deca Homes Oritigas.

Due from related parties

The Company's consolidated due from related parties were ₽1,230.7 million as at December 31, 2019, an increase of 22% from consolidated due from related parties of ₽1,007.7 million as at December 31, 2018.

Other current assets

The Company's consolidated other current assets were ₽4,377.8 million as at December 31, 2019, an increase of 3% from consolidated other current assets of ₽4,262.1 million as at December 31, 2018, primarily due to increased advances to contractors in relation to construction of the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were ₽17,790.1 million as at December 31, 2019, an increase from consolidated trade and other receivables-net of current portion of ₽17,269.0 million as at December 31, 2018.

Property and equipment

The Company's consolidated property and equipment was ₽808.5 million as at December 31, 2019, a decrease of 2% from consolidated property and equipment of ₽826.5 million as at December 31, 2018.

Investment properties

The Company's consolidated investment properties were ₱313.1 million as at December 31, 2019, an increase from consolidated investment properties of ₱183.8 million as at December 31, 2018.

Other noncurrent assets

The Company's consolidated other noncurrent assets were ₱374.5 million as at December 31, 2019, an increase from consolidated other noncurrent assets of ₱312.1 million as at December 31, 2018.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were ₱6,438.9 million as at December 31, 2019, an increase from consolidated current portion of trade and other payables of ₱5,703.3 million as at December 31, 2018.

Current portion of loans payable

The Company's consolidated current portion of loans payable were ₱11,828.2 million as at December 31, 2019, an increase of 63% from the consolidated current portion of loans payable of ₱7,242.8 million as at December 31, 2018.

Deposits from customers

The Company's consolidated deposits from customers were ₱905.5 million as at December 31, 2019, an increase of 75% from consolidated deposits from customers of ₱518.3 million as at December 31, 2018.

Due to related parties

The Company's consolidated due to related parties were ₱83.8 million as at December 31, 2019, an increase from consolidated due to related parties of ₱57.0 million as at December 31, 2018.

Income tax payable

The Company's consolidated income tax payable was ₱82.2 million as at December 31, 2019, an increase from consolidated income tax payable of ₱65.6 million as at December 31, 2018.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were ₱1,060.0 million as at December 31, 2019, an increase from consolidated trade and other payables - net of current portion of ₱190.2 million as at December 31, 2018.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was ₱5,756.7 million as at December 31, 2019, a decrease from consolidated loans payable - net of current portion of ₱7,764.2 million as at December 31, 2018.

Deferred tax liability

The Company's consolidated deferred tax liability was ₱870.0 million as at December 31, 2019, an increase from consolidated deferred tax liability of ₱201.2 million as at December 31, 2018. This deferred tax liability was attributable to provision for income tax resulting from the delay in the income tax holiday accreditation for certain Company projects. Accreditation for these projects have since been obtained.

As at December 31, 2018 compared to as at December 31, 2017

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were ₱2,143.6 million as at December 31, 2018, an increase of 56% from consolidated cash on hand and in banks of ₱1,377.4 million as at December 31, 2017.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were ₱3,158.9 million as at December 31, 2018, a 32% increase from consolidated current portion of trade and other receivables of ₱2,390.5 million as at December 31, 2017.

Inventories

The Company's consolidated inventories were ₱29,131.4 million as at December 31, 2018, an increase of 13% from consolidated inventories of ₱25,741.3 million as at December 31, 2017. The increase was due mainly to the reclassification of lands previously classified as held for future development to inventories subsequent to the commencement of construction of development projects on such land, and work in progress inventories relating to high rise building project in Urban Deca Homes Manila.

Due from related parties

The Company's consolidated due from related parties were ₱1,007.7 million as at December 31, 2018, an increase of 88% from consolidated due from related parties of ₱535.6 million as at December 31, 2017.

Other current assets

The Company's consolidated other current assets were ₱4,262.1 million as at December 31, 2018, an increase of 85% from consolidated other current assets of ₱2,305.6 million as at December 31, 2017, primarily due to increased advances to contractors in relation to construction of the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were ₱17,268.9 million as at December 31, 2018, a decrease from consolidated trade and other receivables-net of current portion of ₱20,503.1 million as at December 31, 2017. Decrease is mainly due to sale of receivables to a financial institution in 2018.

Property and equipment

The Company's consolidated property and equipment was ₱826.5 million as at December 31, 2018, an increase of 270% from consolidated property and equipment of ₱309.6 million as at December 31, 2017.

Investment properties

The Company's consolidated investment properties were ₱183.8 million as at December 31, 2018, a decrease from consolidated investment properties of ₱295.8 million as at December 31, 2017.

Other noncurrent assets

The Company's consolidated other noncurrent assets were ₱312.1 million as at December 31, 2018, an increase from consolidated other noncurrent assets of ₱215.3 million as at December 31, 2017.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were ₱5,703.3 million as at December 31, 2018, an increase from consolidated current portion of trade and other payables of ₱4,245.3 million as at December 31, 2017.

Current portion of loans payable

The Company's consolidated current portion of loans payable were ₱7,242.8 million as at December 31, 2018, an increase of 17% from the consolidated current portion of loans payable of ₱6,208.5 million as at December 31, 2017.

Deposits from customers

The Company's consolidated deposits from customers were ₱518.3 million as at December 31, 2018, an increase of 3% from consolidated deposits from customers of ₱441.5 million as at December 31, 2017.

Due to related parties

The Company's consolidated due to related parties were ₱57.0 million as at December 31, 2018, a decrease from consolidated due to related parties of ₱131.7 million as at December 31, 2017.

Income tax payable

The Company's consolidated income tax payable was ₱65.6 million as at December 31, 2018, a decrease from consolidated income tax payable of ₱142.1 million as at December 31, 2017.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were ₱190.2 million as at December 31, 2018, an increase from consolidated trade and other payables - net of current portion of ₱144.8 million as at December 31, 2017.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was ₱7,764.2 million as at December 31, 2018, a slight increase from consolidated loans payable - net of current portion of ₱7,421.9 million as at December 31, 2017. The Company entered into additional loan transactions during the course of the year to fund its installment contract receivables under the CTS Gold program as well as construction of its high rose projects.

Deferred tax liability

The Company's consolidated deferred tax liability was ₱201.2 million as at December 31, 2018, a decrease from consolidated deferred tax liability of ₱461.6 million as at December 31, 2017. This deferred tax liability was attributable to provision for income tax resulting from the delay in the income tax holiday accreditation for certain Company projects. Accreditation for these projects have since been obtained.

As at December 31, 2017 compared to as at December 31, 2016

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were ₱1,377.4 million as at December 31, 2017, an increase of 96% from consolidated cash on hand and in banks of ₱703.8 million as at December 31, 2016.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were ₱2,390.5 million as at December 31, 2017, a 7% increase from consolidated current portion of trade and other receivables of ₱2,231.1 million as at December 31, 2016.

Inventories

The Company's consolidated inventories were ₱25,741.3 million as at December 31, 2017, an increase of 27% from consolidated inventories of ₱20,264.1 million as at December 31, 2016. The increase was due mainly to the reclassification of lands previously classified as held for future development to inventories subsequent to the commencement of construction of development projects on such land, and work in progress inventories relating to high rise building project in Urban Deca Homes Manila.

Due from related parties

The Company's consolidated due from related parties were ₱535.6 million as at December 31, 2017, an increase of 135% from consolidated due from related parties of ₱228.4 million as at December 31, 2016.

Other current assets

The Company's consolidated other current assets were ₱2,305.6 million as at December 31, 2017, an increase of 22% from consolidated other current assets of ₱1,895.8 million as at December 31, 2016, primarily due to increased advances to contractors in relation to construction of the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were ₱20,503.1 million as at December 31, 2017, a slight increase from consolidated trade and other receivables-net of current portion of ₱20,527.0 million as at December 31, 2016.

Property and equipment

The Company's consolidated property and equipment was ₱309.6 million as at December 31, 2017, an increase of 7% from consolidated property and equipment of ₱288.6 million as at December 31, 2016.

Investment properties

The Company's consolidated investment properties were ₱295.8 million as at December 31, 2017, a decrease from consolidated investment properties of ₱296.7 million as at December 31, 2016.

Other noncurrent assets

The Company's consolidated other noncurrent assets were ₱215.3 million as at December 31, 2017, an increase from consolidated other noncurrent assets of ₱176.3 million as at December 31, 2016.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were ₱4,245.3 million as at December 31, 2017, an increase from consolidated current portion of trade and other payables of ₱3,186.6 million as at December 31, 2016.

Current portion of loans payable

The Company's consolidated current portion of loans payable were ₱6,208.5 million as at December 31, 2017, a decrease of 9% from the consolidated current portion of loans payable of ₱6,855.6 million as at December 31, 2016.

Deposits from customers

The Company's consolidated deposits from customers were ₱441.5 million as at December 31, 2017, an increase of 3% from consolidated deposits from customers of ₱429.0 million as at December 31, 2016.

Due to related parties

The Company's consolidated due to related parties were ₱131.7 million as at December 31, 2017, an increase from consolidated due to related parties of ₱107.1 million as at December 31, 2016.

Income tax payable

The Company's consolidated income tax payable was ₱142.1 million as at December 31, 2017, a decrease from consolidated income tax payable of ₱219.4 million as at December 31, 2016.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were ₱144.8 million as at December 31, 2017, an increase from consolidated trade and other payables - net of current portion of ₱70.2 million as at December 31, 2016.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was ₱7,421.9 million as at December 31, 2017, a decrease from consolidated loans payable - net of current portion of ₱8,195.5 million as at December 31, 2016. The Company entered into additional loan transactions during the course of the year to fund its installment contract receivables under the CTS Gold program as well as construction of its high rose projects.

Deferred tax liability

The Company's consolidated deferred tax liability was ₱461.6 million as at December 31, 2017, a decrease from consolidated deferred tax liability of ₱540.1 million as at December 31, 2016. This deferred tax liability was attributable to provision for income tax resulting from the delay in the income tax holiday accreditation for certain Company projects. Accreditation for these projects have since been obtained.

Liquidity and Capital Resources

The Company mainly relies on the following sources of liquidity: (1) cash flow from operations, (2) cash generated from the sale or transfer of receivables to private financial institutions such as banks or to government housing related institutions such as the Home Development Mutual Fund ("Pag-IBIG"), and (3) financing lines provided by banks. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Company is current on all of its loan accounts, and has not had any issues with banks to date. The Company does not anticipate having any cash flow or liquidity problems over the next 12 months. The Company is not in breach or default on any loan or other form of indebtedness.

The Company expects to meet its operating assets and liabilities, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from its operating cash flows, borrowings and proceeds of the Primary Offer. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Cash Flows

The following table sets forth selected information from the Company's consolidated statements of cash flows for the periods indicated:

	For the years ended December 31,		
	2017	2018	2019
	₱	₱	₱
		(Audited)	
		(millions)	
Net Cash From (Used in) Operating Activities	270.8	5,292.0	1,179.3
Net Cash Used in Investing Activities	(406.6)	(1,703.0)	(1,904.6)
Net Cash Provided by Financing Activities	809.4	(2,822.8)	(595.0)
Net Increase (Decrease) in Cash on Hand and in Banks	673.6	766.2	(1,320.3)
Cash and Cash Equivalents of Newly Acquired Subsidiary	-	-	30.6
Cash on Hand and in Banks at Beginning of Year	703.8	1,377.4	2,143.6
Cash on Hand and in Banks at End of Year	1,377.4	2,143.6	853.9

Cash flow used in operating activities

The revenue generated from its operations, primarily the sale of residential housing units, subdivision lots and MRB condominium units, primarily affects the Company's consolidated net cash used in operating activities. The Company's consolidated net cash from operating activities were ₱1,179.3 million, for year ended December 31, 2019 and net cash from operating activities ₱5,292.0 million, for year ended December 31, 2018.

For the year ended December 31, 2019, consolidated net cash flow from operating activities reflected cash provided by the Company's operations.

Cash flows used in investing activities

Consolidated net cash flow used in investing activities for the years ended December 31, 2019 and 2018 were ₱1,904.6 million and ₱1,703.0 million, respectively.

For the year ended December 31, 2019, consolidated net cash flow used in investing activities reflected acquisitions of a new subsidiary and investment properties.

Cash flow used in financing activities

Consolidated net cash flow used in financing activities for the year ended December 31, 2019 and 2018 were ₱595.0 million and ₱2,822.8 million, respectively.

For the year ended December 31, 2019, consolidated net cash flow used in financing activities was attributable mainly from the Company's payment of loans and acquisition of treasury shares.

Key Performance Indicators

The table below sets forth key performance indicators for the Company for the years ended December 31, 2018 and 2019.

Key Performance Indicators	As of December 31, 2019 Audited	As of December 31, 2018 Audited
Current Ratio	1.72	2.92
Book Value Per Share	5.89	5.19
Debt to Equity Ratio	1.10	1.06
Asset to Equity Ratio	2.10	2.06
Asset to Debt Ratio	1.91	1.94
Gross Income Margin	54.11%	55.03%
Net Income Margin	36.52%	40.51%

Debt Obligations and Facilities

As of December 31, 2019, the Company's total outstanding indebtedness was ₱17.6 billion, comprised of various short-term and long-term loans mainly from local banks, with interest rates ranging from 4.3 to 7.0% per annum in 2019. The Company's interest rates are either subject to annual repricing or at variable rates. The Company's loans payable have maturities ranging from three months to five years, and are typically secured by receivables under its CTS Gold program, land held for future development, inventories and various properties of the Company.

Acceleration of Financial Obligations

There are no known events that could trigger a direct or contingent financial obligation that would have a material effect on the Company's liquidity, financial condition and results of operations.

Off Balance Sheet Arrangements

As of the date of this report, the Company has no material off-balance sheet transactions, arrangements, and obligations. The Company also has no unconsolidated subsidiaries.

Income or Losses Arising Outside of Continuing Operations

The Company has no sources of income or loss coming from discontinued operations. All of its Subsidiaries are expected to continue to contribute to the Company's operating performance on an ongoing basis and/or in the future.

Qualitative and Quantitative Disclosure of Market Risk

Credit Risk

The Company is exposed to credit risk from its in-house financing program. Credit risk is the risk of loss that may occur from the failure of a customer to abide by the terms and conditions of the customer's financial contract with the Company, principally the failure to make required payments on amounts due to the Company. The Company attempts to mitigate credit risk by measuring, monitoring and managing the risk for each customer seeking to obtain in-house financing. The Company has a structured and standardized credit approval process, which includes conducting background and credit checks on prospective buyers using national credit databases and, where feasible, conducting physical verification of claims regarding residences and properties owned. From time to time, the Company utilizes its receivables rediscounting lines with banks and other financial institutions with its contracts receivables as collateral ("with recourse" transactions) and/or sells installment contract receivables on a "without recourse" basis.

Liquidity Risk

The Company faces the risk that it will not have sufficient cash flows to meet its operating requirements and its financing obligations when they come due.

To better manage its liquidity risk as well as improve its cash conversion cycle, the Company currently has take-out arrangements with PAG-IBIG where it will transfer its receivables under the CTS Gold program within four (4) years in exchange for cash. The Company has submitted to PAG-IBIG approximately four thousand seven hundred (4,700) CTS receivables equivalent to approximately PhP4 billion. These accounts are currently being processed by PAG-IBIG, and at various stages of cycle completion. The acceptance or rejection of a CTS receivable by PAG-IBIG is based on certain guidelines of PAG-IBIG such as employment, number of contributions made by the homeowner/PAG-IBIG member, net disposable income, etc. The Company believes that substantially all of its requests for take-outs have been accepted by PAG-IBIG.

In addition, the Company also pursues various sustainable strategies to better manage its liquidity profile. These include the sale to institutions (such as banks or government housing agencies) or the securitization of portions of the Company's receivables portfolio.

Interest Rate Risk

Fluctuations in interest rates could negatively affect the margins of the Company in respect of its sales of receivables and could make it more difficult for the Company to procure new debt on attractive terms, or at all. The Company currently does not, and does not plan to, engage in interest rate derivative or swap activity to hedge its exposure to increases in interest rates.

Fluctuations in interest rates also have an effect on demand for the Company's products. As most of the Company's customers obtain some form of financing for their real estate purchases, interest rate levels could affect the affordability and desirability of the Company's subdivision lots and housing and condominium units.

Commodity Risk

As a property developer, the Company is exposed to the risk that prices for construction materials used to build its properties (including, among others, cement and steel) will increase. These materials are global commodities whose prices are cyclical in nature and fluctuate in accordance with global market conditions. The Company is exposed to the risk that it may not be able to pass its increased costs to its customers, which would lower the Company's margins. The Company does not engage in commodity hedging, but attempts to manage commodity risk by requiring its construction and development contractors to supply raw materials for the relevant construction and development projects (and bear the risk of price fluctuations).

Seasonality

There is no significant seasonality in the Company's sales. Delinquencies on the Company's receivables from homebuyers tend to increase in the months of June and December. During these months, the Company's customers' cash flows are impacted by the need to make tuition payments in June for their children's schooling and by Christmas Holiday-related expenditures in December. The Company mitigates this seasonality in collections by instituting credit and collection policies that encourage homebuyers to prioritize their amortization payments to the Company over other expenditures. These include incentives (i.e. vouchers for school supplies or Christmas season shopping at local stores that are given to homebuyers who are timely in their amortization payments) and remedial measures (i.e. fines for late amortization payments). For the most part, any spikes in delinquencies in June and December normalize in the succeeding month or two as homebuyers catch up on their payments.

Submission of Matters to a Vote of Security Holders

There was no matter submitted to a vote of security holders during the period covered by this report, except for the matters taken up during the Annual Meeting of Stockholders.

F. DIRECTORS AND OFFICERS
Directors

The following are the names, ages, citizenship and periods of service of the directors/independent directors of the Company who have been nominated for election at the Annual Meeting:

Name	Age	Citizenship	Period during which individual has served as such
Mariano D. Martinez, Jr.	66	Filipino	July 2012 to present
Luis N. Yu, Jr.	64	Filipino	July 2012 to present
Manuel C. Crisostomo**	66	Filipino	February 2016 to present
Arlene C. Keh**	57	Filipino	August 2012 to present
Manuel S. Delfin	59	Filipino	July 2014 to present
Lowell L. Yu	43	Filipino	July 2014 to present
Raul Fortunato R. Rocha	67	Filipino	July 2014 to present
Richard L. Haosen	57	Filipino	July 2014 to present
Ian Norman E. Dato	39	Filipino	July 2014 to present
Dominic J. Picone	42	American	July 2014 to present
Alexander Ace Sotto	39	Filipino	March 2018 to present
Han Jun Siew	39	Malaysian	July 2018 to present
Roan Buenaventura-Torregoza	34	Filipino	Nominated

*** Independent Directors*

Other than Ms. Roan Buenaventura-Torregoza, all the foregoing nominees are incumbent directors who are being nominated for re-election.

Officers

The following are the names, ages, positions, citizenship and periods of service of the incumbent officers of the Company:

Name	Age	Citizenship	Positions Held	Period during which individual has served as such
Mariano D. Martinez, Jr.	66	Filipino	Chairman	July 2012 to present
Alexander Ace Sotto*	64	Filipino	Acting President / Chief Operating Officer	October 2019 to present January 2018 to present
Richard L. Haosen	57	Filipino	Treasurer and Head of Treasury	December 2015 to present
Roan Buenaventura-Torregoza	34	Filipino	Chief Financial Officer	December 2015 to present
Teresa C. Secuya	58	Filipino	Compliance Officer	September 2012 to present
Cristina S. Palma Gil-Fernandez	52	Filipino	Corporate Secretary	September 2012 to present
Maureen O. Lizarondo-Medina	33	Filipino	Assistant Corporate Secretary	July 2015 to present
Patricia Victoria G. Ilagan	44	Filipino	Investor Relations Officer	April 2017 to present

** Mr. Sotto's predecessor-in-interest, Mr. Willibaldo J. Uy, passed away on 15 October 2019. Pending the appointment of a new president to serve the unexpired portion of Mr. Uy's term, the Board of Directors tasked the chief operating officer (COO), Alexander Ace Sotto, to carry out the duties of a president in an acting capacity.*

Business Experience and Other Directorships

Directors

The business experience of each of the nominees for director and the officers of the Company for the last five (5) years is as follows:

Mariano D. Martinez, Jr.

Mr. Martinez assumed chairmanship of the Company in September 2012. He is the President and CEO of 8990 Luzon Housing Development Corp. (2008 to present), and Ceres Homes, Inc. (2002 to present). He is also the President of Kwantlen Development Corporation (2010 to present), and Fog Horn, Inc. (2004 to present). Mr. Martinez had previously held the position of President for Happy Well Management & Collection Services Inc. (2008) and BP Waterworks Incorporated (1997). He is currently a Board Advisor to the SHDA, the largest industry organization for real estate developers in the Philippines. He held the positions of Chairman (2001-2002) and President (1999-2001) for the SHDA. Mr. Martinez holds a Bachelor of Science in Business Management degree from De La Salle College (1976). Mr. Martinez has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

Luis N. Yu, Jr.

Mr. Yu became a director of the Company in July 2012. Mr. Yu is the Founder and Chairman Emeritus of the Company. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development

Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

Manuel C. Crisostomo (Independent Director)

Mr. Crisostomo became an independent director of the Company on 29 January 2016. Mr. Crisostomo was Senior Vice President and CEO of the Home Development Mutual Fund (HDMF) from 2001 to 2002, capping a government career spanning various positions for 25 years. He was the President and CEO of Firm Builders Realty Development Corporation from 2005 to 2013 and served as National President and Chairman of SHDA from 2010 to 2011. Mr. Crisostomo has a BS Industrial Engineering degree from the University of the Philippines and passed the Career Executive Service Officer of the Civil Service Commission.

Arlene C. Keh (Independent Director)

Ms. Keh became an independent director of the Company in August 2012. Ms. Keh holds the position of President of CG & E Holdings Corporation, Cypress Grove Estates Corporation, and CGE South Hills Ventures, Incorporated. She is also the Managing Director of Ceres Homes, Incorporated, Director and Treasurer of C-S Mansions and Development Corporation and Alabang Homes Condotel, Inc. Ms. Keh is a member of the Board of Governors of the SHDA, consultant to the Board of Directors of SM Foundation, Incorporated, and a member of the Board of Directors/Trustees of Foundation for Professional Training, Inc., Asian Appraisal Company, Incorporated and Amalgamated Project Management Services, Inc. Ms. Keh holds a Masters in Business Administration from the J.L. Kellogg Graduate School of Management, Northwestern University, Chicago Illinois, USA and the Hong Kong University of Science and Technology, Clearway Bay, Hong Kong. She has a Bachelor of Science in Biology degree (Summa Cum laude) from the University of the Philippines, where she also earned the Dean’s Medal for the Highest Academic Achievement.

Manuel S. Delfin, Jr.

Dr. Delfin is currently a partner in Allied Ophthalmic Consultants. He is also a consultant and the Vice-Chairman of the Department of Ophthalmology in Manila Doctors Hospital. He is also a consultant in Patients First Medical Center. Apart from his medical affiliations, he is also currently serving the following positions: (i) Corporate Secretary of UP Medical Foundation; (ii) President of Lakan Bakor Foundation; (iii) Treasurer of Philippine Glaucoma Society; (iv) Assistant Secretary of Philippine Glaucoma Foundation; (v) Director of Happy Wells Management & Corp.; and (vi) Director of 77 Avenida Corp. Dr. Delfin graduated with a bachelor’s degree in Zoology from the University of the Philippines Diliman, cum laude, in 1982. He obtained his medical degree from the University of the Philippines College of Medicine in 1986. He also obtained his residency from the same university in 1990. He obtained his fellowship in Glaucoma from California Pacific Medical Center, USA, under Dr. Dr. Robert L. Stamper MD and Dr. Marc F. Lieberman MD.

Lowell L. Yu

Mr. Yu is currently the President of iHoldings Inc. He also holds chairmanship positions at 77 Living Spaces, Inc, Grand Majestic Convention City Corp., 101 Restaurant City, Inc., iKitchen Inc., MyMarket, Inc. and Govago, Inc. He is also a founding partner of Dato and Yu Law offices. He previously worked as an AVP of Business Development of Earth+Style/Quantuvis Resources. Atty. Yu holds a Masters degree in Management from the Asian Institute of Management and a Bachelor of Laws from Siliman University.

Raul Fortunato R. Rocha

Mr. Rocha was born in Tabaco Albay on August 28, 1953. A banker for fourteen years and a businessman with businesses that include real estate development and leasing. He is currently the president of LYRR Realty Development Corporation and Naga Queenstown Realty and Development Inc. He is also the Chairman of the Board of Directors of Tabaco Port Cargo Corp. He graduated from Divine Word College Legazpi City in 1976 with a degree of BSC Major in Management. He is a member of various organizations like Rotary Club of Naga East, Metro Naga Chamber of Commerce and Industry and Kapisanan ng mga Broadcaster ng Pilipinas (KBP).

Richard L. Haosen

Mr. Haosen is also currently serving as the Head of Treasury of the Company. Prior to his current positions, he served as the Chief Financial Officer of the Company and the General Manager of the Treasury for 8990 Housing. Before joining the Company in 2010, he served as the Vice President/Division Head of the Business Lending Division – Cebu and the Business Lending Group – Visayas/Mindanao of Metropolitan Bank and Trust Company (MBTC) from 2006 to 2010. He also served as Unit Head of MBTC Cebu Account Management Unit from 2005 to 2006, and as Account Officer of MBTC Cebu Downtown Center Branch from 1994 to 2005. Mr. Haosen obtained his license as a Certified Public Accountant in 1982. He also has a degree in B.S. Commerce, major in Accounting from the Ateneo de Davao University (1982).

Ian Norman E. Dato

Mr. Dato is the Managing Partner of Dato Inciong & Associates. He is also an incumbent director of IKitchen, Inc. and MyMarket, Inc. and an incoming one (pending approval by the Monetary Board) of First Naga Rural Bank, Inc. He is Corporate Secretary to 27 corporations. His experience in private law practice includes Ponce Enrile Reyes & Manalastas Law Offices (2012) and Kalaw Sy Vida Selva & Campos (2005-2006). He was in government service between 2003 and 2010 in various capacities, such as: Undersecretary of Justice (2010), Undersecretary of Political Affairs (2008-2010), Assistant Secretary of Political Affairs (2007-2008), and Director in the Presidential Legislative Liaison Office in the Office of the President of the Philippines (2003-2005). He has a Master of Laws degree from University College of London where he graduated with merit in 2011. He obtained his *Juris Doctor* from the Ateneo de Manila University School of Law and a degree in Political Science from the University of the Philippines Diliman. He is a member of the UCL Alumni Association, International Visitors Leadership Program Alumni of the U.S. Department of State, and Chevening Alumni of the Foreign & Commonwealth Office of the United Kingdom.

Dominic J. Picone

Mr. Picone is a Principal and Head of Asia Financial Services (ex. India) at TPG Capital, based in Singapore. In addition to 8990, he has been involved with current and past TPG portfolio companies including BFI Finance, Masan Group, Fairmont Raffles Hotels, Bank BTPN, United Test & Assembly Center (UTAC), and CIMB. He is an alternate board member of UTAC Holdings, and serves on the audit, risk, and compensation committees of BFI Finance. Prior to joining TPG in 2005, Mr. Picone worked in the Investment Banking Division of Credit Suisse First Boston in Melbourne, primarily focused on mergers and acquisitions in Australia and New Zealand. A native of Australia, he received a Bachelor of Commerce (Honours – Finance) and a Bachelor of Laws from the University of Melbourne.

Alexander Ace Sotto

Mr. Sotto has been with 8990 Holdings Inc for the past 13 years since he joined the company in 2004. Prior to his appointment as Chief Operations Officer he was the General Manager for Construction of the Company. He also holds the positions of Governor of the Subdivision and Housing Developers Association (SHDA) for Visayas and Advisor for the Subdivision and Housing Developers Association (SHDA) in Central Visayas. He holds a Bachelor of Science degree in Civil Engineering from the University of San Carlos Technological Center, Talamban, Cebu City in 2002.

Mr. Sotto's predecessor-in-interest, Mr. Willibaldo J. Uy, passed away on 15 October 2019. Pending the appointment of a new president to serve the unexpired portion of Mr. Uy's term, the Board of Directors tasked Mr. Sotto to carry out the duties of a president in an acting capacity.

Han Jun Siew

Mr. Han Jun Siew is currently a Senior Vice President in the Investments division of Khazanah Nasional Berhad, supporting the Financial Institutions Group sector and Philippines coverage. Within Khazanah, Jun Siew has worked on a wide range of investment projects, particularly in banking, insurance and reinsurance investments. He joined Khazanah in 2012 with about six (6) years of working experience in banking, corporate financial and strategy consulting in Malaysia and the region. Jun Siew started his career in a corporate strategy development role within a Malaysian banking institution. He then progressed further into corporate finance and strategy consulting in PwC, providing advisory services in relation to valuation, specialized financial advisory, restructuring, business planning and market entry for clients in the banking, insurance, construction, plantation and telecommunication sectors within the ASEAN region. He holds a Bachelor of Business and Commerce (Economics, Banking and Finance) from Monash University, Australia.

Roan Buenaventura-Torregoza (Nominee)

Ms. Roan Buenaventura-Torregoza, is the Chief Financial Officer of the Company. She assumed the position of Acting Chief Financial Officer of the Company on 4 December 2015. Prior to her current position, she served as Deputy Chief Financial Officer, Assistant General Manager for Audit, and Management Services Manager for 8990 Holdings, Inc. Before joining the Company in 2014, she served as Account Officer of Wholesale Finance Department of BPI Family Savings Bank, Inc. from 2008 to 2012. Ms. Buenaventura-Torregoza finished her Master in Business Administration Concentration in Finance from Asian Institute of Management as W. Sycip Graduate School of Business Scholar in December 2013. She also has a degree in B.S. Business Administration from the University of the Philippines-Diliman (2007).

<u>Officers</u>

The business experience of each of the officers and executives of the Company for the last five (5) years is as follows:

Mariano D. Martinez, Jr.

(*See business description above)*

Alexander Ace Sotto
(*See business description above)*

Roan Buenaventura-Torregoza
(*See business description above)*

Teresa C. Secuya

Ms. Secuya assumed the position of Compliance Officer of the Company in September 2012. Ms. Secuya is also currently the Executive Assistant to the Chairman of 8990 Luzon Housing Development Corp. Prior to her current positions, she served as the Executive Secretary of the President of Ceres Homes, Inc. (February 2006 to December 2009), Executive Assistant of the Chairman of Urban Basic Housing Corporation (May 1999 to January 2003), Executive Assistant for Admin Affairs of Newpointe Realty & Development Corp. (June to July 1996), Marketing Assistant of HlC Construction & Development Corp. (March to May 1996), and Proprietor of Jobs Drugs and Gifts (November 1991 to March 1996). She obtained her Bachelor of Arts degree, major in Communication Arts from the Ateneo de Davao University in 1982.

Cristina S. Palma Gil-Fernandez

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in September 2012. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has 25 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate. She currently serves as a Corporate Secretary of several large Philippine corporations, including three (3) other publicly-listed Philippine corporations, as Assistant Corporate Secretary to one of the largest publicly-listed infrastructure companies in the Philippines.

Maureen O. Lizarondo-Medina

Atty. Maureen Christine O. Lizarondo-Medina assumed the position of Assistant Corporate Secretary of the Company in July 2015. She graduated cum laude with a degree in Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2007 and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 2011. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices.

Patricia Victoria G. Ilagan

Prior to joining the Company, Ms. Ilagan worked as an equities analyst at Philippine Equity Partners (a local research partner of Bank of America Merrill Lynch) from 2015 to 2017. She has a Master's Degree in Business Administration from Esade Business School and a Bachelor's Degree in Management from the Ateneo de Manila University. Her previous roles also include working as Senior Research Associate at Macquarie Capital Securities Philippines from 2010 to 2012 and Senior Manager for Financial Planning and Analysis at Bloomberry Resorts and Hotels, Inc. from 2012 to 2015.

G. MARKET PRICE AND DIVIDENDS

Market Information

The Company has 5,391,399,020 outstanding common shares. All common shares are listed and traded principally on the Philippine Stock Exchange, Inc. ("PSE") as of June 30, 2020. The closing price as of 30 June 2020 is Php11.96 per share.

The following are the quarterly high and low prices, as well as the closing price of the Company's shares traded at the Philippine Stock Exchange, Inc. for the last three (5) years:

	2019			2018			2017			2016			2015		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1st	13.44	8.23	12.84	7.22	6.06	6.60	7.78	6.50	6.80	7.94	6.37	7.79	10.50	6.85	8.70
2nd	16.28	12.90	15.50	7.64	6.42	7.36	6.69	5.93	6.60	8.09	7.36	7.64	9.15	7.08	7.25
3rd	15.86	15.04	15.04	7.49	7.10	7.28	6.60	4.99	5.00	8.28	7.28	7.41	8.05	6.00	6.51
4th	15.06	14.62	14.74	8.10	7.00	8.10	6.79	6.73	6.73	7.67	6.89	7.51	7.44	6.28	7.10

The market capitalization of the Company as of December 31, 2019 was approximately Php 81,335,183,212.8 based on the closing price of Php14.74 per share. As of 30 June 2020, the Company has a market capitalization of 64,481,132,279.2 based on the closing price Php11.96 per share.

For 2020, the quarterly high and low prices, and the closing price of the Company s shares are as follows:

	2020		
	High	Low	Close
1st	14.86	11.96	11.96
2nd	12.00	9.61	9.71

Holders

As of 30 June 2020, the Company's total outstanding shares entitled to vote consist of **5,391,399,020** common shares, with each share entitled to one (1) vote. As of 30 June 2020, a total of **959,196,978** common shares or 17.79% of the outstanding capital stock of the Company are owned by foreigners.

As of 30 June 2020, there are 34 shareholders on record. The Company is unable to provide an estimate of the total number of beneficial holders as around 82 dealers in securities have custody of shares traded in the exchange. The following are the list of the top twenty (20) stockholders of the Company as of 30 June 2020:

Rank	Name of stockholder	Nature of shares	Number of shares	Percentage
1	Iholdings, Inc.	Common	2,183,082,107*	40.49%
2	Kwantlen Development Corporation	Common	1,079,621,378**	20.02%
3	PCD Nominee Corporation (Non-Filipino)	Common	959,196,777	17.79%
4	PCD Nominee Corporaiton (Filipino)	Common	546,152,432***	10.13%
5	Luis N. Yu, Jr.	Common	258,099,322	4.79%
6	Mariano D. Martinez, Jr.	Common	168,916,767	3.13%
7	Unido Capital Holdings Inc.	Common	160,549,600	2.98%
8	Willibaldo Maria J. Uy or Hilda J. Uy	Common	8,000,000	0.15%
9	Maria Linda B. Martinez	Common	2,000,000	0.04%

10	Antholin T. Muntuerto	Common	300,000	0.01%
11	Mark Werner J. Rosal	Common	200,000	Nil
12	Nicolas C. Divinagracia	Common	100,000	Nil
13	Ma. Christmas Reniva Nolasco	Common	11,500	Nil
14	Ian Norman E. Dato	Common	5,001	Nil
15	David Limqueco Kho	Common	5,000	Nil
16	Hector A. Sanvictores	Common	2,000	Nil
17	Stephen G. Soliven	Common	1,500	Nil
18	Jesus San Luis Velencia	Common	300	Nil
19	Han Jun Siew	Common	100	Nil
20	Shareholders' Association of the Philippines, Inc.	Common	100	Nil
TOTAL ISSUED AND OUTSTANDING			**5,391,398,524**	**99.99%**

Dividends and Dividend Policy

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Philippine Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: [1] when justified by definite expansion plans approved by the board of directors of the corporation; [2] when the required consent of any financing institution or creditor to such distribution has not been secured; [3] when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or [4] when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by the Company must have a record date not less than ten (10) nor more than thirty (30) days from the date of declaration. For stock dividends, the record date should not be less than ten (10) nor more than thirty (30) days from the date of the shareholders' approval, provided however, that the set record date is not to be less than ten (10) trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Dividend History

Listed below are the cash dividends declared and/or paid by the Company.

Common Shares			
Amount of Dividend per Share	**Declaration Date**	**Record Date**	**Payment Date**
Php0.05	November 4, 2014	November 18, 2014	December 12, 2014
Php0.18	February 17, 2015	March 4, 2015	March 30, 2015
Php0.05	July 27, 2015	August 10, 2015	September 7, 2015
Php0.25	February 1, 2016	February 16, 2016	February 19, 2016
Php0.05	November 7, 2016	November 21, 2016	November 28, 2016
Php0.25	February 6, 2017	February 20, 2017	March 6, 2017
Php0.05	November 20, 2017	November 23, 2017	December 1, 2017
Php0.25	February 14, 2018	February 20, 2018	March 6, 2018

Preferred Shares

Series A Preferred Shares			
Amount of Dividend per Share	**Declaration Date**	**Record Date**	**Payment Date**
6.0263% per share	February 1, 2019	February 18, 2019	March 1, 2019
6.0263% per share	February 1, 2019	May 15, 2019	June 1, 2019
6.0263% per share	February 1, 2019	August 15, 2019	September 1, 2019
6.0263% per share	February 1, 2019	November 15, 2019	December 1, 2019
6.0263% per share	February 3, 2020	February 17, 2020	March 1, 2020
6.0263% per share	February 3, 2020	May 15, 2020	June 1, 2020
6.0263%	February 3, 2020	August 17, 2020	September 1, 2020

per share			
6.0263% per share	February 3, 2020	November 16, 2020	December 1, 2020

Dividend Policy

The Company intends to maintain a consistent dividend payout policy based on its consolidated net income for the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. In line with this, during the last Annual Stockholders' Meeting of 8990 Holdings, Inc. held on July 29, 2013, the stockholders of 8990 Holdings, Inc. approved the adoption of a dividend policy whereby, subject to available cash and after any capital expenditure requirements, 50% of the Unrestricted Retained Earnings of 8990 Holdings, Inc. for the preceding fiscal year will be declared as dividends.

The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

Recent Issuance of Shares Constituting Exempt Transaction

Not applicable.

H. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Corporate Governance

The Company submitted its Manual on Corporate Governance to the Philippine SEC on May 31, 2017 in compliance with Philippine SEC Memorandum Circular No. 19 series of 2016. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. A copy of the 2017 Integrated Annual Corporate Governance Report of the Company is available in the Company's official website.

Independent Directors

The Manual requires the Company to have at least two (2) independent directors in the Board of Directors, which may be increased to three (3), as when the Board determines it to be necessary. Subject to approval by the majority of the Board of Directors, the number of independent directors may be increased to three (3) or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

An independent director is defined as a person who:

a. has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Corporation;

b. is not and has not been a director, officer, or employee of the Corporation, its Subsidiaries or affiliates or related companies during the past three (3) years immediately preceding the date of his election;

c. has not been appointed in the Corporation, its subsidiaries, associates, affiliates, or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers, or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;

d. is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates, or related companies;

e. is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

f. is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent, or counsel of the Corporation, any of its related companies or substantial shareholders, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;

g. does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director, or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;

h. is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and

i. is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Committees of the Board

The Board of Directors is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. It is the Board's responsibility to foster long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of the shareholders.

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this report and will serve until his successor is elected and qualified.

Audit and Risk Management Committee

The Audit and Risk Committee is composed of at least three members of the Board who have accounting and finance backgrounds, at least one of whom is an independent director and another with audit experience. The chair of the Audit and Risk Management Committee should be an independent director.

The Audit Committee has the following functions:

(a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;

(b) Provide oversight over the management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include receiving from management of information on risk exposures and risk management activities;

(c) Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

(d) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget, necessary to implement it;

(e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimized duplication of efforts;

(f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of it engagement and removal;

(g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

(h) Review the reports submitted by the internal and external auditors;

(i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

    (i) Any changes in accounting policies and practices;

    (ii) Major judgmental areas;

    (iii) Significant adjustments resulting from the audit;

    (iv) Going concern assumptions;

    (v) Compliance with accounting standards; and

    (vi) Compliance with tax, legal and regulatory requirements.

(j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

(k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;

(l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.

As of the date of writing, the Audit and Risk Management Committee is chaired by Ms. Arlene C. Keh, while Mr. Mariano D. Martinez, Jr., Mr. Luis N. Yu, Jr., Mr. Mariano D. Martinez, Jr., Han Jun Siew, and Mr. Dominic J. Picone serve as its members.

Nominations and Compensation Committee

The Nominations and Compensation Committee is composed of at least three members of the Board, one of whom is an independent director. The Nominations and Compensation Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Nominations and Compensation Committee may also establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business strategy in which it operates.

As of the date of this Report, the Nominations and Compensation Committee is chaired by Mr. Manuel C. Crisostomo, while Mr. Dominic J. Picone and Mr. Willibaldo J. Uy (+) serve as its members.

Corporate Governance Committee

The Corporate Governance Committee is composed of at least three members of the Board, one of whom is an independent director. The Corporate Governance Committee reviews and evaluates the compliance of the Company with the Manual and the Philippine SEC Code of Corporate Governance for Publicly Listing Companies.

The Corporate Governance Committee has the following functions:

a. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;

b. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;

c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

d. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the Board members and senior officers, and remuneration packages for corporate and individual performance;

e. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;

f. Propose and plan relevant trainings for the members of the Board;

g. Determine the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies, and expertise that complement the existing skills of the Board; and

h. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates.

As of the date of this Report, the Corporate Governance Committee is chaired by Mr. Manuel C. Crisostomo, while Mr. Willibaldo J. Uy (+) and Han Jun Siew serve as its members.

Executive Committee

The Executive Committee shall handle the management of the day-to-day business operations and affairs of the Company, except with respect to certain actions specifically reserved for Board action.

As of the date of this Report, the Executive Committee is chaired by Mr. Mariano D. Martinez, Jr., while Mr. Luis N. Yu, Jr,, Mr. Willibaldo J. Uy (+), and Mr. Richard L. Haosen serve as its members.

<u>The Corporate Secretary</u>

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Company. The Corporate Secretary has the following duties and responsibilities:

a. Assist the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual Board calendar and assisting the chairs of the Board and its committees to set agendas for those meetings;

b. Be responsible for the safekeeping ad preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;

c. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments, and operations of the Corporation, and advise the Board and the Chairperson on all relevant issues as they arise;

d. Be loyal to the mission, vision and objectives of the Corporation;

e. Work fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between Board and Management, the Board and its committees, and the Board and its stakeholders;

f. Advises on the establishment of Board committees and their terms of reference;

g. Informs the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him/her from doing so;

i. Performs required administrative functions;

j. Oversees the drafting of the by-laws, and as and when needed, and ensures that they conform with regulatory requirements; and

k. Performs such other duties and responsibilities as may be provided by the SEC.

Atty. Cristina S. Palma-Gil Fernandez currently serves as the Company's Corporate Secretary.

The Compliance Officer

The Compliance Officer is appointed by the Board of Directors and shall directly report to the Chairman of the Board. The Compliance Officer has the following duties:

a. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);

b. Monitor, review, evaluate, and ensure the compliance by the Corporation, its officers, and directors with relevant laws, the Code of Corporate Governance, rules and regulations and all governance issuance of regulatory agencies;

c. Report the matter if violations are found and recommend the imposition of appropriate disciplinary action;

d. Ensure the integrity and accuracy of all documentary submissions to regulatory;

e. Appear before the Commission when summoned in relation to compliance with this Manual;

f. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;

g. Identify possible areas of compliance issues and work towards the resolution of the same;

h. Ensure the attendance of Board members and key officers to relevant trainings; and

i. Perform such other duties and responsibilities as may be provided by the SEC.

Ms. Teresa C. Secuya currently serves as the Company's Compliance Officer.

<u>Evaluation System and Compliance</u>

As part of its system for monitoring and assessing compliance with the Manual and the Philippine SEC Code of Corporate Governance for Publicly Listed Companies, each committee is required to report regularly to the Board of Directors, and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the Philippine SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to penalties as provide by law.

The Board shall also conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members, and committees. Every three (3) years, the assessment shall be supported by an external facilitator.

The Board shall also designate a lead director among the independent directors considering that the Chairperson of the Board is not independent. The appointment of a strong "lead director" among the independent directors ensures independent views and perspectives. More importantly, it avoids the abuse of power and authority and potential conflict of interest. This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

<u>Disclosure and Transparency</u>

The Company believes that the essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Company or misappropriate its assets.

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable, and timely report to shareholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results, and business operations. The Company ensures that all material information about the Company which could adversely affect its viability or the interests of the stockholders be publicly and timely disclosed. In addition to the compliance with periodic and structural reportorial requirements, the Company ensures that all material information such as earnings result, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board of Management are timely disclosed to the Securities and Exchange Commission, the Philippine Stock Exchange, Inc., and to the public through appropriate Exchange mechanism and submissions to the Commission. The Company likewise updates the public through the Company's website which is updated on a regular basis.

ANNEX D

COVER SHEET

C S 2 0 0 5 1 1 8 1 6

S.E.C. Registration Number

8 9 9 0 H O L D I N G S , I N C .

(Company's Full Name)

1 1 F L I B E R T Y C E N T E R, 1 0 4 H V D E L A C O S T A, S A L C E D O V I L L A G E, M A K A T I

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

Teresa C. Secuya
Compliance Officer

Contact Person/s

(632) 4789659/5333915/5333917

Company Telephone Number

1	2	3	1
Month		Day	

Calendar Year

SEC Form 17-A
December 31, 2019

FORM TYPE

0	7	2	7
Month		Day	

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

37	33	4
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

- For the fiscal year ended **December 31, 2019 (Full Year)**
- Commission identification number. **CS 2005 11 816**
- BIR Tax Identification No **239-508-223-000**
- Exact name of issuer as specified in its charter **8990 HOLDINGS, INC.**
- Province, country or other jurisdiction of in Company or organization : **Metro Manila, Philippines**
- Industry Classification Code ______ (SEC Use Only)
- **11F Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City, 1200 Philippines**
  Address of issuer's principal office Postal Code
- Issuer's telephone number, including area code **(632) 4789659/5333915/5333917**
- Former name, former address and former fiscal year, if changed since last report **N/A**
- Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**5,517,990,720**
Fixed Rate Bonds	**9,000,000,000**
Preferred Shares	**50,000,000**

- 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:

  Name of Stock Exchange: **Philippine Stock Exchange**
  Class of Securities Listed: **Common Shares**

Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Preferred Shares**

- Indicate by check mark whether the registrant:

  (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Company 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 [ ]

- State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

  The aggregate market value of the voting stock held by non-affiliates of the Company as of December 27, 2019, the last trading day for the year is Php20,628,721,048.9 (1,399,506,177 shares @ Php14.74/share).

APPLICABLE ONLY TO ISSUER INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

- Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

  Yes [ ] No [ ] <u>(N/A)</u>

DOCUMENTS INCORPORATED BY REFERENCE

- If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the documents is incorporated:

  (a) Any annual report to security holders; **<u>(N/A)</u>**

  (b) Any information statement filed pursuant to SRC Rule; **<u>(N/A)</u>**

  (c) Any prospectus filed pursuant to SRC Rule 8.1. **<u>(N/A)</u>**

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

8990 Holdings, Inc. ("The Company") is the top property developer in the Philippines for 2015, 2016 and 2017, in terms of take-out value from the Home Development Mutual Fund ("HDMF"). The Company has been developing Mass Housing Projects in high-growth areas across the Visayas, Mindanao and Luzon since 2003. In doing so, the Company has benefited significantly from the industry experience of its principals who, prior to the establishment of the Company's Subsidiaries and through certain 8990 Related Companies, developed their first Mass Housing project in 1991 in Cagayan de Oro. The Company has built a reputation of providing quality and affordable homes to consumers in the fast-growing Philippine Mass Housing market. The Company's DECA Homes, Urban DECA Homes, and Urban DECA Towers brands have also gained a strong reputation in the market, resulting in the Company garnering numerous awards such as BCI Asia Top 10 Developers in 2019, Bes Low Cost Housing Developer (National) awarded last March 2017 by Q Asia's Seal of Product and Quality Service, Top 10 Developers in the Philippines in 2015 & 2016 by BCI Asia, 2016 Outstanding Developer Low Rise Mass Housing by FIABCI-Philippines, 2015 Best Mid-Cap Firm in the Philippines by Finance Asia, and 2015 Prestigious Seal Awardee for Best Developer in Low-Cost Housing by Gawad Sulo Foundation. As of December 31, 2019, the Company has completed Fifty-eight (58) mass housing projects, and is currently developing Nineteen (19) more mass housing projects. Across these completed and ongoing projects, the Company has, since 2003, delivered sixty-eight thousand eighty-five units (68,085), with approximately fifty one thousand (51,000) additional units available for development and sale from ongoing projects. The Company also has an identified pipeline of three (3) projects scheduled to commence in 2020 and which in total are expected to provide approximately nine thousand eight hundred (9,800) units available for sale.

The Company believes that its industry experience has equipped it with the ability to understand the demands, needs, preferences, means and circumstances of consumers in the Philippine mass housing market. The Company offers an affordable pricing and payment model, and has developed its CTS in-house financing program to cater to mass housing market Filipino consumers who do not have the accumulated savings to pay high down payments for homes, but have sufficient recurring income to support monthly amortization payments. Under this program, customers only pay a minimal down payment and can quickly move into their chosen homes. The Company retains ownership of such homes until full payment is made by the customer. The CTS in-house program is further strengthened by the Company's strong relationship with Home Development Mutual Fund (HDMF) otherwise known as PAG-IBIG, the primary Government agency providing housing financial assistance to Filipinos through the long-established PAG-IBIG loan program. The Company has structured the CTS program such that the requirements for such product generally mirror the requirements to avail a PAG-IBIG home loan. This essentially ensures the take-up by PAG-IBIG of such loans upon application by customers, converting receivables of the Company into cash and lessening the financing and other risks appurtenant to potential buyer defaults.

Consistent with the Company's thrust of providing quality and affordable housing units to its customers, the Company also introduced a pre-cast construction process, which enables it to construct complete residences ready for move-in much faster than under the conventional concrete cinder block method. Through this process, the Company is able to construct townhouses and single-storey attached units in just eight (8) to ten (10) days, with an additional five (5) days for single-storey houses with lofts. The use of this process allows the Company to realize significant cost savings and enables it to turn over units to its customers in a fast and efficient way.

In addition to horizontal mass housing subdivision projects, the Company also develops medium-rise building ("MRB") condominium projects. The Company began development of its first MRB mass housing project in Cebu in 2008 and has now expanded the MRB projects in Muntinlupa and in Tondo, Manila.

In 2018 and 2019, the Company recorded consolidated revenues from sales of PhP11,745.9 million and PhP15,276.5 million, respectively, with resulting net income of PhP4,674.9 million and PhP5,578.5 million, respectively.

Competitive Strengths

The Company considers the following to be its principal competitive strengths:

Favorable market and industry demographics of the Mass Housing sector.

The Company believes that the Mass Housing sector has shown favorable market demographics in recent years and will continue to do so in the medium- to long-term. Consistent with steadily expanding GDP and rising consumption and spending domestically, the Company believes that the growing Philippine workforce is primarily comprised of young individuals with regular cash flows, which will drive continued expansion and growth in the Philippine housing sector. According to HLURB, from 2001 to 2011, a total of 1,829,165 Mass Housing units were built; during this same period, however, the backlog for new Mass Housing units was approximately 3,087,520 units. In addition, according to the SHDA/CRC Report (based on data from HLURB, HUDCC, United Nations World Population Prospects and the National Statistics Office of the Philippines), by 2030 the total housing need in the Philippines is expected to increase to approximately 6.3 million units, largely driven by the demand for Mass Housing units at approximately 4.8 million units.

The Company believes that it is squarely positioned to capitalize on the existing housing need and growing demand for Mass Housing in the Philippines. This is borne out by the Company's attractive business model of quick construction and roll-out of quality finished houses with affordable monthly amortizations. The Company typically rolls out its horizontal housing developments in phases of up to 200 houses, with a typical phase being completely rolled out after around two months from start of construction. While construction is ongoing, the Company also simultaneously conducts its marketing and sales campaigns, including reservation and processing of homebuyer applications. Given that the Company is serving a need-based market segment within which there is significant demand for housing supply, a substantial number of units are pre-sold prior to completion of construction. This has resulted in strong sales growth recorded by the Company in recent years.

Leading Mass Housing developer with established track record and brands for the underserved Mass Housing segment.

The Company is the largest Mass Housing developer in the Philippines in terms of units licensed under B.P. 220 from 2011 to 2013, according to HLURB. In 2003, the Company launched its projects under the DECA Homes brand. As of December 31, 2019, the Company has completed 58 Mass Housing projects and is developing another 19 Mass Housing and MRB projects. As a result of this track record, the Company has built a reputation of providing quality and affordable homes to consumers in the fast-growing Philippine Mass Housing market, resulting in the Company garnering numerous awards such as the BCI Asia Top 10 Developers in 2019.

The Company believes that it is one of the few developers dedicated to serving the housing needs of the Mass Housing segment throughout the Philippines, with most of its direct competitors being smaller regional developers with limited geographical coverage. This has allowed the Company to build significant nationwide brand equity for its DECA Homes and Urban DECA Homes brands across its target market and also achieve economies of scale from its operations.

Customer-focused product and payment scheme best suited for the Mass Housing market, coupled with effective collection and risk management policies.

The Company believes that its industry experience has equipped it and its management with in-depth knowledge and understanding of the needs, preferences, means and constraints of the Mass Housing segment customer base. The Company continuously undertakes demographic analysis of its customer base, which helps in developing products and payment schemes that are in line with the needs and lifestyles of its target customers. The Company believes that sustainable affordability is critical in serving the Mass Housing segment. Accordingly, the Company tailors the house area, lot area and locations of its developments to deliver housing products where the monthly amortization payments are affordable for its target customers when compared to monthly rental payments for comparable housing units, hence allowing a smooth transition from home rental to ownership. Furthermore, the Company's innovative CTS Gold financing program typically requires a relatively small upfront payment (normally 2% of the purchase price of the unit, compared to approximately 10% to 20% equity down payment generally required by other developers). This allow home buyers to purchase and move into a house without material effect on their savings. Fast and efficient processing under the CTS Gold financing program, combined with the Company's pre-cast construction process, translates into the ability to deliver units to customers within a short time frame. This combination of market knowledge, technical expertise and customer understanding results in a compelling proposition for the Company's target Mass Housing segment, which is primarily driven by end-user demand.

To complement and support the CTS financing program, the Company has developed a comprehensive collection platform comprising policies, structures, systems, organizations and mechanisms focused on collection efficiency and the mitigation of payment delinquency. The Company proactively approaches customer credit management, beginning at the point prior to actual sale by conducting in-house seminars/lectures covering key topics related to purchasing a housing unit such as documentary requirements, payment structure and credit and legal obligations connected with the housing unit purchase. The Company has also implemented a comprehensive credit verification process for all potential buyers looking to purchase housing units under the in-house CTS program, which includes a rigorous and systematic documentation approval process. In addition, the Company is able to leverage on its previous experience as collection agent for Pag-IBIG in formulating and implementing highly effective collection processes, including discontinuing the supply of certain utilities to the unit and/or disallowing certain privileges with respect to use of the Company's facilities in the developments. This has resulted in the Company recording estimated collection efficiency rates, defined as amount collected out of current amount due, of over 93% to 94% since 2011. Moreover, the Company believes that, in part as a result of its collection processes, of the customer accounts which become delinquent, approximately half become active again within three months of default. For the remaining half of the delinquencies that ultimately result in default, the Company is able to regain possession and typically resell the property in due time.

Market innovations with respect to construction processes, which translates into efficiencies and cost-savings.

The Company has continually invested in innovation to update its building processes and minimize wasted materials while at the same time maintaining the quality of its products and rapid completion of housing units. To this end, the Company has developed its own unique building system that makes use of a pre-cast construction process, enabling the Company to construct and complete housing units and MRBs in a cost- and time-efficient manner without compromising the quality and standards of the housing units being turned over to its customers. The utilization of this pre-cast construction process on-site, as opposed to traditional building methods, likewise results in significant cost reduction for the Company, particularly on labor costs. The Company believes that these factors help it to achieve and maintain healthy profit margins. Since pre-cast is manufactured in a controlled casting environment, it is easier to control the mix, placement, and curing; hence, quality can be monitored easily and wastage, typically a large cost for those still utilizing traditional construction methods, is significantly reduced. The Company sources cement from the largest cement manufacturers, which it then blends in-house, together with other additives in specific proportions, to create its proprietary concrete blend. This concrete mix has a faster curing time than standard concrete mixes, which allows for faster setting of pre-cast molds, resulting in panels that can withstand approximately four times as much pressure per square inch than traditional cinder block structures. For instance, the recent 7.2 magnitude earthquake, which affected Cebu and Bohol tested the structural strength and quality of the Company's projects in the area. The Company commissioned an independent structural engineer to inspect the units in its affected projects and the inspection indicated that there was only minor superficial damage and that the units remained structurally stable and fit for occupancy. Through the use of this process, the Company is able to construct townhouses and single attached units in just eight to 10 days with an additional five days for single-story houses with lofts.

The Company continuously improves and refines this process and has mastered its efficient implementation in the field. This construction process is highly scalable and, as such, enables the Company's high levels of growth.

Strong relationships with key housing and shelter agencies.

The Company, through its Subsidiaries and Principals, has been recognized by key Government shelter agencies with respect to its success in the industry. In particular, the Company was recognized by HLURB as the developer with the most number of subdivision units licensed under B.P. 220 from 2011 to 2013 and was also recognized as the top property developer in the Philippines for 2015, 2016 and 2017, in terms of take-out value from the HDMF. In addition, the accreditation of the Company's projects with the Board of Investment under the Investments Priorities Plan ("IPP") allows each accredited project to enjoy certain tax incentives.

These recognitions demonstrate that the Company has a good reputation and working relationship with key Government agencies that are essential to any success in the Mass Housing development industry. Pag-IBIG serves as the primary Government housing financial assistance program in the Philippines, with a statutory mandate to provide financial assistance for the housing requirements of its members and allot not less than 70% of its available funding for deployment of housing loans to qualified buyers. The Company closely coordinates with Pag-IBIG to increase the efficiency in Pag-IBIG's take-up of the Company's contracts-to-sell under its CTS Gold in-house financing scheme. The Company has also voluntarily submitted a proposal for it to be recognized as an authorized collection agent by Pag-IBIG for its home buyers, thus lessening the manpower needed by Pag-IBIG to follow up and keep accounts current.

Experienced management team with extensive expertise in Mass Housing development.

The Company prides itself in having an experienced management team under the leadership of Mr. Luis Yu, Jr. (Chairman Emeritus and Founder), Mr. Mariano Martinez, Jr. (Chairman of the Board) and Mr. Willibaldo J. Uy (President and CEO), who each have extensive experience and in-depth knowledge of the real estate business, particularly in the Mass Housing market, and span an aggregate of over 90 years in the industry. The three Principals believe that they have, between them, developed over 80 subdivisions and constructed over 70,000 housing units on an aggregate of over 850 hectares in major cities such as Cagayan de Oro, Cebu City, Davao City and Metro Manila. In addition, they have also developed, over the years, positive relationships with key market participants, including construction companies, regulatory agencies, local Government agencies and banks. Mr. Yu carries with him over 30 years of experience in the Mass Housing business. Mr. Martinez has over three decades of experience in the Mass Housing industry and was once the National President of the Subdivision and Housing Development Association ("SHDA"), the largest national organization of subdivision and housing developers in the Philippines with over 200 members. Mr. Uy brings with him over two decades of experience in the development of Mass Housing projects across the country. Furthermore, he has also been the National Chairman of the SHDA.

Key Strategies

The Company's overall business strategy, and the key to its current and past success in the Mass Housing industry, is to deliver with speed and quality the right products (a DECA Homes house or Urban DECA Homes MRB unit) to its target customers, mainly comprising low to middle income earners able to afford a monthly amortization payment of approximately ₱2,800 (the estimated amortization for a ₱450,000 loan for a Socialized Housing unit with 6.5% annual interest rate for the first year and a 25-year amortization schedule) to ₱17,000 (the estimated amortization for a ₱2,000,000 loan with 9% annual interest rate and a 25-year amortization schedule) under the Company's in-house financing program, at the right price range (the estimated amortization for a ₱450,000 to ₱2.0 million per housing/condominium unit).

To further build on its competitive strengths and allow further expansion of its business, the Company is looking to undertake the following:

- Increase existing coverage and expand geographically.
- Continue to support Mass Housing home ownership via innovative financing products.
- Continue to replenish land bank for development.
- Continue to diversify into new product types.
- Attain increase efficiencies in all facets of its operations and processes.

Increase existing coverage and expand geographically.

The Company intends to further grow its existing Mass Housing revenue base. To accomplish this, the Company intends to (1) increase the number and variety of projects in the cities in which it currently has existing developments, as well as to (2) geographically expand into new cities. For example, the Company has brought to Metro Manila the Urban DECA Homes high-rise building concept in Tondo, Manila, and Mandaluyong.

Continue to support Mass Housing home ownership via innovative financing products.

The Company seeks to promote increased home ownership in the Mass Housing segment in part by continuing to develop financing products tailored to the specific needs, requirements and financial situation of Mass Housing customers. In particular, the Company intends to seek ways to improve on and further provide flexibility to its CTS Gold financing program, an innovative product developed using the Company's experience in the Mass Housing segment, which allows home buyers to move into their chosen homes after a low down payment and provides affordable monthly amortizations.

Continue to replenish land bank for development.

The Company plans to continue to explore opportunities to replenish its land bank for future developments, selectively acquiring parcels and properties that meet its requirements for potential projects. The Company aims to seek out properties located in close proximity to public transportation terminals and major thoroughfares in cities, and also seeks to locate suitable project sites near developing business centers and high growth communities across the Philippines.

Continue to diversify into new product types.

The Company plans to supplement its subdivision and MRB offerings by launching two high-rise condominium projects under the brand "Urban DECA Towers" in the highest density urban areas of Metro Manila. This concept involves the construction and sale of condominium units that are half the size (i.e. approximately 13 sq. m.) of typical studio apartments. This project is envisioned to provide a weekday lodging for low-to-mid-income commuters who typically have to endure two to four hours of daily travel time and spend up to ₱5,000 each month in transportation costs traveling between their inner-city places of work and their homes in the outlying neighborhoods of Metro Manila. Key to the success of this concept is the up to ₱7,000 per month price point that works for the Company's low- to mid-income customers, coupled with the savings in transportation time and costs that would accrue to the condominium buyers.

Attain increased efficiencies in all facets of its operations and processes.

The Company will seek to improve its construction efficiencies in part by adding more mechanization and by standardizing the sizes of its building components. The Company will also seek to further improve collections by updating its customer qualification process and improving its delinquency remedial measures. In pursuing these items, the Company believes that it will be able to lower operating costs even further and improve its operational efficiency.

The 8990 Group

8990 Group is comprise of the parent, which is also the holding company, 8990 Holdings, Inc. and six (6) wholly-owned subsidiaries namely: [1] 8990 Housing Development Corporation (8990 Housing); [2] 8990 Luzon Housing Development Corporation (8990 Luzon); [3] 8990 Mindanao Housing Development Corporation (8990 Mindanao); [4] 8990 Davao Housing Development Corporation (8990 Davao); [5] 8990 Leisure and Resorts Corporation (8990 Leisure); and [6] Fog Horn, Inc. (Fog Horn)

8990 Holdings, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC), and was listed in Philippines Stock Exchange (PSE) on July 8, 2005 and October 20, 2010, respectively.

Subsidiaries

The following table presents certain information regarding the Company's Subsidiaries as of December 31, 2019.

Subsidiary	Country of incorporation	Company's Ownership Interest
8990 Housing...	Philippines	100%
8990 Luzon	Philippines	100%
8990 Mindanao..	Philippines	100%
8990 Davao..	Philippines	100%
8990 Leisure	Philippines	100%
Fog Horn...	Philippines	100%

8990 Housing

Established in 2003, 8990 Housing is flagship subsidiary of the Company. Its primary purpose is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. 8990 Housing registered with the Philippine SEC on March 20, 2003. Its principal office address is 8990 Bldg., Negros Street, Cebu Business Park, Cebu City.

8990 Luzon

8990 Luzon is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on October 28, 2008. 8990 Luzon engages in acquiring by purchase, lease, donation or otherwise, and own, using, improving, developing, subdividing, selling, mortgaging, exchanging, leasing and holding for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances. The registered principal office address of 8990 Luzon is 2nd Floor PGMC Bldg., 76 Calbayog St. corner Libertad St., Mandaluyong City.

8990 Mindanao

8990 Mindanao is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on September 17, 2009. 8990 Mindanao primarily engages in developing mass housing projects. Its registered principal office address is 8990 Corporation Center, Quirino Avenue, Davao City. 8990 Mindanao owns certain parcels of land used for the Company's development projects.

8990 Davao

8990 Davao is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on September 17, 2009. 8990 Davao primarily engages in the mass housing development business. Its registered principal office address is 8990 Corporation Center, Quirino Avenue, Davao City. 8990 Davao owns certain parcels of land used for the Company's development projects.

8990 Leisure

8990 Leisure is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on November 24, 2009. 8990 Leisure engages in acquiring, purchasing, holding, managing, developing and selling land with or without buildings or improvements for such consideration and in such manner or form as the company may determine of as the law permits, erecting, constructing, altering, managing, operating, leasing in whole or in part, buildings and tenements of the company or other persons, engages in real estate consultation and management including identifying, purchasing, conceptualizing, preparing master plans and layouts for land and building developments, managing the properties of and advising clients, developing or executing plans, undertaking project management and overseeing construction, except for management of funds, portfolios, securities and other similar assets. 8990 Leisure owns certain parcels of land used for the Company's development projects. 8990 Leisure's principal office address is 2nd Floor PGMC Bldg., 76 Calbayog St. corner Libertad St., Mandaluyong City.

Fog Horn

Fog Horn is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines and registered with the Philippine SEC on January 14, 2004. Fog Horn engages in acquiring by purchase, lease, donation or otherwise, and own, using, improving, developing, subdividing, selling, mortgaging, exchanging, leasing and holding for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances. Fog Horn's registered principal office address is located at the 3rd Floor PGMC Bldg., 76 Calbayog St. corner Libertad St., Mandaluyong City.

Bankruptcy, Receivership and Similar Proceedings

To the best of its knowledge, the Company and its subsidiaries are not subject to any bankruptcy, receivership and/or similar proceedings.

Material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On May 15, 2012, IHoldings, Januarius, and Kwantlen purchased 79.5% of the outstanding capital stock of the Company from certain stockholders of the Company. In compliance with the Republic Act No. 8799, also known as the Securities Regulation Code of the Philippine (SRC) and the Implementing Rules and Regulation of the SRC, as amended, (IRRs), a tender offer for all other remaining shares of the Company was conducted, the terms and conditions of which were disclosed through the Tender Offer Report dated June 19, 2012. Following the lapse of the tender offer period on July 19, 2012, during which no stockholder tendered any shares, a Final Tender Offer Report dated August 2, 2012 was filed with the Philippine SEC.

On May 29, 2012, prior to the closing of the sale referred to above, the Company transferred all of its assets to IP Converge Data Services, Inc. (IPCDSI) and subsequently transferred all of its equity interest in IPCDSI to its parent company at the time, IP Ventures, Inc. (IPVI), and consequently became a shell company.

On July 25, 2012, pursuant to the sale transaction discussed in the immediately preceding paragraph, IPVI and IPVG Employees, Inc. (IEI) transferred a total of 136,400,000 shares of the Company to IHoldings, Januarius and Kwantlen through the facilities of the PSE. As a result, IHoldings, Januarius and Kwantlen acquired ownership, and control over 61.4% of the Company's total outstanding capital stock. The remaining 40,000,000 shares of the Company acquired pursuant to the sale were transferred through the PSE immediately upon the lapse of the lock-up period applicable to said shares.

On May 6, 2013, the Company acquired all of the outstanding shares in the Subsidiaries from their respective shareholders under a Deed of Exchange dated May 6, 2013, as amended and supplemented on June 8, 2013 and, in exchange, agreed to issue a total of 3,968,357,534 shares from the increase of the Company's authorized capital stock in favor of the Subsidiaries' majority shareholders at the time. Consequently, under a private placement transaction and to ensure continued compliance with Philippine minimum public ownership requirements of the PSE, the Company applied with the Philippine SEC to: [1] increase its authorized capital stock to accommodate the foregoing issuance; [2] change the primary purpose of the Company into a financial holding company; and [3] change its corporate name to "8990 Holdings, Inc.". The Philippine SEC approved the application for the foregoing on October 1, 2013.

On February 1, 2019, The Board approved the adoption by the Company of a share buyback program, with the following terms and conditions: [a] The buyback program shall be for a period of up to eighteen (18) months from the date of board approval (or until 1 August, 2020), unless period is otherwise shortened by the Board of Directors; [b] The Company shall be authorized to repurchase up to Php2 Billion worth of common shares; [c] The Share Buyback Program will not involve any active and widespread solicitation for stockholders of the Company to sell their shares; [d] The majority/controlling shareholders of the Company (i.e. Iholdings, Inc. and Kwantlen Development Corporation, as well as their respective controlling shareholders) will not participate in the Share Buyback Program; [e] The Share Buyback Program will be implemented in the open market through the trading facilities of the Philippine Stock Exchange; [f] the Company shall repurchase shares using cash and book them as treasury shares; [g] The share buyback program will be implemented in an orderly manner and will not (and should not) affect any of the Company's prospective and existing projects and investments; [h] any share buyback implemented shall take into account the need to maintain the liquidity of the Company's stock in the market, as well as public ownership requirements; [i] any significant development in the Share Buyback Program will be duly disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange. The purpose for the Share Buyback Program is to enhance and improve shareholder value and to manifest confidence in the Company's value and prospects through the repurchase of the common shares.

On March 15, 2019, 8990 Holdings, Inc., through its subsidiary 8990 Housing Development Corporation ("8990 HDC"), entered into a Subscription Agreement with Genvi Development Corporation ("Genvi"), for the subscription by 8990 HDC of a total of 2,913,128 common shares out of the existing but unissued capital stock of Genvi, at the subscription price of Two Hundred Ninety-one Million Three Hundred Twelve Thousand Eight Hundred Pesos (Php 219,312,800.00) in cash. The Subscription Transactions is intended to be the first phase of the Genvi Acquisition, which was completed through the subscription by 8990 HDC, resulting to 8990 HDC to own approximately 72.83%. 8990 HDC hopes to consolidate its ownership of Genvi by acquiring the remaining 27.17% of the resulting issued and outstanding capital stock of Genvi following completion of continuing discussions with the current shareholders of Genvi and confirmation of due diligence findings.

On June 30, 2019, the second phase of the Genvi Acquisition was completed through the acquisition of the remaining 27.17% of Genvi by 8990 HDC. The second phase of the transaction was through a separate share purchase transaction between 8990 HDC and the shareholders of Genvi. The consideration for the second phase of the transactions was Eight Hundred Million Pesos (Php 800,00,00.00). The completion of the second phase resulted to 8990 HDC owning 100% of the total issued and outstanding capital stock of Genvi. The purpose of the acquisition was to allow 8990 Holdings Inc., to expand into other real estate segments, such as high-end developments.

Business of Issuer

Business segments of the 8990 Group are as follows:

- Construction of low-cost mass housing
- Construction of medium-rise condominium units
- Construction of high-rise condominium units
- Hotel operations

Construction of low-cost mass housing

Under brand name DECA Homes, The Company's residential subdivisions are located in Cebu, Iloilo, Davao, Pampanga and Cavite. This is the main business segment of the 8990 Group with widest reach and highest revenue contribution. About fifty three percent (53%) of revenues in 2017 were from low-cost mass housing business segments. Refer to Note 21 of the 2017 Audited Consolidated Financial Statements for details.

The Company constructs three (3) types of housing unit namely:

1. Single-storey detached – a residential unit which is situated on its own or in a separate lot without sharing any walls with another home or building
2. Single-storey attached – a single floor residential unit built in a row of four (4) or more units joined by a common side walls
3. Townhouse – a two-storey residential unit built in a row of four (4) or more units joined by a common side walls

Floor areas range from thirty five (35) square meters to one hundred twenty (120) square meters with corresponding unit price range of four hundred fifty thousand pesos (PhP450,000) to one million two hundred fifty thousand pesos (PhP1,250,000). Facilities include concrete roads, underground drainage system, centralized water system, power system, cable and telephone lines, gated entrance with security personnel, and perimeter fence. Amenities may include Wakeboard Park, swimming pool, basketball court, clubhouse/multipurpose hall, church, and commercial market.

Construction of medium-rise condominium units

The Company's medium-rise building (MRB), building with four (4) to five (5) storeys, is marketed under Urban DECA Homes brand, and with revenue contribution of about twenty six percent (26%) in 2017. The first MRB project, is located in Mandaue City, Cebu, the Company recently opened its first MRB in Metro Manila in Sucat, Muntinlupa and there are other MRB projects to be launched in NCR are in the pipeline. MRB in Cavite was also launched in 2016. Each MRB unit has a floor area of twenty five (25) square meters to thirty six (36) square meters, with unit price between eight hundred thousand pesos (PhP800,000) to one million two hundred fifty pesos (PhP2,000,000).

MRB facilities are concrete roads, sidewalks with curbs and gutters, underground drainage system, centralized water system, power system, cable and telephone lines, gated entrance with security personnel, and perimeter fence. On-site leisure amenities may include swimming pool, basketball court, clubhouse/multipurpose hall and/or park.

Construction of high-rise condominium units

The Company has ventured into high-rise condominium projects under the brand Urban DECA Towers in the highest density urban areas of Metro Manila. This concept involves the construction and sale of condominium units that are half the size (approximately 13 sq. m.) of typical studio apartments. A unit would have a bathroom and a combination sleeping/living/dining area suited for occupancy by a single person or a couple. Each unit would cost around ₱1,000,000, which equates to initial monthly amortization payments of around ₱8,000 under the Company's CTS financing product (with typical 25-year term, 9.5% annual interest rate subject to adjustment after fifth year). The lower floors of the building would contain common areas (i.e. gym, living-room style lobby, function rooms, etc.) and commercial shopping/dining areas. The buildings are intended be situated in dense urban neighborhoods with easy access to major transportation routes/facilities and within easy distance of major white-collar employment centers (i.e., central business districts).

Making use of the "Micro Living" concept, Urban DECA Towers is envisioned to provide weekday accommodation for low- to mid-income commuters who typically have a two- to four-hour daily commute and spend up to ₱5,000 each month in transportation costs traveling between their places of work and homes in the outlying neighborhoods of Metro Manila. Key to the success of this concept is the ₱8,000 per month or lower amortization price point that has proven to work with the Company's low- to mid-income customers, coupled with the savings in transportation time and costs that would accrue to the condominium unit buyers.

Summary of Projects

The tables below summarize the status of the various new and ongoing projects the Company has under its various Subsidiaries as of December 31, 2019:

Ongoing Projects	Type	Total units	Location
Deca Clark Resort Residences	Low cost mass housing	5,166	Pampanga
Deca Clark Resort Residences 12	Low cost mass housing	213	Pampanga
Urban Deca Homes Manila	HRB	13,212	Manila
Urban Deca Homes Ortigas	HRB	19,046	Pasig
Urban Deca Homes Marilao	MRB	3,780	Bulacan
Deca Homes Marilao Extension	Low cost mass housing	187	Bulacan
Urban Deca Homes Hampton	MRB	1,988	Cavite
Urban Deca Homes Mahogany	MRB	448	Cavite
Deca Homes Pavia Resort Residences	Low cost mass housing	2,122	Iloilo
Deca Homes Pavia Resort Residences 2	Low cost mass housing	2,987	Iloilo
Deca Homes Sta Barbara (Economic)	Low cost mass housing	661	Iloilo
Deca Homes Sta Barbara (Socialized)	Low cost mass housing	6,708	Iloilo
Deca Homes Ormoc (Economic)	Low cost mass housing	360	Leyte
Deca Homes South of Bacolod (Economic)	Low cost mass housing	2,912	Bacolod
Urban Deca Homes Tisa 2	MRB	1,392	Cebu
Deca Homes Mulig (Economic)	Low cost mass housing	1,590	Davao
Deca Homes Talomo	Low cost mass housing	5,948	Davao
Deca Homes Gensan (socialized)	Low cost mass housing	2,530	General Santos
Deca Homes Meycauyan	Low cost mass housing	5,178	Bulacan

Liquidity Management

Financing Options

PAG-IBIG Transfer
The Company may enter into take-out arrangements with Pag-IBIG as needed, where it transfers its CTS receivables, typically within four years of the loan commencement period, subject to the Company's requirements. In 2019, the Company was able to take out ₱4,642 million worth of receivables from Pag-IBIG Fund. The acceptance or rejection of a CTS receivable by Pag-IBIG is based on certain guidelines such as employment, number of contributions made by the homeowner/Pag-IBIG member and net disposable income, among other factors. As a result of the Company's CTS requirements mirroring those of Pag-IBIG's, the Company estimates that substantially all of its historic requests for take-outs have been accepted by Pag-IBIG. However, in the event that a material number of take-up applications are delayed or even denied, the Company's cashflow and recognized revenues could be materially affected. Moreover, the conversion into cash of the Company's CTS receivables as a result of take-ups by Pag-IBIG also affects the Company's results of operations. As a greater amount of CTS receivables are converted pursuant to the Company's take-up arrangements, the Company's finance income and receivables decrease while its cash balances correspondingly increase.

Other Receivables Management Options

In addition to its receivables take-up arrangements with institutions such as PAG-IBIG, the Company also regularly adopts other measures to manage its level of receivables from its housing sales, as well as to generate cash necessary for operations. For example, from time to time, the Company enters into loan arrangements with banks against its receivables portfolio as collateral. In addition, the Company also sells receivables to banks and other financial institutions on a non-recourse basis. In 2019, a total of ₱7,921 million worth of receivables were sold to a financial institution. The Company has also begun to explore possible securitization transactions with respect to its receivables portfolio. The success of any of these receivable management measures, depending on the amount involved and terms agreed, may affect the Company's results of operations in terms of its liquidity and the levels of its receivable assets.

Credit and Collection

The Company has a credit and collection team which is in charge of handling the amortization payments of buyers. The team is responsible for the timely collection of payments, depositing of post-dated checks and the eventual remittance of payments to the Company's treasury group and undertaking remedial measures for delinquent accounts. The Company has also developed a comprehensive collection platform comprising policies, structures, systems, organizations and mechanisms focused on collection efficiency and the mitigation of payment delinquency.

The Company's credit and collection team is composed of Sixty-eight (68) permanent employees organized per area of operation. Of the Sixty-eight (68), Eight (8) are supervisors in charge of NCR, North Luzon, South Luzon, Cebu/Ormoc, Iloilo/Bacolod, and Davao/Gensan, while Sixty-one (60) are employees functioning as remittance officers, frontline customer service officers and site collection officers. The team is supported contractual employee who serves as collection officer in the various projects nationwide. These collection officer ensure enforcement of the Company's credit and collection policies. In addition, the services of nine (9) law firms have been retained by the Company to handle the legal side of collection, including the sending of demand letters, notices of cancellation and the eventual eviction of the delinquent borrower.

Submission of Check Payments

Potential homebuyers of the Company's housing units are required to submit twenty five (25) post-dated checks. The first twenty four (24) checks are equivalent to the first twenty four (24) monthly amortization payments, while the 25th check represents the outstanding principal balance as of the 25th month and serves as an assurance that the borrower will again submit another twenty four (24) post-dated checks (equivalent to the payments for 25th to 48th months) plus another 25th check equivalent to the outstanding principal balance as of the 49th month. This cycle is repeated until the loan is fully paid at the end of the term. The excess of the twenty four (24) checks will be deposited if the borrower fails to submit the next set of twenty five (25) checks.

The Company imposes a PhP2,200 bank penalty fee and a PhP200 fee per bounced check as facilitation and retrieval fee. Likewise, a fee of PhP200 is charged if the buyer replaces the check with cash paid directly to the Company.

The Company's estimated collection efficiency rates for the past nine years are as follows:

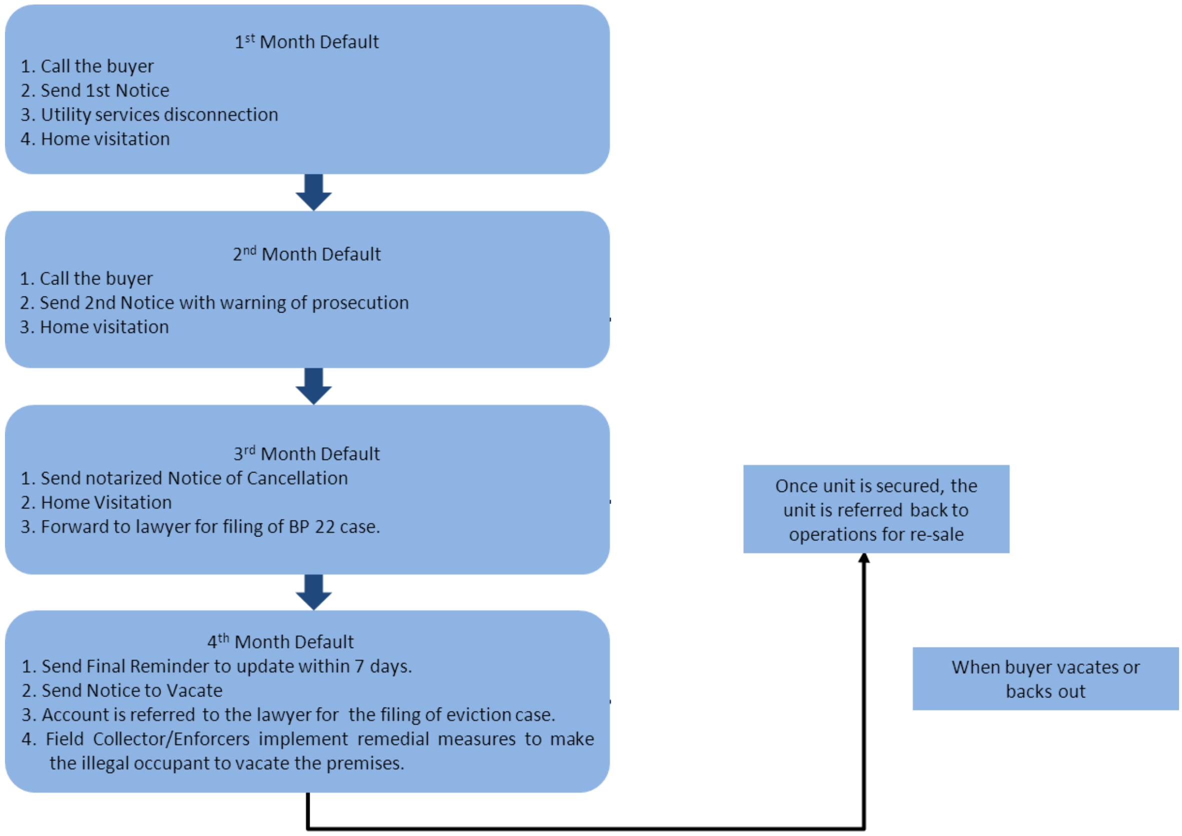
Period	**Performing Accounts Ratio**
2008(2)	94%
2009(2)	95%
2010(2)	93%
2011	93%
2012	94%
2013	93%
2014	93%
2015	96%
2016	95%
2017	94%
2018	94%
2019	94%

Notes:

(2) *Prior to 2011, the collection efficiency rates refer to rates for receivables managed on behalf of PAG-IBIG.*

In the Company's experience, through remedial measures, approximately half of the defaulting accounts usually become current again after a one to three (1 to 3) months payment lag, while the other half of the defaulting accounts result in the cancellation of the CTS and remarketing of the property. The Company was able to leverage on its experience and expertise in acting as PAG-IBIG's collection agent prior to 2011 in the formulation and execution of its credit and collection policies.

Collection Process in the Event of Default



Accounts are considered in default when the buyer fails to pay one (1) monthly amortization, while payments are considered late if the buyer fails to pay his amortization on the due date. In 2012, approximately four percent (4%) of all customers, out of the seven percent (7%) of all customers who were in default, updated their accounts within the first three (3) months of default.

Marketing and Sales

Marketing

The Company believes it has an extensive marketing network. The Company's marketing and distribution network consists of approximately two hundred thirty six (236) teams, with twenty eight (28) headed by unit managers and two hundred eight (208) headed by licensed brokers and with a combined total of more than three thousand (3,000) active agents. All of the unit managers and the agents under them are exclusively contracted to the Company. Furthermore, all unit managers are accredited licensed realtors. The Company's commission structure and incentive schemes vary relative to the network's affiliation and sales structure. The Company's marketing teams are compensated through commission fees and are provided some administrative support by the Company. The Company trains its marketing teams monthly on topics including new Company policies, product information and terms and conditions of sale.

As a marketing strategy, the Company's sales and marketing teams regularly conduct presentations to potential clients to inform them of the Company's products. Mall exhibits have likewise provided the Company with an effective platform to introduce its product offerings and get leads on prospective buyers. Another strong source of sales relates to "repeat buyers," in the form of family members of those who already own a DECA Home unit.

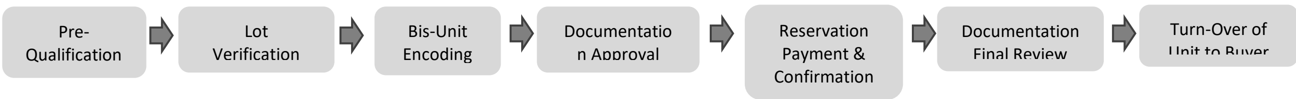
Moreover, promotional discounts are also offered by the Company to attract buyers and increase their interest. These include:

- Cash Discounts. The Company gives discounts upon full payment of the required down payment and is based on the total contract price of the house and lot package (which price ranges from PhP450,000 to PhP1.25 million). Cash discount as follows:

Down Payment Fully Paid Within	Cash Discount
7 Days	3%

CTS 2018 Sales Process

The CTS Gold product follows a rigorous process of credit verification for all potential buyers. The following diagram illustrates the process under the CTS Gold product:



- Pre-Qualification – The buyer provides basic requirements such as valid identification, proof of income (pay slips, certificate of employment and compensation, bank statements, income tax return, etc.), signed loan documents and complete post-dated checks.

- Lot Verification – The availability of the unit is verified.

- BIS-Unit Encoding – A unit manager assigns and encodes the buyer's identification into its system to avoid double reservation.

- Documentation Approval – A documentation manager submits the buyer's information folder to a documentation account officer. The account officer verifies and screens the documents provided by the borrower. Physical appearance of the buyer is required to verify accuracy of all information provided. Incomplete documentation folders are sent back to the documentation manager for re-evaluation.

- Reservation Payment and Confirmation – Reservation payment is paid for by the buyer and documented by an account officer.

- Documentation Final Review – The documents are sent to a documentation manager for final review.

- Turn-Over of Unit to Buyer – Take-out occurs only when construction of the unit is complete and the buyer accepts the unit. Attendance to a buyer orientation is required which will cover documentation, credit and legal obligation, construction and technical discussion.

<u>Suppliers</u>

All of the raw materials used by the Company were sourced from domestic Philippine suppliers. Suppliers are chosen based on a number of criteria, including the quality of the raw materials supplied, stability of supply in the past, delivery time, pricing of the raw materials as well as the financial and industrial strength of the supplier. The Company's sourcing strategy is to deal with reliable suppliers at the best available price, to prefer national over local suppliers, and to encourage on-time delivery.

The Company maintains relationships with over two hundred (200) suppliers. For the year ended December 31, 2019, the Company's five (5) largest raw materials suppliers in aggregate accounted for approximately forty (40%) of the Company's total amount of purchases.

Customers

The Company mainly focuses on serving the needs of the mass housing market. Specifically, the Company targets (a) the upper-end of the lower class segment of society and (b) the lower-end of the middle class segment of society. The Company's target market primarily consists of buyers who are gainfully employed (such as government employees, business processing operations (BPO) employees, manufacturing workers, etc.). In 2019, these account for approximately ninety-four percent (94%) of the Company's horizontal unit buyers, and ninety-five percent (95%) for buyers of vertical developments. Self-employed (i.e., tending to their own businesses), accounts for the remaining six percent (6%) and five percent (5%), respectively. The Company likewise caters to OFWs, which, for many years, have played an important role in keeping the Philippine economy afloat through their remittances that help fuel consumption, specifically real-estate purchases.

Customer Service and Warranties

The Company believes it is important to ensure that quality service is afforded to homebuyers throughout and after the relevant sales period. Customer service employees oversee pre-delivery quality control inspections and respond to post-delivery customer needs. The Company responds to customer requests during the construction phase and coordinates the legal requirements that customers must comply with when making a purchase, including signing deeds, obtaining permits, and securing funding.

Under the terms of the Company's CTS contracts, buyers may seek repairs for patent (i.e., observable) defects in new homes prior to their acceptance of the residential unit. If the defect is latent (i.e., non-observable), customers may seek repairs within one (1) year from the date the housing unit was turned over to them for occupancy.

In addition to the foregoing contractual warranties, the Company may be subject to additional liabilities arising from construction defects under Philippine law. However, the Company has historically spent immaterial amounts on claims from customers for construction or other defects.

Competition

The Company believes it does not have significant direct competition from national (i.e. Metro Manila-based) real-estate developers for low cost housing projects within its price range (i.e. PhP450,000 to PhP2.0 million per housing unit). Although competitors with nationwide scope, such as Amaia Land Corporation, a subsidiary of Ayala Land, Inc.; Century Limitless Corporation, a subsidiary of Century Properties Group, Inc.; Filinvest Land, Inc., under the "Futura Homes" brand; Suntrust Properties, Inc., a subsidiary of Megaworld Corporation; Robinsons Land Corporation, under the "Robinsons Communities" brand; Summerhills Home Development Corporation, a subsidiary of SM Prime Holdings, Inc.; and Vista Land, under the "Camella Homes" brand, do undertake affordable housing projects, they do so at a higher price range (i.e. PhP1.5 million and up), which is a different market from that of the Company's.

The Company has direct competitors at the local/regional level that sell housing units within its PhP450,000 to PhP2.0 million price range. These include: Johndorf and ProHomes in Cebu; Foothills Development Corporation and HLC Development Corporation in Davao; ProFriends, Ion Realty, Happy Homes and San Raphael Realty in Iloilo; Hausland, Fiesta Communities and El Valerio Realty in Pampanga; and ProFriends, Homemark Development, Picar Development, Rudex, Masaito and New APEC in Cavite.

Employees

As of the date of this report, the Company has a total of Four Hundred Sixty-one (461) employees. This is broken down as follows:

Function	Number of Employees
Managers	58
Accounting Staff	62
Conversion Staff	35
Credit & Collection Staff	68
Documentation Staff	70
Human Resources/Administrative Assistant	43
Management Information Systems Staff	14
Planning/Engineering Staff	59
Audit	4
Pre-Docs	16
Treasury	4
Records Management	9
Materials & Procurement	7
Condo Corp/HOA	5
Receivables Management	6
Legal	1
Total Employees as of 2019	**461**

Furthermore, to date, there is no existing collective bargaining agreement between the Company and its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Company's relationship with its employee in general is satisfactory. The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations.

Intellectual Property

The Company is in the process of registering "DECA Homes", "Urban DECA Homes" and "Urban DECA Towers" as brand names with the Intellectual Property Office. These trademarks are important in the aggregate because name recognition and exclusivity of use are contributing factors to the success of the Company's and its Subsidiaries' property developments. In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

Health, Safety and Environment

The Company regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. The Company maintains various environmental protection systems and conducts regular trainings on environment, health and safety.

Insurance

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company carries all-risks insurance during the project construction stage. The Company also requires all of its purchasers to carry fire insurance and sales redemption insurance, for which it pays the annual premium upfront to the insurer and charges purchasers on a monthly basis. For its vertical projects, the Company requires its general contractors to carry all-risks insurance for the period of building construction. The Company does not carry business interruption insurance.

Risks Relating to the Companies Business

The recent COVID-19 global pandemic has had and is expected to continue to have an adverse effect on the Company's business and operations.

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of 30 June 2020, there have been over ten million confirmed cases worldwide. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses, and travel restrictions.

In the Philippines, President Rodrigo Duterte declared the entire Luzon island under total lockdown (Enhanced Community Quarantine or ECQ) on 16 March 2020, which restricted the movement of the population with certain exceptions, in response to the increasing number of COVID-19 cases in the country. Among the lockdown measures implemented include suspension of work or alternative working arrangements in the private sector except in establishments providing basic necessities, suspension of mass transport facilities, and travel restrictions.

ECQ was originally set to end by 12 April 2020 but has been first extended to 30 April 2020 then to 15 May 2020. Lockdown was further extended for some areas including Metro Manila and Cebu to 31 May 2020 under the Modified Enhanced Community Quarantine (MECQ) while some regions were placed under either General Community Quarantine (GCQ) or Modified General Community Quarantine (MGCQ). On 1 June 2020, quarantine measures were relaxed and Metro Manila was placed under GCQ. On 16 June 2020, Cebu City was again placed under total lockdown following the rise of COVID-19 cases in the region. While quarantine measures continue to be eased nationwide, there can be no assurance that ECQ or similar measures will not be re-imposed.

In addition, Congress enacted Republic Act No. 11469 or the "Bayanihan to Heal As One Act", which granted the President the power to provide for a minimum of thirty (30)-days grace period on residential rents which fell due during the ECQ, without incurring penalties, interests, and other charges. In relation thereto, the Department of Trade and Industry (DTI) issued a Memorandum Circular No. 20-12, which provided that residential rents and commercial rents for Micro, Small and Medium Enterprises (MSMEs) that have stopped operating during the ECQ shall be entitled to the grace period. The cumulative amount of rents shall be spread out or equally amortized in the six months following the end of the ECQ and shall be added to the rent dues on these succeeding months without penalties, interest, fees, and charges.

The Bayanihan to Heal as One Act also provided the President the power to direct financial institutions, including the Pag-Ibig Fund, to implement a grace period for the payment of housing loans, among others. The implementing rules provide that the mandatory grace period should be at least thirty (30) days, which is automatically extended if the ECQ period is extended.

The curtailed economic activity brought about by the quarantine measures caused decreases in consumer purchasing power and has resulted in significant drops in demand for housing and other real properties, which in turn affect the revenues targets of the Company and its subsidiaries. The COVID-19 pandemic has also (i) disrupted the global supply chains of materials, facilities and other products through the effects of travel restrictions, quarantines, closure of factories and facilities, and political, social, and economic instability; (ii) increased volatility or caused disruption of global financial markets and affected businesses' capabilities of accessing capital markets and other funding resources on favourable or acceptable terms; and (iii) resulted in social and political instability. The COVID-19 pandemic has also affected and continues to affect the employment of migrant Filipinos, who largely contribute to the demand for the Company's projects. As the situation evolves, these indirect impacts may become more significant and could also have a severe adverse impact on the Company's and its subsidiaries' operation and cash flow.

The extend to which the COVID-19 pandemic impacts the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and migrate the effects of COVID-19 pandemic adversely affects the business and financial results of the Company and its subsidiaries, it may also have the effect of heightening many of the other risks described in this Information memorandum and thus adversely affecting the Company's operational and capabilities of repaying the Notes.

All of the Company's business activities are conducted in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of the Philippine economy.

Historically, the Company has derived primarily all of its revenue from the sale of real estate assets in the Philippines and its business is highly dependent on the state of the Philippine economy. Demand for, and prevailing prices of real estate assets are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines, the overall employment levels in the Philippines and the amount of remittances received from OFs. Historically, the Philippines has periodically experienced economic downturns. For example, the general slowdown of the global economy in 2008 and 2009 had a negative effect on the Philippine economy, which in turn had a negative effect on the Philippine property market as property sales declined.

There is no assurance that there will not be a recurrence of an economic slowdown in the Philippines. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- decreases in the amount of remittances received from OFs;
- decreases in or changes in consumption habits in the Philippines;
- decreases in property values;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- the sovereign credit ratings of the Philippines;
- exchange rate fluctuations;

- a prolonged period of inflation or increase in interest rates;
- changes in the Government's taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, political or economic developments in or affecting the Philippines.

The Philippines is currently expecting an economic downturn following the Taal volcano eruption in January and the COVID-19 pandemic and the resultant lockdown. The country's gross domestic product contracted 0.2% in the first quarter of 2020 and is expecting a bleaker outlook in the second quarter when lockdowns were in full swing in many areas and economic activities were still constrained. A global recession is also predicted for the year 2020 as the economic effects of the COVID-19 pandemic are felt in other countries, which also adversely affect the Philippine economy.

Further, considerable economic and political uncertainties currently exist in the Philippines that could have adverse effects on consumer spending habits, construction costs, availability of labor and materials and other factors affecting the Company's business.

To mitigate this risk, the Company intends to further grow its existing Mass Housing revenue base; promote increased home ownership in the Mass Housing segment through the development of financing projects tailored to specific needs, requirements and financial situation of its Mass Housing customers; diversify into new product types to supplement its subdivision and MRB offerings; and increase efficiencies in all facets of its operations and processes.

The Company is exposed to risks associated with its in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program.

The Company provides a substantial amount of in-house financing to its customers via its CTS program. As a result, and particularly during periods when the unemployment rate rises or when the overall level of overseas remittances decline, the Company faces the risk that a greater number of customers who utilize the Company's in-house financing facilities will default on their payment obligations, which would require the Company to incur expenses such as those relating to sales cancellations and eviction of occupants, additional expenses caused by delinquent accounts, a disruption in cash inflows, risk of holding additional inventory in its balance sheets and reduced finance income.

In addition, in instances where various customer receivables have been given as collateral for the Company's financing arrangements with banks or in instances where sales of receivables are made with recourse to the Company, a default in these receivables would require the Company to either pay down the corresponding balance on the loan, or replace the defaulting receivable with another from its portfolio. There can be no guarantee that the Company will not be asked to pay cash for these defaulting obligations in the future. In such an event, the defaulting receivable would also be assigned back to the Company, and there can also be no guarantee that the Company will be able to resell the mass housing unit underlying the receivable easily or at all. If the number of and amount involved in any defaults are significant, the Company's financial position and liquidity may be adversely affected.

Moreover, other cheaper financing options may become available and if customers choose to obtain financing from other sources, such as banks and other financial institutions, this would result in a decline in the income the Company derives from interest due on in-house financing. The inability of the Company to sustain its in-house financing activities could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company makes it a point to turn over the housing unit to the buyer as soon as the unit is finished and the minimal required equity is paid in order to create a sense of ownership. This has been proven effective in avoiding defaults.

The Company will be in a better position in cases where cheap financing options would be available to the buyers as this will immediately result to cash payments rather than long term receivables, hence, will be able to have readily available funds to build new inventories for sale, and would not need to avail of any external financing be it from creditors or equity holders.

The Company's liquidity and financial results are affected by PAG-IBIG's willingness to process loan take-ups and the expediency by which PAG-IBIG processes these take-ups.

Under its business and operating model, the Company typically provides in-house financing to its customers via its CTS Gold financing team upon the initial purchase of a potential home. From time to time, the Company requires the prospective purchaser to apply with PAG-IBIG for take-up of the loan obligation. Should PAG-IBIG grant the prospective buyer's application, PAG-IBIG would then grant a home loan to the prospective buyer, who in turn would use the loan to pay the purchase price of the mass housing unit to the Company. However, due to the number of applications pending with PAG-IBIG at any one time, there are often delays in the processing of these loan take-ups. Furthermore, PAG-IBIG may also deny loans for various reasons, such as incomplete documents, among others. In addition, other factors, such as review of titles by banks that purchase receivables from the Company, may also delay the financing process. Depending on the degree of any such delays or denials, and the amounts of the loans and number of customers involved, these could have a material adverse effect on the Company's liquidity because the loans would be retained on the Company's books as receivables and delay its cashflow. Moreover, in the event that PAG-IBIG completely ceases the take-up of these loans, the Company would have to keep these loans for a significant portion of time and may encounter difficulty in selling these loans to other financial institutions. Any of these events may have a material adverse effect on the Company's financial condition and results of operations.

The Company has put in place a team dedicated to process loan take outs from PAG-IBIG to be able to turn around the receivables from the buyers at the least possible time, and arrest possible liquidity problems. Credit evaluation of the Company also matches that of PAG-IBIG to further minimize the instances of rejected loan take outs.

The Company is currently in the process of updating its accounting systems and other internal controls.

As an organization which recently underwent a corporate reorganization and that is now subject to the reporting requirements for listed companies, the Company is currently updating and streamlining its overall operational systems and controls. Notably, the Company is implementing upgrades to its management information systems and processes with respect to accounting controls, documentation and internal reporting. As such, the Company may experience difficulties in the implementation of these new systems and processes organization-wide, and may not be able to effectively integrate these upgrades and new systems across its Subsidiaries. In addition, there can be no assurance that the implementation of these system upgrades will produce the desired improvements in timeliness and quality of the Company's reporting and internal controls. Any failure of the Company to properly upgrade and implement these systems, or to effectively integrate these changes across the entire organization, may not produce the desired efficiencies or may result in imprecise reporting of the Company's accounts and results, which may in turn have a material adverse effect on its results of operation and financial condition.

The Company entered into a service agreement with BPO International (BPOI) to handle its bookkeeping requirements including preparation of financial reports such as balance sheets, Income Statement and

Statement of Cashflow, and conduct bank reconciliation on a regular basis. This move allows the Company to produce accurate and reliable financial reports as the team is dedicatedly engaged to do so. Moreover, the prepared financial reports by BPOI will be reviewed by the Company's accounting group prior finalization. Despite the involvement of BPOI in the Company's financial reporting, internal finance and accounting group manpower is retained, if not beefed up, to be able to successfully handle growing volume of financial transactions brought about by the exponential growth of the business.

The real estate industry in the Philippines is capital intensive, and the Company may be unable to readily raise necessary amounts of funding to acquire new land or complete existing projects.

The real estate industry in the Philippines is capital intensive, and market players are required to incur significant expenditures to acquire land for development, complete existing projects and commence construction on new developments. For the years 2017, 2018 and 2019, the Company spent ₱1,323,920,834, ₱1,891,910,627 and ₱2,120,652,237, respectively, for land banking expenditures for its real estate development projects.

Historically, the Company has funded a significant portion of its capital expenditure requirements as well as steady growth from external sources of finance; however, it may also fund such requirements through other means, such as equity sales, among others, in the future. There can be no assurance that, to complete its planned projects or satisfy its other liquidity and capital resources requirements, the Company will be able to obtain sufficient funds at acceptable rates to fund its capital expenditure requirements, or that iw ill be able to obtain sufficient funds at all. Failure to obtain the requisite funds could delay or prevent the acquisition of land, completion of old projects or commencement of new projects and materially and adversely affect the Company's business, financial condition and results of operations.

To mitigate this risk, the Company maintains strong relationship with key housing and shelter agencies. It may also obtain financing from capital markets.

A portion of demand for the Company's products is from OFWs, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are located.

Sales to OFs, including OFWs and Filipino expatriates, generate a portion of the demand for the Company's housing and land development projects. A number of factors could lead to, among other effects, reduced remittances from OFWs, a reduction in the number of OFs or a reduction in the purchasing power of OFs. These include:

- an appreciation of the Philippine peso, which would result in decreased value of the other currencies transmitted by OFWs;
- a downturn in the economic performance of the countries and regions where a significant number of these potential customers are located, such as the United States, Italy, the United Kingdom, Singapore, Hong Kong, Japan and the Middle East;
- a change in Government regulations that currently exempt the income of OFWs from taxation in the Philippines;
- the imposition of restrictions by the Government on the deployment of OFWs to particular countries or regions, such as the Middle East; and
- restrictions imposed by other countries on the entry or the continued employment of foreign workers.

As an example, the Company believes that the global economic downturn of 2008 resulted in OFW remittances tending to be used for basic family expenses or savings and bank deposits rather than for investing in or purchasing real estate. In addition, turmoil in the Middle East and North Africa have resulted in OFs being repatriated from these regions and losing their steady sources of income. Currently, the constrained economic activities brought by the COVID-19 has resulted in mass layoffs and repatriation of thousands of OFWs. These events adversely affect demand for the Company's projects from OFs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk the Company relies on Management's extensive experience and in-depth knowledge of the real estate business, particularly in the Mass Housing market. The Company has also adopted strategies, among others, to increase its existing coverage and grow geographically.

The Company's focus on residential housing and land development exposes it to sector-specific risks, including competition in the Philippine residential real estate industry.

The housing market involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. The Company's results of operations are therefore dependent, and are expected to continue to be dependent, on the continued success of its residential and land development projects.

Additionally, the Philippine residential real estate industry is highly competitive. The Company's income from, and market values of, its real estate projects are largely dependent on these projects' popularity when compared to similar types of projects in their areas, as well as on the ability of the Company to correctly gauge the market for its projects. Important factors that could affect the Company's ability to effectively compete include a project's relative location versus that of its competitors, particularly to transportation facilities and commercial centers, the quality of the housing and related facilities offered by the Company, price and payment terms of the project, available financing for the project and the overall attractiveness of the project. The time and costs involved in completing the development and construction of residential projects can be affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes with contractors and subcontractors, and the occurrence of other unforeseeable circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. Moreover, failure by the Company to complete construction of a project to its planned specification or schedule may result in contractual liabilities to purchasers and lower returns, all of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes that it is one of the few developers dedicated to serve the housing needs of the mass housing segment throughout the Philippines, with most of its direct competitors being smaller regional developers with limited geographical coverage. This has allowed the Company to build significant nationwide brand equity for its DECA Homes and Urban DECA Homes brands across its target market and also achieve economies of scale from its operations.

Historically low interest rates, expansion in overall liquidity, extensive construction of housing units and other factors could lead to the risk of formation of asset bubbles in real estate.

For the past several years central banks globally, including the BSP, have kept overall interest rates at historically low levels for an extended period of time. This has occurred in conjunction with recent high levels of liquidity in the Philippines owing to strong and growing remittances from OFWs, the expansion of consumer credit provided by banks, the expiry of the BSP's requirement for banks to maintain special deposit accounts and strong inflows of foreign investments, among other factors. In addition, the pace of real estate construction, particularly for housing in and surrounding Metro Manila and other urban areas, has likewise been strong by historical standards. All these have increased the risk that rising prices may not be sustainable, particularly in the real estate sector. If rising prices are not sustained, the results could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is confident in the efforts of the BSP to control inflation and prevent the formation of asset bubbles in real estate. The country also has a very young demographic profile benefitting from rising disposable income. The Company believes that the Mass Housing sector has shown favorable market demographics in recent years and will continue to do so in the medium- to long-term. The Company also has an experienced management team to mitigate this risk.

Competition for the acquisition of land for new projects and risks relating to the management of its land bank, including fluctuations in demand and prices, may adversely affect the Company's business.

The Company's future growth and development are dependent, in part, on its ability to acquire additional tracts of land suitable for the Company's future real estate projects. When the Company attempts to locate sites for development, it may experience difficulty locating parcels of land of suitable size in locations and at prices acceptable to the Company, particularly parcels of land located in areas surrounding Metro Manila and in other urban areas throughout the Philippines. In the event the Company is unable to acquire suitable land at prices and in locations that could translate into reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

In addition, the risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots and housing inventories can fluctuate significantly as a result of changing market conditions. There can be no assurance that the measures the Company employs to manage land inventory risks will be successful. In the event of significant changes in economic, political, security or market conditions, the Company may have to sell subdivision lots and housing and condominium units at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate this risk the Company relies on Management's extensive experience and a strategy of replenishing its land bank for future developments, selectively acquiring parcels and properties that meet its requirements for potential projects.

The Company, at the end of 2019, has significant land held for future development with aggregate value of PhP13,355.1 million. The Company believes that this land held for future development is enough to satisfy the needs for five (5) to eight (8) years. The Company intends to continue to look for land in various parts of the Philippines for future development.

There can be no assurance that the Company will not suffer from substantial sales cancellations. The Company faces certain risks related to the cancellation of sales involving its residential projects and, if the Company were to experience a material number of sales cancellations, the Company's historical revenue would be overstated.

As a developer and seller of residential real estate, the Company's business, financial condition and results of operations could be adversely affected in the event a material number of horizontal subdivision, MRB unit or high-rise unit sales are cancelled.

The Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled by the Company, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

While the Company historically has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. The Company may also experience losses relating to these cancellations. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able to re-sell the same property or re-sell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

Understanding the needs of the market is the key to avoid sales cancellations. Providing the buyers with affordable package under the "build-sell-finance" scheme minimizes the chances of cancellations. Credit checking prior to actual sale is conducted, thus, further, lowering the likelihood of cancellations and the exposure to obligations under the Maceda Law.

Increased inflation, fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on the Company and on demand for its products. For example:

- Higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.

- Because the Company believes that a substantial portion of its customers procure financing (either using the Company's in-house financing program or through banks) to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.

- If PAG-IBIG increases the rates at which it lends to customers, the Company would also need to increase the rates of its inhouse financing program due to the in-house financing program's mirroring of PAG-IBIG requirements as part of the Company's strategy for easier off-take by PAG-IBIG.

- If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.

- The Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by the BSP on bank lending. If the Company were to reach the single borrower limit with respect to their current or preferred bank or banks, the Company may have difficulty obtaining financing on the same or similar commercial terms from other banks.

- Increased inflation in the Philippines could result in an increase in raw material costs, which the Company may not be able to pass on to its customers as increased prices or to its contractors by having the Company's contractors absorb raw material cost increases.

The occurrences of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition and results of operations.

Titles over land owned by the Company may be contested by third parties.

While the Philippines has adopted a system of land registration that is intended to conclusively confirm land ownership and is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land. The Company has occasionally had to defend itself against third parties who claim to be the rightful owners of land that has been either titled in the name of the persons selling the land to the Company or that has already been titled in the name of the Company. In the event a greater number of third-party claims are brought against the Company or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote significant time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation.

The Company makes sure that prior to land acquisition, market and feasibility studies are conducted, and all related documents have been checked. Complete documentation is also practiced upon actual purchase of the land.

The Company faces risks relating to project cost and completion.

Construction of property projects may take as long as a year or longer before generating positive net cash flow through sales. As a result, the Company's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. Other factors that could adversely affect the time and the costs involved in completing the development and construction of the Company's projects include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, unemployment rate, and decreases in business and consumer sentiment in general;
- delays in obtaining government approvals and permits;
- changes in laws or in Government priorities;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes with contractors and subcontractors;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites;
- lack of familiarity with high-rise projects; and
- other unforeseen problems or circumstances.

Any of these factors could result in project delays and cost overruns, which may harm the Company's reputation as a property developer or lead to cost overruns or loss of or delay in recognizing revenues and lower margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Furthermore, the failure by the Company to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns. The Company cannot provide any assurance that it will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

The pre-cast technology allows the Company to complete townhouses and single-storey attached units in just eight (8) to ten (10) days, with an additional five (5) days for single-storey houses with lofts. The use of this process allows the Company to realize significant cost savings and enables it to turn over units to its customers in a fast and efficient way.

The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.

If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing housing and land development projects. Any negative effect on the Company's reputation or its brand could also affect the Company's ability to sell its housing and land development projects. This would impair the Company's ability to reduce its inventory and working capital requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

Projects of the Company have dedicated project managers, who assure that regular monitoring and quality control are in place. The project managers also make sure that the projects live up to the DECA Homes and Urban DECA Homes brands. The Company also provides warranties to housing unit purchasers as provided for in the relevant Contract to Sell between purchaser and the Company.

Independent contractors may not always be available, and once hired by the Company, may not be able to meet the Company's quality standards or to complete projects on time and within budget.

The Company relies on independent contractors to provide various services, including land clearing, infrastructure development and various construction projects. In particular, the Company relies mainly on the Lasvazmun and Conmax groups of companies to complete the construction for substantially all of its projects. Should either of the contractors mentioned above become unable to perform with respect to their contracted scope of work, there can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget and schedule, which could result in costs increases or project delays.

Furthermore, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality and timing. Contractors may also experience financial or other difficulties up to insolvency, and shortages or increases in the price of construction materials or labor may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and the Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

Lasvazmun and Conmaz groups of companies are exclusive contractors of the Company for its mass housing projects. These contractors have been partners with the Company since it started. Quality of work and reliability of the said contractors have been tested by the Company through time.

The Company uses exclusive external third-party brokers to sell all of its residential housing and land development projects.

The Company uses exclusive external third-party brokers to market and sell all of its residential housing and land development projects to potential customers. If these brokers do not meet their requisite sales targets, the Company's business, financial condition and results of operations could be adversely affected. Moreover, there is competition for the services of third-party brokers in the Philippines and many of the Company's competitors may attempt to recruit brokers away from the Company. If a large number of these third-party brokers were to cease selling for the Company, the Company would be required to seek other external brokers, and there can be no assurance that the Company could to so quickly or in sufficient numbers. Also, negative publicity on the Company's exclusive third-party brokers may spill over and have a negative effect on the Company's reputation. Furthermore, with the passage of R.A. No. 9646 or The Real Estate Service Act of the Philippines and its implementing rules, more stringent requirements are now being imposed in respect of the practice of real estate service, as well as the qualification and licensing of real estate service practitioners. There can be no assurance that the imposition of these requirements will not affect the real estate service practice of the Company, or its ability to retain its existing third-party brokers or identify new third party brokers. These factors could disrupt the Company's business and negatively affect its financial condition, results of operations and prospects.

To mitigate this risk, all of the unit managers and the agents who constitute the marketing and distribution network of the Company are exclusively contracted by the Company. Furthermore, all unit managers are accredited licensed realtors. The Company trains its marketing teams monthly on topics including new Company policies, product information and terms and conditions of sale.

The Company operates in a highly-regulated environment and it is affected by the development and application of regulations in the Philippines.

The Philippines' housing market is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the Philippine Department of Agrarian Reform ("DAR") so that the land can be re-classified as non-agricultural land and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

In July 2019, Senate Bill No. 256 or the Agricultural Land Conversion Ban Bill was filed which seeks to prohibit the conversion of irrigated and irrigable agricultural land for non-agricultural uses. The bill is currently pending before Senate Committee on Local Government. If passed into law, the ban may delay the implementation of the Company's proposed projects because the supply of land available for development may be limited. This may further lead to an increase in the acquisition cost of land and the development ocst of the Company's projects.

Meanwhile, Presidential Decree No. 957, as amended, ("P.D. 957") and B.P. 220 are the principal statues which regulate the development and sale of real property as part of a condominium project or subdivision. P.D. 957 and B.P. 2020 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which enforces these statutes. Regulations applicable to the Company's operations include standards regarding:

- the sustainability of the site;
- road access;

- necessary community facilities;
- open spaces;
- water supply;
- sewage disposal systems;
- electricity supply;
- lot sizes;
- the length of the housing blocks; and
- house contruction.

All subdi

Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.

In general, developers of real estate projects are required to submit project descriptions to regional offices of the Philippine Department of Environment and Natural Resources ("DENR"). For environmentally-sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment ("EIA") may be required and the developer will be required to obtain an Environmental Compliance Certificate ("ECC") to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

The Company submits and fulfills all required environmental compliance that is mandated by law. The Company regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. The Company maintains various environmental protection systems and conducts regular trainings on environment, health and safety.

The loss of certain tax exemptions and incentives will increase the Company's tax liability and decrease any profits the Company might have in the future.

The Company benefits from provisions under Philippine law and regulations which exempt sales of residential lots with a gross selling price of PhP1.9 million or less and sales of residential houses and lots with a gross selling price of PhP3.2 million or less from the value-added tax ("VAT") of twelve percent (12%). In the event these sales become subject to the VAT, the selling prices for the Company's subdivision lots and housing and condominium units will increase and this could adversely affect the Company's sales. Because taxes such as the VAT are expected to have indirect effects on the Company's results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government's VAT-exemption policy could have an adverse effect on the Company's results of operations.

Furthermore, the accreditation of the Company's projects with unit price between PhP450,000 and PhP3,000,000 with the BOI as under the IPP allows each accredited project to enjoy certain tax incentives. For each accredited project, the Company's sales of low cost subdivision lots and housing units are currently not subject to corporate income tax. Also, the Company's projects with unit price of PhP450,000 and under are considered socialized housing projects and enjoy income tax free status by virtue of Republic Act No. 7279. However, accreditation of certain projects was delayed in 2013. Also, the Legislative-Executive Development Advisory Council is recommending a bill concerning the rationalization of certain fiscal incentives that could have an effect in the Company should it be approved by Congress. This bill intends to remove the tax holiday given to low cost housing projects in the BOI's IPP and instead provide a government subsidy to buyers of the housing units. Should this bill be implemented it could have a material effect on the Company's overall level of profitability. Furthermore, there is no guarantee that the Company's future development projects will be able to benefit from the income tax holiday described above, or that accreditation to receive such benefit will not be delayed. The delay or absence of this income tax holiday on any of the Company's future development projects could have an adverse effect on the Company's results of operations.

VAT is a pass-on tax to consumers, and in case VAT exemption will be lifted for mass housing products, then, the Company may opt to revisit pricing scheme to be able to effectively run its business. The Company is able to sell its housing units at an affordable price because of its BOI exemption. Should BOI rules change, taking away the tax incentive, then the mass housing industry as a whole will revisit its business model and reorganize as needed.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and on November, 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction and casualties of an as yet undetermined amount, in Tacloban, certain parts of Samar, and certain parts of Cebu City, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's housing and land development projects, many of which are large, complex estates with infrastructure, such as buildings, roads and perimeter walls, which are susceptible to damage. Damage to these structures resulting from such natural catastrophes could also give rise to claims against the Company from third parties or from customers, for example for physical injuries or loss of property. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

While the Company carries all-risks insurance during the project construction stage and requires all of its purchasers to carry fire insurance, the Company does not carry any insurance for certain catastrophic events, and there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Neither does the Company carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from such property, while remaining liable for any project construction costs or other financial obligations related to the property. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

Natural calamities affect all business types at similar levels. And since these events cannot be avoided, and at some instances cannot be predicted, the Company only addresses what it can, and makes sure that it has all the relevant and reasonable insurances that it can have.

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company carries all-risks insurance during the project construction stage. The Company also requires all of its purchasers to carry fire insurance and sales redemption insurance, for which it pays the annual premium upfront to the insurer and charges purchasers on a monthly basis. For its vertical projects, the Company requires its general contractors to carry all-risks insurance for the period of building construction. The Company does not carry business interruption insurance.

Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses that were designed or built by them for a period of 15 years from the date of completion of the house. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a house sold by it when such hidden defects render the house unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six months from the delivery of the house to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the "Building Code"), which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreements with the Company's contractors. Neither can there be any assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business, financial condition and results of operations.

Having developed the processes used in the construction of its projects, the Company trains its contractors on these topics. The Company also sends its engineers to oversee critical functions in project construction to ensure the quality of work of its contractors. Every project has an engineering team assigned to it to assure that repairs, which are within the warranties of the Company, is properly addressed.

Further, under the terms of the Company's CTS contracts, buyers may seek repairs for patent (i.e., observable) defects in new homes prior to their acceptance of the residential unit. If the defect is latent (i.e., non-observable), customers may seek repairs within one (1) year from the date the housing unit was turned over to them for occupancy.

The Company has a number of related-party transactions with affiliated companies.

The companies controlled by the principal owners have a number of commercial transactions with the Company. The Company had entered into a number of transactions with its related parties, which primarily consist of advances and reimbursements of expenses and sale and purchase of real estate properties and development.

The transactions referred to above are described in Note ___ of the 2018 Audited Consolidated Financial Statements. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the principal owners. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its stakeholders. Conflicts of interest may also arise between the Company and the Selling Shareholders in a number of other areas relating to its businesses, including:

- Major business combinations involving the Company and its Subsidiaries;
- Plans to develop the respective businesses of the Company and its Subsidiaries; and
- Business opportunities that may be attractive to the Selling Shareholders and the Company.

The Company can provide no assurance that its related-party transactions will not have a material adverse effect on its business or results of operations.

All related-party transactions are executed with caution and guided judgement, and are properly documented.

The Company is highly dependent on the continued service of its directors, members of senior management and other key officers.

The Company's directors, members of its senior management, and other key officers have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. Key executives and members of management of the Company include Luis N. Yu, Jr. and Mariano D. Martinez, Jr.. If the Company loses the services of any such person and is unable to fill any vacant key executive or management positions with qualified candidates, or if the qualified individual takes time to learn the details of the Company, the Company's business and results of operations may be adversely affected.

The Company hired several executives, who are all graduates of Masters in Business Administration from Asian Institute of Management. These executives directly reports to the three (3) key executives and are currently assigned to different departments of the Company. A former employee of a non-government organization is now assigned as the Investors Relations Officer of the Company. Lastly, a former banker, with specialty on real estate, is assigned to Finance and Accounting group of the Company.

Any deterioration in the Company's employee relations could materially and adversely affect the Company's operations.

The Company's success depends partially on its ability to maintain a productive workforce. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's employee relations could have a material and adverse effect on the Company's financial condition and results of operations.

To date, there is no existing collective bargaining agreement between the Company and its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Company's relationship with its employee in general is satisfactory. The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations.

Item 2. Properties

<u>**Project Development and Construction**</u>

Land Acquisition

Land acquisition offer to the Company and/or joint ventures begins with the Company making a marketability determination of the location of the property, based on the intended development. The Company has developed specific procedures to identify land that is suitable for its needs and performs market research to determine demand for housing in the markets it wishes to enter. These factors include:

- the general economic condition of the environment surrounding the property;
- suitable land must be located near areas with sufficient demand or that the anticipated demand can justify any development;
- the site's accessibility from nearby roads and major thoroughfares;
- the availability of utility infrastructure, such as electric transmission facilities, telephone lines and water systems; and
- the overall competitive landscape and the neighboring environment and amenities.

The Company also considers the feasibility of obtaining required governmental licenses, permits and authorizations, as well as adding necessary improvements and infrastructure including sewage, roads and electricity.

If the property passes the initial procedure, the Company then conducts due diligence on the property. The evaluation process focuses on the following major factors:

- legal documents (e.g. title) related to the property;
- property valuation;
- geographic location (i.e. proximity to public transportation);
- technical characteristics of the property (e.g., location of fault lines); and
- other factors impacting the suitability and feasibility of developing future projects.

Before the Company acquires land, it conducts extensive checks on both the owner and the land itself, with a particular focus on the veracity of the title covering the land and whether it can be traced back to the original judicial decree granting title over the land. As and when needed, the Company also engages third parties, such as surveyors and engineers, to verify that the land it seeks to acquire is covered by the technical description of the title. The Company also conducts its own valuation of the property based on, among other factors, other similar properties in the market and an assessment of the potential income derivable from any development suitable for the property. The Company also conducts engineering and environmental assessments in order to determine if the land is suitable for construction. The land must be topographically amenable to housing development.

After the second stage is passed, the Company then determines the fair price and terms for the acquisition and then negotiates with the land owner for the purchase.

Site Development and Construction

Once the land for a project site has been acquired by the Company, site development and construction work for the Company's projects are contracted out to qualified and accredited independent contractors. The Company's accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. The Company primarily contracts the Lasvazmun group of companies (consisting of Lasvazmun Homes, Inc. and Las Caerus Homes, Inc.) for construction work in Luzon, Iloilo and some parts of Cebu and the Conmax group of companies (consisting of Conmax Inc. and Creofab Inc.) for construction work in Davao and other parts of Cebu. Formal arrangements with both groups have been in effect since 2011, ensuring that both contractors are exclusive to the Company only. The Company maintains relationships with many contractors, including El Eloha Construction, Lasvazmun Homes, Inc., Las Caerus Homes, Inc., Conmax Inc., Creofab Inc., Panico Construction, Aconstruct Builders, Scheirman Construction Consolidated Inc., Megawide Construction Corp. ARSD Constructions Corp., AGS Contek and Development Corp., and Remso General Merchant Iloilo. Typically, these contractors are paid approximately twenty percent (20%) to twenty five (25%) initially as down payments, with sixty five percent (65%) to seventy percent (70%) paid on a turnkey basis and the remaining ten percent (10%) paid after three (3) months, retained as coverage for any faults.

The Company builds its horizontal subdivision units in five steps: [1] casting, [2] foundation preparation, [3] assembly, [4] roofing and retouching, and [5] finishing and detailing:

1. Construction begins with the casting process, which comprises setting molds and pre-casting the walls and ceiling slabs near the actual project site. The Company's pre-casting process utilizes the proprietary concrete mix developed by the Company internally, which produces concrete slabs that are approximately four (4) times stronger than typical concrete slabs used in the Philippines and dry in approximately twenty two (22) hours (compared to 21 days for standard casting).

2. Simultaneously, the foundation at the site is prepared and laid, comprising laying down reinforcing bars and allocations for wiring and pipes, setting hooks for the assembly stage and pouring the concrete mixture. This phase is completed in one (1) day.

3. At the assembly stage, cranes are used to lift the pre-cast components and erect the components in the foundation that is prepared while casting is still in progress. The ends of the components are welded together. This process also takes one day.

4. Roofing and retouching involves the addition of steel beams to support the roof, installation of the roof, and the retouching of rough edges in the concrete structure. This stage takes two (2) to three (3) days to complete.

5. Lastly, finishing and detailing takes four (4) to five (5) days to complete and involves smoothing out the walls, floors and ceilings of the unit, applying paint, and installing doors, windows, and electrical and plumbing fixtures.

The Company currently has capacity to develop up to twelve thousand nine hundred (12,900) units annually. The Company can further expand its capacity by increasing the number of its pre-fabrication molds without requiring significant additional investments in time or resources.

Having developed the processes used in the construction of its projects, the Company trains its contractors on these topics. The Company also sends its engineers to oversee critical functions in project construction to ensure the quality of work of its contractors.

Land Bank

As an integral part of its strategy, the Company believes that it maintains a land bank of sufficient size and nature to ensure that it has adequate land to cover its development requirements. The Company has invested in properties situated in what the Company believes are prime locations across the Philippines for existing and future low-cost Mass Housing and land development projects for the next four to five years, most of which is located in areas with close proximity to major roads and primary infrastructure, and aims to expand its land bank to cover development in the next seven to eight years. As of December 31, 2019, the Company had a land bank of approximately 630.11 hectares of raw land for the development of its various projects, with some properties subject to liens or encumbrances.

Details of the Company's raw land inventory as of December 31, 2019 are set out in the table below:

	In Hectares
Luzon	
Meycauayan, Bulacan	44.20
Cubao, Quezon City	0.43
Ortigas Ext, Pasig	13.23
San Mateo, Rizal	31.20
Batasan, Quezon City	17.04
Balara, Quezon City	17.60
Commonwealth, Quezon City	2.00
Alabang Zapote, Las Pinas City	4.80
Filinvest, Alabang	0.12
Otis, Mendiola	2.80
Yakal Makati	0.14
Juan Luna, Manila	0.13
Taft, Manila	0.08
Tanza Property	10.00
Montecello, Baguio	4.27
Subtotal Luzon	**148.04**
Visayas	
AS Fortuna, Banilad, Cebu	1.80
Guadalupe, Cebu	3.20
Leganes, Iloilo	25.40
Cebu Buss Park, Cebu	0.31
Vistamar, Cebu	0.18
Mactan, Cebu	44.90
Ormoc, Leyte	5.70
San Miguel, Iloilo	39.95
Granada, Bacolod	62.00
Talamban, Cebu	2.90
Monterazzas, Cebu	153.61
Subtotal Visayas	**339.95**
Mindanao	
Mulig, Davao	15.30
Quirino, Davao	0.71
Tigatto, Davao	24.83
Talomo, Davao	101.28
Subtotal Mindanao	**142.12**
Total Land Bank	**630.11**

The Company intends to continue to look for land in various parts of the Philippines for future development.

Property and Equipment

The following table summarizes the various real estate properties owned by the Company not intended for use as the site of future projects as of December 31, 2019:

Subsidiary and Property Description	Location	Present Use
8990 Housing		
8990 Corporate Center	Negros St., Cebu Business Park, Cebu City	The three-storey building sits on a property owned by L and D Realty Corp, an affiliate of the Company. It is used as the headquarters of 8990 Housing. A portion of the ground floor and some areas of the 3rd floor are leased out.
8990 Corporate Center	E. Quirino Ave., Davao City	The four-storey building serves as the Company's Davao branch. Some portions of the ground floor, the 3rd floor and the 4th floor are leased out.
3-hectare resort with the following amenities: clubhouse, swimming pool, basketball courts, mini soccer field and fishing lake	Tacunan, Davao City	Serves as additional amenities for the subdivision residents.
7-hectare Wakeboard Park	Mintal, Davao City	Wakeboard park with other amenities presently leased to Session Park
8990 Luzon		
12-hectare Wakeboard Park	Margot, Pampanga	Wakeboard park with other amenities presently leased to Session Park

Leases

8990 Holdings

8990 as a lessee

8990 entered into a non-cancellable operating lease contract covering its principal office in Liberty Center Building in Makati City in 2012. The contract has a term of two (2) years, and was renewed in 2014. In 2014, 8990 also entered into a non-cancellable operating lease as a lessee covering a corporate suite located at the SM Mall of Asia Arena for a term of one (1) year and will expire on June 22,2015. The SM Mall of Asia lease has been renewed, to date.

Fog Horn

Fog Horn as a lessee

Fog Horn recognized rent expense pertaining to rental of its office. The lease agreements are renewable annually upon mutual agreement of the parties. There is no future minimum rental payable under non-cancellable operating leases in 2012 to 2018.

8990 Housing

8990 Housing as lessee

Rent expense pertains to rental of 8990 Housing's office spaces and billboard. The lease agreements are renewable annually upon mutual agreement of the parties. 8990 Housing has no future minimum rentals payable under non-cancellable operating leases in 2012 to 2018.

8990 Housing as a lessor
A portion of the building owned by 8990 Housing is currently leased to a third party, which is covered by an operating lease contract for a period of ten (10) years starting 2007.

8990 Luzon

8990 Luzon as a lessee
8990 Luzon recognized rent expense pertaining to rentals for office space, staff house, and generator set.

8990 Luzon as a lessor
8990 Luzon leased its investment properties for a period of five (5) years, with provision for automatic annual renewal unless formally terminated by either party, in 2012. The contract provided that first six (6) monthly leased fees for the first year shall be waived. As an exchange, 8990 Luzon shall be entitled to receive ten percent (10%) of monthly gross sales of riding passes in excess of PhP2 million.

Item 3. Legal Proceedings

Neither the Company nor any of its Subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant Subsidiary's interests would have a material effect on the business or financial position of the Company or any of its Subsidiaries.

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

There was no matter submitted to a vote of security holders during the period covered by this report, except for the matters taken up during the Annual Meeting of Stockholders.

PART II – OPERATIONAL AND FINANCIAL INFORMATIONS

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

Market Information

The Company has outstanding 5,517,990,720 common shares. All common shares are listed and traded principally on the Philippine Stock Exchange, Inc. ("PSE") as of December 31, 2019. The closing price as of December 31, 2019 is Php14.74 per share.

The following are the quarterly high and low prices, as well as the closing price of the Company's shares traded at the Philippine Stock Exchange, Inc. for the last three (5) years:

	2019			2018			2017			2016			2015		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1st	13.44	8.23	12.84	7.22	6.06	6.60	7.78	6.50	6.80	7.94	6.37	7.79	10.50	6.85	8.70
2nd	16.28	12.90	15.50	7.64	6.42	7.36	6.69	5.93	6.60	8.09	7.36	7.64	9.15	7.08	7.25
3rd	15.86	15.04	15.04	7.49	7.10	7.28	6.60	4.99	5.00	8.28	7.28	7.41	8.05	6.00	6.51
4th	15.06	14.62	14.74	8.10	7.00	8.10	6.79	6.73	6.73	7.67	6.89	7.51	7.44	6.28	7.10

The market capitalization of the Company as of December 31, 2019 was approximately Php 81,335,183,212.8 based on the closing price of Php14.74 per share.

Holders

The following table sets forth the stockholders of record of the Company as of December 31, 2019:

	Shareholder	Number of Shares Subscribed	Amount Subscribed and Paid-up (in ₱) (excel of addl paid-in capital)	% of Ownership
1	IHOLDINGS, INC.	2,183,082,107	2,183,082,107	39.56%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	960,686,937	977,517,000	17.41%
3	KWANTLEN DEVELOPMENT CORPORATION	926,325,018	926,325,018	16.79%
4	PCD NOMINEE CORPORATION (FILIPINO)	849,704,972	840,569,408	15.40%
5	LUIS N. YU, JR.	258,099,322	258,099,322	4.68%
6	MARIANO D. MARTINEZ JR.	168,916,767	168,916,767	3.06%
7	UNIDO CAPITAL HOLDINGS INC.	160,549,600	160,549,600	2.91%
8	WILLIBALDO MARIA J. UY OR HILDA L. UY	8,000,000	8,000,000	0.14%
9	MARIA LINDA BENARES MARTINEZ	2,000,000	2,000,000	0.04%
10	ANTHOLIN TAN MUNTUERTO	300,000	300,000	0.01%
11	MARK WERNER JUECO ROSAL	200,000	200,000	0.00%
12	NICOLAS CATALYA DIVINAGRACIA	100,000	100,000	0.00%
13	MA. CHRISTMAS RENIVA NOLASCO	11,500	11,500	0.00%
14	DAVID LIMQUECO KHO	5,000	5,001	0.00%
15	IAN NORMAN E. DATO	5,000	5,000	0.00%
16	HECTOR ABLANG SANVICTORES	2,000	2,000	0.00%
17	STEPHEN G. SOLIVEN	1,500	1,500	0.00%
18	JESUS SAN LUIS VALENCIA	300	300	0.00%
19	SHAREHOLDERS’ ASSOCIATION OF THE PHILIPPINES, INC.	100	100	0.00%
20	ALEXANDER ACE S. SOTTO	100	100	0.00%
21	HAN JUN SIEW	100	100	0.00%
22	WEI BENG CHAN	100	100	0.00%
23	MANUEL CASTILLO CRISOSTOMO	100	100	0.00%
24	RAUL FORTUNATO REAMICO ROCHA	100	100	0.00%
25	OEWN NATHANIEL SY AU ITF LI MARCUS AU	80	80	0.00%
26	JOSELITO TANWANGCO BAUTISTA	8	8	0.00%
27	DOMINIC JOHN PICONE	1	1	0.00%
28	MANUEL S. DELFIN JR.	1	1	0.00%
29	ANTHONY VINCENT SOTTO	1	1	0.00%
30	WILLIE UY	1	1	0.00%
31	ARLENE KEH	1	1	0.00%
32	LOWELL L. YU	1	1	0.00%
33	RICHARD L. HAOSEN	1	1	0.00%
34	IAN NORMAN E. DATO	1	1	0.00%
35	RAUL FORTUNATO R. ROCHA	1	1	0.00%
	TOTAL	**5,517,990,720**	**5,517,990,720**	**100.00%**

Dividends and Dividend Policy

Under Philippine law, dividends may be declared out of a corporation’s Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Philippine Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: [1] when justified by definite expansion plans approved by the board of directors of the corporation; [2] when the required consent of any financing institution or creditor to such distribution has not been secured; [3] when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or [4] when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by the Company must have a record date not less than ten (10) nor more than thirty (30) days from the date of declaration. For stock dividends, the record date should not be less than ten (10) nor more than thirty (30) days from the date of the shareholders' approval, provided however, that the set record date is not to be less than ten (10) trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Dividend History

Listed below are the cash dividends declared and/or paid by the Company.

Preferred Shares

₱1.506575 equivalent to a rate of 6.0263% per share
Declaration Date: February 01, 2019
Record date: February 18, 2019
Payment date: March 1, 2019

₱1.506575 equivalent to a rate of 6.0263% per share

Declaration Date: February 01, 2019
Record date: May 15, 2019
Payment date: June 1, 2019

₱1.506575 equivalent to a rate of 6.0263% per share
Declaration Date: February 01, 2019
Record date: August 15, 2019
Payment date: September 1, 2019

₱1.506575 equivalent to a rate of 6.0263% per share
Declaration Date: February 01, 2019
Record date: November 15, 2019
Payment date: December 1, 2019

Dividend Policy

The Company intends to maintain a consistent dividend payout policy based on its consolidated net income for the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. In line with this, during the last Annual Stockholders' Meeting of 8990 Holdings, Inc. held on July 29, 2013, the stockholders of 8990 Holdings, Inc. approved the adoption of a dividend policy whereby, subject to available cash and after any capital expenditure requirements, 50% of the Unrestricted Retained Earnings of 8990 Holdings, Inc. for the preceding fiscal year will be declared as dividends.

The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

Recent Issuance of Shares Constituting Exempt Transaction

Not applicable.

Description of the Shares

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of December 31, 2019.

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Total No. of Shares Held	% of Total Outstanding Shares
IHoldings, Inc. Unit 605, Ayala FGU Center, Cebu Business Park, Cebu City	The record owner is the beneficial owner of the shares indicated	Filipino	2,183,082,107*	2,183,082,107*	39.56%*
Kwantlen Development Corporation Unit 605, Ayala FGU Center, Cebu Business Park, Cebu City	The record owner is the beneficial owner of the shares indicated	Filipino	926,325,018	926,325,018	16.79%

**excludes the 40,000,000 shares registered in the name of IP Ventures, Inc. with an agreement to transfer to IHoldings, Inc. upon expiration of the PSE lock-up thereon.*

Pursuant to its articles of incorporation as amended on October 1, 2013, the Company has an authorized amount of capital stock of PhP7,000,000,000 divided into 7,000,000,000 Common Shares with a par value of PhP1.00 per share, of which 5,517,990,720 Common Shares are issued and outstanding as of the date of this report.

Objects and Purposes

The Company has been organized primarily to purchase, subscribe for, or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take options to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including shares of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts or obligations of any corporation, domestic or foreign, without however, engaging in dealership in securities, in stock brokerage business or in the business of an investment company.

The Company's purposes also include the following:

1. To acquire by purchase, exchange, lease, bequest, devise or otherwise; to hold, own, use, maintain, manage, improve, develop and operate; and to sell, transfer, convey, lease, mortgage, pledge, exchange or otherwise dispose of real and personal properties, including vehicles and equipment necessary for the primary business, and any and all rights, interests or privileges therein necessary or incidental to the conduct of corporate business.

2. To borrow or raise money for the conduct of the business of the Corporation, and to draw, make, accept, endorse, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and non-negotiable instruments and evidences of indebtedness and to secure the payment thereof and of any interest thereon by mortgage upon, or pledge of, or grant of a security interest in, or conveyance or assignment in trust for, or lien upon the whole or any part of the property of the Corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds, debentures or other obligations of the Corporation for corporate purposes.

3. To invest and re-invest the money and property of the Corporation in such manner considered wise or expedient for the advancement of its interests.

4. To acquire the goodwill, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities, of any person, partnership, association or corporation, and to pay therefor in cash, stocks or bonds of the corporation or otherwise.

5. To aid in any lawful manner, by loan, subsidy, guaranty or otherwise, any corporation whose stocks, bonds, notes, debentures or other securities or obligations are held or controlled directly or indirectly, by the Corporation, and to do any and all lawful acts or things necessary or desirable to protect, preserve, or enhance the value of such stocks, bonds, securities or other obligations or evidences of indebtedness, and to guarantee the performance of any contract or undertaking of any person, partnership, association o0r corporation in which the corporation is or become interested.

6. To enter into any lawful arrangement for the sharing of profits, union of interest, reciprocal concession or cooperation with any person, partnership, association, corporation, or government or authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation.

7. To acquire or obtain from any government authority, national, provincial municipal or otherwise, or any person, partnership, association or corporation, such charters, contracts, franchise, privileges,

exemptions, licenses and concessions required for the conduct of any of the purposes of the Corporation.

8. To establish and operate one or more branch offices or agencies and to carry on any or all of its operations and business, including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere in the Philippines.

9. To conduct and transact any and all lawful activities, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conductive to or expedient for the protection or benefit of the Corporation.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the purpose for which it was organized when approved by a majority of the board of directors and ratified by the stockholders representing at least two-thirds of the outstanding capital stock, at a stockholders' meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its purposes, the approval of the stockholders shall not be necessary. Per the By-laws of the Company, its stock, property and affairs shall be exclusively managed and controlled by the board of directors.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the Philippine SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued have a par value of PhP1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the Philippine SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below) and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

The Company's Shares have full voting rights. However, the Philippine Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent; treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights

Under the Company's By-laws, dividends may be paid out the Unrestricted Retained Earnings of the Company as and when the Board of Directors may elect, subject to legal requirements. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Pre-Emptive Rights

The Philippine Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Philippine Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;

- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Right of Inspection

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business conducted, and its property controlled by the Board. Pursuant to its articles of incorporation, as amended, the Company shall have thirteen (13) Directors, two (2) of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively; individual directors have no power as such. Four directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy created by the death, resignation or removal of a director prior to expiration of such director's term shall be filled by a vote of at least a majority of the remaining members of the Board, if still constituting a quorum, Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings on the last Monday of July of each year to be held at the principal office of the Company and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the president or a majority of the Board of Directors, whenever he or they shall deem it necessary.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. The Company's By-laws provide that notices of the time and place of the annual and special meetings of the shareholders shall be given either by mailing the same enclosed in a postage-prepaid envelope, addressed to each shareholder of record at the address left by such shareholder with the Secretary of the Company, or at his last known post-office address, or by delivering the same to him in person, at least two (2) weeks before the date set for such meeting. Notice to any special meeting must state, among others, the matters to be taken up in the said meeting, and no other business shall be transacted at such meeting except by consent of all the shareholders present, entitled to vote. No notice of meeting need be published in any newspaper, except when necessary to comply with the special requirements of the Philippine Corporation Code. Shareholders entitled to vote may, by written consent, waive notice of the time, place and purpose of any meeting of shareholders and any action taken at such meeting pursuant to such waiver shall be valid and binding. When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by an existing shareholders' agreement or by law, in all regular or special meeting of shareholders, a majority of the outstanding capital shares must be present or represented in order to constitute a quorum, except in those cases where the Philippine Corporation Code provides a greater percentage vis-a`-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to the Company's By-laws, the chairman of the board, or in case of his absence or disability, the president, may then call to order any meeting of the stockholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy; but if there be no quorum present at any meeting, the meeting may be adjourned by the stockholders present from time to time until the quorum shall be obtained. If neither the chairman of the board nor the president is present, then the meeting is to be conducted by a chairman to be chosen by the stockholders.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder.

Fixing Record Dates

Under existing Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration. With respect to share dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval; provided, however, that the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of share dividends. In the event that share dividends are declared in connection with an increase in the authorized capital shares, the corresponding record date shall be fixed by the Philippine SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Philippine Corporation Code, the SRC, the IRRs, and regulations issued by the Philippine SEC.

Dividends

The Common Shares have full dividend rights. Dividends on the Company's Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

The Company intends to maintain a consistent dividend payout policy based on its consolidated net income for the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. In line with this, during the last Annual Stockholders' Meeting of 8990 Holdings, Inc. held on July 29, 2013, the stockholders of 8990 Holdings, Inc. approved the adoption of a dividend policy whereby, subject to available cash and after any capital expenditure requirements, at least 50% of the Unrestricted Retained Earnings of 8990 Holdings, Inc. for the preceding fiscal year will be declared as dividends. The Subsidiaries have not adopted any formal dividend policies. Dividend policies for the Subsidiaries shall be determined by their respective Boards of Directors.

Transfer of Shares and Share Register

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company.

Philippine law does not require transfers of the Common Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See "Philippine Taxation." All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Common Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Common Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Share Certificates

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, Securities Transfer and Services, Inc., which will maintain the share register. Common Shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market."

Mandatory Tender Offers

In general, under the SRC and the IRRs, any person or group of persons acting in concert and intending to acquire at least: [1] 35% of any class of any equity security of a public or listed corporation in a single transaction; or [2] 35% of such equity over a period of 12 months; or [3] even if less than 35% of such equity, if such acquisition would result in ownership by the acquiring party of over 51% of the total outstanding equity, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder. Where a mandatory tender offer is required, the acquirer is compelled to offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition of even less than 35% would result in ownership of over 51% of the total outstanding equity, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

No Mandatory Tender Offer is required in: (i) purchases of shares from unissued capital shares unless it will result to a 50% or more ownership of shares by the purchaser; (ii) purchases from an increase in the authorized capital shares of the target company; (iii) purchases in connection with a foreclosure proceedings involving a pledge or security where the acquisition is made by the debtor or creditor; (iv) purchases in connection with privatization undertaken by the government of the Philippines; (v) purchases in connection with corporate rehabilitation under court supervision; (vi) purchases through an open market at the prevailing market price; or (vii) purchases resulting from a merger or consolidation.

Fundamental Matters

The Philippine Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation in a meeting duly called for the purpose:

- amendment of the articles of incorporation;
- removal of directors;
- sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation;
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- declaration or issuance of share dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- dissolution;
- an increase or decrease in capital shares;
- ratification of a contract of a directors or officer with the corporation;
- extension or shortening of the corporate term;
- creation or increase of bonded indebtedness; and
- management contracts with related parties;

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations

Factors Affecting Results of Operations

The Company's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and which the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's results of operations and financial condition in the future. See Risk Relating to the Company's Business.

General Global and Philippine Economic Conditions and the Condition of the Philippine Real Estate and Residential Housing Markets

The Company derives substantially all of its revenue from its mass housing development activities in the Philippines. The Philippine real estate and housing markets have historically been affected by the prevailing economic conditions in the Philippines, which may also be affected by the economic conditions in other parts of the world. Accordingly, the Company's results of operations may be significantly affected by the state of the global and Philippine economies generally and specifically the Philippine property and housing markets. The Philippine real estate and housing markets have historically been subject to cyclical trends, and property values have been affected by the supply of and demand for comparable properties, the rate of economic growth, the rate of unemployment and political and social developments in the Philippines. Demand for new residential projects in the Philippines has historically also been affected by, among other things, prevailing political, social and economic conditions in the Philippines, including overall growth levels, the value of the Philippine peso and interest rates, as well as the strength of the economy in other parts of the world, given that a substantial portion of demand comes from overseas Filipino workers. Furthermore, as the Company continues expanding its business, these operations will also be increasingly affected by general conditions in the global and Philippine economies. As a result, the Company expects that its results of operations will continue to vary from period to period largely as a result of general global and Philippine economic conditions.

Collection of Receivables

The Company's results of operations are also affected to a significant degree by the success and efficiency of its collection of receivables from its customers. If the Company experiences any significant delays or defaults on its collection of receivables, it could experience liquidity issues. In addition, a significant number of defaults may result in the Company taking on a significant amount of inventory for the housing units it would repossess from customers. In such an instance, there can be no guarantee that the Company will be able to dispose of these units quickly and at acceptable prices. Any of these occurrences in relation to failure to collect receivables from its customers in a timely manner or at all may have a material adverse effect on the Company's liquidity, financial condition and results of operations.

Liquidity Risk Management

To better manage its liquidity risk, interest risk, as well as improve its cash conversion cycle, the Company typically enters into take-out arrangements with PAG-IBIG where it will transfer its CTS Gold Convertible receivables within four (4) years in exchange for cash. As of the date of this report, the Company has submitted to PAG-IBIG approximately four thousand seven hundred (4,700) CTS receivables, equivalent to approximately PhP4 billion. These accounts are currently being processed by PAG-IBIG, and at various stages of cycle completion. The acceptance or rejection of a CTS receivable by PAG-IBIG is based on certain guidelines of PAG-IBIG such as employment, number of contributions made by the homeowner/PAG-IBIG member and net disposable income, among other factors. The Company believes that substantially all of its requests for take-outs have been accepted by PAG-IBIG. However, in the event that a material number of take-up applications are delayed or even denied, the Company's cashflow and recognized revenues could be materially affected. Moreover, the conversion into cash of the Company CTS receivable as a result of take-ups by PAG-IBIG also affects the Company's results of operations. As greater amount of CTS receivables are converted due to the Company's take-up arrangements, the Company's finance income and receivables decrease while its cash balances correspondingly increase.

In addition to its receivables take-up arrangements with institutions such as PAG-IBIG, the Company also regularly adopts other measures to manage its level of receivables from its housing sales, as well as to generate cash necessary for operations. For example, the Company from time to time enters into loan arrangements with banks against its receivables portfolio as collateral. In addition, the Company also from time to time sells receivables to banks and other financial institutions on a non-recourse basis. The Company has also begun to explore possible securitization transactions with respect to its receivables portfolio. The success of any of these receivable management measures, depending on the amount involved and terms agreed, may affect the Company's results of operations in terms of its liquidity and the levels of its receivable assets.

Interest Rates

The Company generally charges its customers an annual interest rate of nine and a half percent (9.5%) on their housing loans under the CTS program. The Company's financing arrangements with commercial banks and other financial institutions are typically on a fixed interest basis, with interest rates typically averaging approximately six percent (6%) or seven percent (7%) per annum. As the Company typically only needs to borrow approximately half of the amount of loans it grants to its customers, the Company believes that it is substantially protected against fluctuations of interest rates in the market. However, in cases of extraordinary increases in interest rates, such as during the Asian financial crisis of the late 1990s or the global economic downturn of 2008, the Company's financial position and results of operations could be adversely affected.

Tax Incentives and Exemptions

As a developer of low-cost housing with mass housing unit price points not exceeding PhP1.9 million (for lots only) or PhP2.2 million (for residential house and lots or other residential dwellings), the Company benefits from an exemption on VAT under current tax laws and regulations. Furthermore, the accreditation of the Company's projects with unit price between PhP450,000 and PhP3,000,000 with the BOI as under the IPP allows each accredited project to enjoy certain tax incentives. For each accredited project, the Company's sales of low cost subdivision lots and housing units are currently not subject to corporate income tax. Also, the Company's projects with unit price of PhP450,000 and under are considered socialized housing projects and enjoy income tax free status by virtue of Republic Act No. 7279. As such, the Company's sales of low cost subdivision lots and housing units are currently not subject to twelve percent (12%) VAT, and corporate income tax. In the event that the Company loses these tax exemptions or incentives or its tax holiday lapses or is not renewed, these sales would become subject to VAT and corporate income tax. These prospective tax charges will directly affect the Company's net income, and the Company expects that any changes in regulatory and tax policy and applicable tax rates may affect its results of operations from time to time.

Price Volatility of Construction Materials and Other Development Costs

The Company's cost of sales is affected by the price of construction materials such as steel, tiles and cement, as well as fluctuations in electricity and energy prices. While the Company, as a matter of policy, attempts to fix the cost of material components in its agreements with contractors, in cases where demand for steel, tiles and cement are high or when there are shortages in supply, the contractors the Company hires for construction or development work may be compelled to raise their contract prices. With respect to electricity, higher prices generally result in a corresponding increase in the Company's overall development costs. As a result, rising costs for any construction materials or in the price of electricity will impact the Company's construction costs, cost of sales and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Company's products and the relative affordability of such products, particularly as a mass housing developer. This could reduce the Company's profitability.

With regard to sales of subdivision house and lots, if the actual cost of completing the development of a particular project exceeds the Company's estimates, any increase in cost is recorded as part of the cost of sales of subdivision house and lots in the same project. This means that the cost of sales for future sales in the same project will be higher.

Availability of Suitable Land for Development

The Company meticulously selects the sites for its mass housing development projects, typically undergoing a research process of anywhere from six (6) months to one (1) year before deciding to acquire land for its contemplated developments. After initializing projects in the Visayas and Mindanao, the Company is currently looking to expand its footprint in Luzon, and also the Metro and Greater Manila areas. To this end, the Company is currently examining its options for the acquisition of parcels of land in these areas. The Company selects the location of its developments based on numerous factors, such as proximity to public transportation hubs and employment areas, as well as vicinity to retail and other commercial establishments, among others. That said, properties which meet all these criteria may not be available for the price the Company is willing to pay, or the Company may encounter competing offers from other developers who may have more resources at their disposal. If the Company is unable to acquire or select the optimal parcels of land for its development projects and expansion plans or is unable to successfully grow and manage its land bank, its ability to meet its revenue and growth targets may be adversely affected.

Demand for Residential Properties

The Company has benefited from greater demand for residential properties resulting from, among other factors, growth of the Philippine economy, increasing number of Filipinos investing in the Philippine real estate market, strong levels of OFW remittances and increasing demand from expatriate Filipinos. In addition, the Company has also benefited specifically from the underserved backlog for mass housing in the Philippines in recent years. The increased demand for residential properties has been a significant factor in the Company's increased revenues and profits over the last three (3) years. In response to these developments, the Company has further increased the number of mass housing development projects. The Company has also begun to offer new mass housing residential products, such as condominiums, to address potential demand from specific target markets. It is unclear whether the demand for housing in the Philippines will remain high or continues to grow, or whether the demand for the Company's products will reach the levels anticipated by the Company. Negative developments with respect to demand for housing in the Philippines would in turn have a negative effect on the Company's operational results. Conversely, positive developments in housing demand would likely positively contribute to the Company's operational results as observed in the past.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of the Company's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. To provide an understanding of how the Company's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, the critical accounting policies discussed below have been identified. While the Company believes that all aspects of its financial statements should be studied and understood in assessing its current and expected financial condition and results of operations, the Company believes that the following critical accounting policies warrant particular attention. For more information, see Notes 2 and 3 to the Company's 2019 Audited Consolidated Financial Statements.

DESCRIPTION OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Company's sales and other income line items for the periods indicated.

	2017	2018	2019
	₱	₱	₱
		(Audited)	
		(millions)	
Revenue	10,181.7	11,745.9	15,276.5
Cost of Sales and Services	(4,523.3)	(5,282.0)	(7,010.8)
Gross Income	5,658.4	6,463.9	8,265.7
Operating Expenses	(1,684.3)	(1,985.6)	(2,474.3)
Net Operating Income	3,974.1	4,478.3	5,791.4
Finance Costs	(1,134.3)	(1,204.6)	(1,621.7)
Other Income	1,597.3	1,404.1	1,689.7
Income before Income Tax	4,437.1	4,677.8	5,859.3
Provision for Income Tax	(298.4)	(2.9)	(280.9)
Net Income	4,138.8	4,674.9	5,578.5

Revenue

The Company's revenue primarily comprises of those received from its sales of low-cost Mass Housing units and subdivision lots and medium-rise building housing units, rental services and other incidental income relating to its real estate operations, as well as revenues derived from its timeshare and hotel operations.

Cost of Sales and Services

Cost of sales and services comprise (i) the Company's costs of sales from its low-cost Mass Housing sales of housing units and subdivision lots, costs of sales from sales of MRB condominium units and costs of sales from sales of timeshares; (ii) cost of rental services; and (iii) the Company's costs of services from its hotel operations (including room and food and beverage sales).

Operating Expenses

Operating expenses generally include selling and administrative costs that are not directly attributable to the services rendered. Operating expenses of the Company comprise expenses related to marketing and selling, documentation, taxes and licenses, salaries and employment benefits, write-off of assets, provisions for impairment losses, management and professional fees, communication, light and water, provisions for probable losses, security, messengerial and janitorial services, depreciation and amortization, transportation and travel, repairs and maintenance, rent, entertainment, amusement and representation, supplies, provisions for write-down, subscription dues and fees and miscellaneous expenses (such as extraordinary documentation expenses, liquidation and donation expenses, as well as other expenses).

Finance Costs

Finance costs comprise costs associated with the Company's borrowings, accretion of interest, bank charges and net interest expense on its pension obligations.

Other Income

Other income comprises the Company's interest income from its installment contract receivables, cash in bank and long-term investments. Other income of the Company also comprises income from water supply, gain on repossession of delinquent units and associated penalties, rent income, collection service fees and other miscellaneous income (such as gain from sales cancellations, retrieval fees, association due and transfer fee). The Company also recorded other gains and losses such as a gain from the sale of unquoted debt security classified as loans, and other expenses such as a loss on the sale of a subsidiary.

Provision for Income Tax

Provision for income tax comprises the Company's provisions for regular and minimum corporate income taxes, final taxes to be paid as well as provision for deferred income tax recognized.

<u>Results of Operations</u>

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue

For the year ended December 31, 2019, the Company recorded consolidated revenue of ₱15,276.5 million, an increase of 30% from consolidated sales of ₱11,745.9 million recorded for the year ended December 31, 2018. The increase was mainly attributable to increased real estate sales. The Company's real estate sales generated ₱14,873.2 million in revenues for the year ended December 31, 2019, an increase of 27% from the ₱11,677.9 million in revenues recorded for the year ended December 31, 2018. The improvement was mainly due to an increase in average selling price of units sold for the year, supported by the growing nationwide market acceptance of the Company's CTS Gold program. The Company's rental income generated ₱16.5 million in revenues for the year ended December 31, 2019, an increase from the ₱12.5 million rental income for the year ended December 31, 2018.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the year ended December 31, 2019 was ₱7,010.8 million, an increase of 33% from consolidated cost of sales and services of ₱5,282.0 million recorded for the year ended December 31, 2018. The increase was mainly attributable to increases in costs of real estate operations, consistent with the sales growth of these segments.

Gross Income

The Company's consolidated gross income for the year ended December 31, 2019 was ₱8,265.7 million, an increase of 28% from consolidated gross income of ₱6,463.9 million recorded for the year ended December 31, 2018. The Company's gross income margin for the year ended December 31, 2019 was 54%, compared to a gross income margin of 55% recorded for the year ended December 31, 2018. The Company attributes its strong and steady gross income margin to its sound internal financial planning policies with respect to landbank acquisition and project budgeting process.

Operating Expenses

For the year ended December 31, 2019, the Company recorded consolidated operating expenses of ₱2,474.3 million, an increase of 25% from consolidated operating expenses of ₱1,985.6 million recorded for the year ended December 31, 2018.

Finance Costs

The Company's consolidated finance costs for the year ended December 31, 2019 were ₱1,621.7 million, an increase from consolidated finance costs of ₱1,204.6 million recorded for the year ended December 31, 2018. The increase was mainly attributable to higher interest rate for the Company's loan from creditor banks, and high interest for bonds payable as it is long term in nature.

Other Operating Income

For the year ended December 31, 2019, the Company recorded consolidated other income of ₱1,689.7 million, an increase from ₱1,403.9 million recorded for the year ended December 31, 2018. The increase was mainly attributable to increase interest income on the Company's cash in banks and short-term placements and loans receivable.

Income before Income Tax

The Company's consolidated income before income tax for the year ended December 31, 2019 was ₱5,859.3 million, an increase from consolidated income before income tax of ₱4,677.8 million recorded for the year ended December 31, 2018.

Provision for Income Tax

The Company's consolidated provision for income tax for the year ended December 31, 2019 was ₱280.8 million, an increase from consolidated provision for income tax of ₱2.9 million recorded for the year ended December 31, 2018.

Net Income

As a result of the foregoing, the Company's consolidated net income for the year ended December 31, 2019 was ₽5,578.5 million, an increase of 19% from consolidated net income of ₽4,674.9 million recorded for the year ended December 31, 2018. The Company's consolidated net income margin for the year ended December 31, 2019 was 37% while 2018 recorded 40%.

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenue

For the year ended December 31, 2018, the Company recorded consolidated revenue of ₽11,745.9 million, an increase of 15% from consolidated sales of ₽10,181.8 million recorded for the year ended December 31, 2017. The increase was mainly attributable to increased real estate sales. The Company's real estate sales generated ₽11,677.9 million in revenues for the year ended December 31, 2018, an increase of 15% from the ₽10,170.8 million in revenues recorded for the year ended December 31, 2017. The improvement was mainly due to an increase in average selling price of units sold for the year, supported by the growing nationwide market acceptance of the Company's CTS Gold program. The Company's rental income generated ₽12.5 million in revenues for the year ended December 31, 2018, an increase from the ₽10.2 million rental income for the year ended December 31, 2017.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the year ended December 31, 2018 was ₽5,282.0 million, an increase of 17% from consolidated cost of sales and services of ₽4,523.3 million recorded for the year ended December 31, 2017. The increase was mainly attributable to increases in costs of real estate operations, consistent with the sales growth of these segments.

Gross Income

The Company's consolidated gross income for the year ended December 31, 2018 was ₽6,463.9 million, an increase of 14% from consolidated gross income of ₽5,658.4 million recorded for the year ended December 31, 2017. The Company's gross income margin for the year ended December 31, 2018 was 55%, compared to a gross income margin of 56% recorded for the year ended December 31, 2017. The Company attributes its strong and steady gross income margin to its sound internal financial planning policies with respect to landbank acquisition and project budgeting process.

Operating Expenses

For the year ended December 31, 2018, the Company recorded consolidated operating expenses of ₽1,985.6 million, an increase of 18% from consolidated operating expenses of ₽1,684.3 million recorded for the year ended December 31, 2017.

Finance Costs

The Company's consolidated finance costs for the year ended December 31, 2018 were ₽1,204.6 million, an increase from consolidated finance costs of ₽1,134.3 million recorded for the year ended December 31, 2017. The increase was mainly attributable to higher interest rate for the Company's loan from creditor banks, and high interest for bonds payable as it is long term in nature.

Other Operating Income

For the year ended December 31, 2018, the Company recorded consolidated other income of ₽1,403.9 million, an increase from ₽1,576.0 million recorded for the year ended December 31, 2017. The decrease was mainly attributable to decreased interest income on the Company's lower level of installment contract receivables under its CTS Gold program during the year, consistent with its higher sales volumes.

Income before Income Tax

The Company's consolidated income before income tax for the year ended December 31, 2018 was ₱4,677.8 million, an increase from consolidated income before income tax of ₱4,437.1 million recorded for the year ended December 31, 2017.

Provision for Income Tax

The Company's consolidated provision for income tax for the year ended December 31, 2018 was ₱2.9 million, a decrease from consolidated provision for income tax of ₱298.4 million recorded for the year ended December 31, 2017.

Net Income

As a result of the foregoing, the Company's consolidated net income for the year ended December 31, 2018 was ₱4,674.9 million, an increase of 13% from consolidated net income of ₱4,138.8 million recorded for the year ended December 31, 2017. The Company's consolidated net income margin for the year ended December 31, 2018 and 2017 were both 40%.

Financial Position

As at December 31, 2019 compared to as at December 31, 2018

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were ₱853.9 million as at December 31, 2019, a decrease of 60% from consolidated cash on hand and in banks of ₱2,143.6 million as at December 31, 2018.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were ₱4,407.0 million as at December 31, 2019, a 40% increase from consolidated current portion of trade and other receivables of ₱3,158.9 million as at December 31, 2018.

Inventories

The Company's consolidated inventories were ₱36,925.3 million as at December 31, 2019, an increase of 27% from consolidated inventories of ₱29,131.4 million as at December 31, 2018. The increase was due mainly to the reclassification of lands previously classified as held for future development to inventories subsequent to the commencement of construction of development projects on such land, and work in progress inventories relating to high rise building project in Urban Deca Homes Manila and Urban Deca Homes Oritigas.

Due from related parties

The Company's consolidated due from related parties were ₱1,230.7 million as at December 31, 2019, an increase of 22% from consolidated due from related parties of ₱1,007.7 million as at December 31, 2018.

Other current assets

The Company's consolidated other current assets were ₱4,377.8 million as at December 31, 2019, an increase of 3% from consolidated other current assets of ₱4,262.1 million as at December 31, 2018, primarily due to increased advances to contractors in relation to construction of the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were ₱17,790.1 million as at December 31, 2019, an increase from consolidated trade and other receivables-net of current portion of ₱17,269.0 million as at December 31, 2018.

Property and equipment

The Company's consolidated property and equipment was ₱808.5 million as at December 31, 2019, a decrease of 2% from consolidated property and equipment of ₱826.5 million as at December 31, 2018.

Investment properties

The Company's consolidated investment properties were ₱313.1 million as at December 31, 2019, an increase from consolidated investment properties of ₱183.8 million as at December 31, 2018.

Other noncurrent assets

The Company's consolidated other noncurrent assets were ₱374.5 million as at December 31, 2019, an increase from consolidated other noncurrent assets of ₱312.1 million as at December 31, 2018.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were ₱6,438.9 million as at December 31, 2019, an increase from consolidated current portion of trade and other payables of ₱5,703.3 million as at December 31, 2018.

Current portion of loans payable

The Company's consolidated current portion of loans payable were ₱11,828.2 million as at December 31, 2019, an increase of 63% from the consolidated current portion of loans payable of ₱7,242.8 million as at December 31, 2018.

Deposits from customers

The Company's consolidated deposits from customers were ₱905.5 million as at December 31, 2019, an increase of 75% from consolidated deposits from customers of ₱518.3 million as at December 31, 2018.

Due to related parties

The Company's consolidated due to related parties were ₱83.8 million as at December 31, 2019, an increase from consolidated due to related parties of ₱57.0 million as at December 31, 2018.

Income tax payable

The Company's consolidated income tax payable was ₱82.2 million as at December 31, 2019, an increase from consolidated income tax payable of ₱65.6 million as at December 31, 2018.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were ₱1,060.0 million as at December 31, 2019, an increase from consolidated trade and other payables - net of current portion of ₱109.2 million as at December 31, 2018.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was ₱5,756.7 million as at December 31, 2019, a decrease from consolidated loans payable - net of current portion of ₱7,764.2 million as at December 31, 2018.

Deferred tax liability

The Company's consolidated deferred tax liability was ₱870.0 million as at December 31, 2019, an increase from consolidated deferred tax liability of ₱201.2 million as at December 31, 2018. This deferred tax liability was attributable to provision for income tax resulting from the delay in the income tax holiday accreditation for certain Company projects. Accreditation for these projects have since been obtained.

As at December 31, 2018 compared to as at December 31, 2017

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were ₱2,143.6 million as at December 31, 2018, an increase of 56% from consolidated cash on hand and in banks of ₱1,377.4 million as at December 31, 2017.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were ₱3,158.9 million as at December 31, 2018, a 32% increase from consolidated current portion of trade and other receivables of ₱2,390.5 million as at December 31, 2017.

Inventories

The Company's consolidated inventories were ₱29,131.4 million as at December 31, 2018, an increase of 13% from consolidated inventories of ₱25,741.3 million as at December 31, 2017. The increase was due mainly to the reclassification of lands previously classified as held for future development to inventories subsequent to the commencement of construction of development projects on such land, and work in progress inventories relating to high rise building project in Urban Deca Homes Manila.

Due from related parties

The Company's consolidated due from related parties were ₱1,007.7 million as at December 31, 2018, an increase of 88% from consolidated due from related parties of ₱535.6 million as at December 31, 2017.

Other current assets

The Company's consolidated other current assets were ₱4,262.1 million as at December 31, 2018, an increase of 85% from consolidated other current assets of ~~₱2,~~305.6 million as at December 31, 2017, primarily due to increased advances to contractors in relation to construction of the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were ₱17,268.9 million as at December 31, 2018, a decrease from consolidated trade and other receivables-net of current portion of ₱20,503.1 million as at December 31, 2017. Decrease is mainly due to sale of receivables to a financial institution in 2018.

Property and equipment

The Company's consolidated property and equipment was ₱826.5 million as at December 31, 2018, an increase of 7% from consolidated property and equipment of ₱309.6 million as at December 31, 2017.

Investment properties

The Company's consolidated investment properties were ₱183.8 million as at December 31, 2018, a decrease from consolidated investment properties of ₱295.8 million as at December 31, 2017.

Other noncurrent assets

The Company's consolidated other noncurrent assets were ₱312.1 million as at December 31, 2018, an increase from consolidated other noncurrent assets of ₱215.3 million as at December 31, 2017.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were ₱5,653.0 million as at December 31, 2018, an increase from consolidated current portion of trade and other payables of ₱4,245.3 million as at December 31, 2017.

Current portion of loans payable

The Company's consolidated current portion of loans payable were ₱7,242.8 million as at December 31, 2018, an increase of 17% from the consolidated current portion of loans payable of ₱6,208.5 million as at December 31, 2017.

Deposits from customers

The Company's consolidated deposits from customers were ₱518.3 million as at December 31, 2018, an increase of 3% from consolidated deposits from customers of ₱441.5 million as at December 31, 2017.

Due to related parties

The Company's consolidated due to related parties were ₱57.0 million as at December 31, 2018, a decrease from consolidated due to related parties of ₱131.7 million as at December 31, 2017.

Income tax payable

The Company's consolidated income tax payable was ₱65.6 million as at December 31, 2018, a decrease from consolidated income tax payable of ₱142.1 million as at December 31, 2017.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were ₱240.5 million as at December 31, 2018, an increase from consolidated trade and other payables - net of current portion of ₱144.8 million as at December 31, 2017.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was ₽7,764.2 million as at December 31, 2018, a slight increase from consolidated loans payable - net of current portion of ₽7,421.9 million as at December 31, 2017. The Company entered into additional loan transactions during the course of the year to fund its installment contract receivables under the CTS Gold program as well as construction of its high rose projects.

Deferred tax liability

The Company's consolidated deferred tax liability was ₽201.2 million as at December 31, 2018, a decrease from consolidated deferred tax liability of ₽461.6 million as at December 31, 2017. This deferred tax liability was attributable to provision for income tax resulting from the delay in the income tax holiday accreditation for certain Company projects. Accreditation for these projects have since been obtained.

Liquidity and Capital Resources

The Company mainly relies on the following sources of liquidity: (1) cash flow from operations, (2) cash generated from the sale or transfer of receivables to private financial institutions such as banks or to government housing related institutions such as the Home Development Mutual Fund ("Pag-IBIG"), and (3) financing lines provided by banks. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Company is current on all of its loan accounts, and has not had any issues with banks to date. The Company does not anticipate having any cash flow or liquidity problems over the next 12 months. The Company is not in breach or default on any loan or other form of indebtedness.

The Company expects to meet its operating assets and liabilities, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from its operating cash flows, borrowings and proceeds of the Primary Offer. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Cash Flows

The following table sets forth selected information from the Company's consolidated statements of cash flows for the periods indicated:

	For the years ended December 31,		
	2017	2018	2019
	₱	₱	₱
		(Audited)	
		(millions)	
Net Cash From (Used in) Operating Activities	270.8	5,292.0	1,179.3
Net Cash Used in Investing Activities	(406.6)	(1,703.0)	(1,904.6)
Net Cash Provided by Financing Activities	809.4	(2,822.8)	(595.0)
Net Increase (Decrease) in Cash on Hand and in Banks	673.6	766.2	(1,320.3)

	For the years ended December 31,		
	2017	2018	2019
	₱	₱	₱
		(Audited)	
		(millions)	
Cash and Cash Equivalents of Newly Acquired Subsidiary	-	-	30.6
Cash on Hand and in Banks at Beginning of Year	703.8	1,377.4	2,143.6
Cash on Hand and in Banks at End of Year	1,377.4	2,143.6	853.9

Cash flow used in operating activities

The revenue generated from its operations, primarily the sale of residential housing units, subdivision lots and MRB condominium units, primarily affects the Company's consolidated net cash used in operating activities. The Company's consolidated net cash from operating activities were ₱1,179.3 million, for year ended December 31, 2019 and net cash from operating activities ₱5,292.0 million, for year ended December 31, 2018.

For the year ended December 31, 2019, consolidated net cash flow from operating activities reflected cash provided by the Company's operations.

Cash flows used in investing activities

Consolidated net cash flow used in investing activities for the years ended December 31, 2019 and 2018 were ₱1,904.6 million and ₱1,703.0 million, respectively.

For the year ended December 31, 2019, consolidated net cash flow used in investing activities reflected acquisitions of a new subsidiary and investment properties.

Cash flow used in financing activities

Consolidated net cash flow used in financing activities for the year ended December 31, 2019 and 2018 were ₱595.0 million and ₱2,822.8 million, respectively.

For the year ended December 31, 2019, consolidated net cash flow used in financing activities was attributable mainly from the Company's payment of loans and acquisition of treasury shares.

<u>Key Performance Indicators</u>

The table below sets forth key performance indicators for the Company for the years ended December 31, 2018 and 2019.

Key Performance Indicators	As of December 31, 2019 Audited	As of December 31, 2018 Audited
Current Ratio	1.72	2.92
Book Value Per Share	5.89	5.19
Debt to Equity Ratio	1.10	1.06

Asset to Equity Ratio	2.10	2.06
Asset to Debt Ratio	1.91	1.94
Gross Income Margin	54.11%	55.03%
Net Income Margin	36.52%	40.51%

Debt Obligations and Facilities

As of December 31, 2019, the Company's total outstanding indebtedness was ₱17.6 billion, comprised of various short-term and long-term loans mainly from local banks, with interest rates ranging from 4.3 to 7.0% per annum in 2019. The Company's interest rates are either subject to annual repricing or at variable rates. The Company's loans payable have maturities ranging from three months to five years, and are typically secured by receivables under its CTS Gold program, land held for future development, inventories and various properties of the Company.

Acceleration of Financial Obligations

There are no known events that could trigger a direct or contingent financial obligation that would have a material effect on the Company's liquidity, financial condition and results of operations.

Off Balance Sheet Arrangements

As of the date of this report, the Company has no material off-balance sheet transactions, arrangements, and obligations. The Company also has no unconsolidated subsidiaries.

Income or Losses Arising Outside of Continuing Operations

The Company has no sources of income or loss coming from discontinued operations. All of its Subsidiaries are expected to continue to contribute to the Company's operating performance on an ongoing basis and/or in the future.

Qualitative and Quantitative Disclosure of Market Risk

Credit Risk

The Company is exposed to credit risk from its in-house financing program. Credit risk is the risk of loss that may occur from the failure of a customer to abide by the terms and conditions of the customer's financial contract with the Company, principally the failure to make required payments on amounts due to the Company. The Company attempts to mitigate credit risk by measuring, monitoring and managing the risk for each customer seeking to obtain in-house financing. The Company has a structured and standardized credit approval process, which includes conducting background and credit checks on prospective buyers using national credit databases and, where feasible, conducting physical verification of claims regarding residences and properties owned. From time to time, the Company utilizes its receivables rediscounting lines with banks and other financial institutions with its contracts receivables as collateral ("with recourse" transactions) and/or sells installment contract receivables on a "without recourse" basis.

Liquidity Risk

The Company faces the risk that it will not have sufficient cash flows to meet its operating requirements and its financing obligations when they come due.

To better manage its liquidity risk as well as improve its cash conversion cycle, the Company currently has take-out arrangements with PAG-IBIG where it will transfer its receivables under the CTS Gold program within four (4) years in exchange for cash. The Company has submitted to PAG-IBIG approximately four thousand seven hundred (4,700) CTS receivables equivalent to approximately PhP4 billion. These accounts are currently being processed by PAG-IBIG, and at various stages of cycle completion. The acceptance or rejection of a CTS receivable by PAG-IBIG is based on certain guidelines of PAG-IBIG such as employment, number of contributions made by the homeowner/PAG-IBIG member, net disposable income, etc. The Company believes that substantially all of its requests for take-outs have been accepted by PAG-IBIG.

In addition, the Company also pursues various sustainable strategies to better manage its liquidity profile. These include the sale to institutions (such as banks or government housing agencies) or the securitization of portions of the Company's receivables portfolio.

Interest Rate Risk

Fluctuations in interest rates could negatively affect the margins of the Company in respect of its sales of receivables and could make it more difficult for the Company to procure new debt on attractive terms, or at all. The Company currently does not, and does not plan to, engage in interest rate derivative or swap activity to hedge its exposure to increases in interest rates.

Fluctuations in interest rates also have an effect on demand for the Company's products. As most of the Company's customers obtain some form of financing for their real estate purchases, interest rate levels could affect the affordability and desirability of the Company's subdivision lots and housing and condominium units.

Commodity Risk

As a property developer, the Company is exposed to the risk that prices for construction materials used to build its properties (including, among others, cement and steel) will increase. These materials are global commodities whose prices are cyclical in nature and fluctuate in accordance with global market conditions. The Company is exposed to the risk that it may not be able to pass its increased costs to its customers, which would lower the Company's margins. The Company does not engage in commodity hedging, but attempts to manage commodity risk by requiring its construction and development contractors to supply raw materials for the relevant construction and development projects (and bear the risk of price fluctuations).

Seasonality

There is no significant seasonality in the Company's sales. Delinquencies on the Company's receivables from homebuyers tend to increase in the months of June and December. During these months, the Company's customers' cash flows are impacted by the need to make tuition payments in June for their children's schooling and by Christmas Holiday-related expenditures in December. The Company mitigates this seasonality in collections by instituting credit and collection policies that encourage homebuyers to prioritize their amortization payments to the Company over other expenditures. These include incentives (i.e. vouchers for school supplies or Christmas season shopping at local stores that are given to homebuyers who are timely in their amortization payments) and remedial measures (i.e. fines for late amortization payments). For the most part, any spikes in delinquencies in June and December normalize in the succeeding month or two as homebuyers catch up on their payments.

Item 7. Consolidated Financial Statements

Please see accompanying 2019 Audited Consolidated Financial Statements ("2019 AFS")

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Independent Public Accountants

For 2019 and 2018, Punongbayan and Araullo (P&A) has been engaged by the Board of Directors as Independent External Auditor.

Until 2015, Sycip Gorres Velayo & Co. (SGV) is the Company's Independent External Auditor. SGV initially rendered its services to the Company in 2012. Prior to commencement of SGV services, the Company's Independent External Auditor was Reyes Tacandong & Co.

The Company has not had any disagreements on accounting and financial disclosures with the independent auditors. Reyes Tacandong & Co., SGV & Co. and P&A have no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to securities issued by the Company.

All independent auditors do not have and will not receive any direct or indirect interest in the Company or in any of our securities (including options, warrants or rights thereof) pursuant to or in connection with the Common Shares.

The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Apart from the foregoing audit-related services, our independent auditors have not rendered tax, accounting, compliance, advice, planning and other tax services for the Company within last two fiscal years.

The 2018 audit of the Company is in compliance with paragraph (3)(b)(iv) of Securities Regulation Code Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

External Audit Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by Punongbayan & Araullo, excluding fees directly related to the Offer.

	2017	2018	2019
	(₱)		
Audit and Audit-Related Fees[1]	7,500,000	8,650,000	12,600,000
All Other Fees[2]	900,000	1,038,000	1,512,000
Total	8,400,000	9,688,000	14,112,000

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

(2) All other fees above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 15% of the agreed-upon engagement fees.

The Corporation did not engage the services of the External Auditors and has not paid any other fees, except as stated above.

Audit and Risk Committee

The Audit and Risk Committee is composed of at least three members of the Board who have accounting and finance backgrounds, at least one of whom is an independent director and another with audit experience. The chair of the Audit and Risk Management Committee should be an independent director.

The Audit Committee has the following functions:

(a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;

(b) Provide oversight over the management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include receiving from management of information on risk exposures and risk management activities;

(c) Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

(d) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget, necessary to implement it;

(e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimized duplication of efforts;

(f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of it engagement and removal;

(g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

(h) Review the reports submitted by the internal and external auditors;

(i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

    (i) Any changes in accounting policies and practices;

    (ii) Major judgmental areas;

    (iii) Significant adjustments resulting from the audit;

(iv) Going concern assumptions;

(v) Compliance with accounting standards; and

(vi) Compliance with tax, legal and regulatory requirements.

(j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

(k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;

(l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.

As of the date of writing, the Audit and Risk Management Committee is chaired by Ms. Arlene C. Keh, while Mr. Mariano D. Martinez, Jr., Mr. Luis N. Yu, Jr., Mr. Ben Chan Wei Beng, and Mr. Dominic J. Picone serve as its members.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's current articles of incorporation, the Board consists of thirteen (13) members. To date, two (2) members of the Board are independent directors. Except for Mr. Manuel S. Delfin, Jr. who was elected to the Board on September 2, 2014, all of the directors were re-elected at the Company's annual shareholders meeting on July 28, 2014 and will hold office for a period of one (1) year from their election and until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of writing.

Name	Age	Nationality	Position
Mariano D. Martinez, Jr.	66	Filipino	Chairman of the Board
Luis N. Yu, Jr.	64	Filipino	Chairman Emeritus and Director
Willibaldo J. Uy	Deceased	Filipino	Director
Manuel C. Crisostomo	66	Filipino	Independent Director

Name	Age	Nationality	Position
Arlene C. Keh	57	Filipino	Independent Director
Manuel S. Delfin, Jr.	59	Filipino	Director
Lowell L. Yu	43	Filipino	Director
Raul Fortunato R. Rocha	67	Filipino	Director
Richard L. Haosen	57	Filipino	Director, Treasurer and GM Treasury
Ian Norman E. Dato	41	Filipino	Director
Han Jun Siew	39	Malaysian	Director
Dominic J. Picone	42	American	Director

The business experience of each of the directors is set forth below.

Mariano D. Martinez, Jr.
Chairman of the Board

Mr. Martinez assumed chairmanship of the Company in September 2012. He is the President and CEO of Ceres Homes, Inc. (2002 to present). He is also the President of Kwantlen Development Corporation (2010 to present). Mr. Martinez had previously held the position of President for Happy Well Management & Collection Services Inc. (2008), BP Waterworks Incorporated (1997), 8990 Luzon Housing Development Corporation (until 2011) and Fog Horn, Inc. (until 2011). He is currently a Board Advisor to the SHDA, the largest industry organization for real estate developers in the Philippines. He held the positions of Chairman (2001-2002) and President (1999-2001) for the SHDA. Mr. Martinez holds a Bachelor of Science in Business Management degree from De La Salle College (1976). Mr. Martinez has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

Luis N. Yu, Jr.
Chairman Emeritus and Director

Mr. Yu became a director of the Company in July 2012. Mr. Yu is the Founder and Chairman Emeritus of the Company. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

Manuel C. Crisostomo
Independent Director

Mr. Crisostomo was Senior Vice President and CEO of the Home Development Mutual Fund (HDMF) from 2001 to 2002, capping a government career spanning various positions for 25 years. He was the President and CEO of Firm Builders Realty Development Corporation from 2005 to 2013 and served as National President and Chairman of SHDA from 2010 to 2011. Mr. Crisostomo has a BS Industrial

Engineering degree from the University of the Philippines and passed the Career Executive Service Officer of the Civil Service Commission.

Arlene C. Keh
Independent Director

Ms. Keh became an independent director of the Company in August 2012. Ms. Keh holds the position of President of CG & E Holdings Corporation, Cypress Grove Estates Corporation, and CGE South Hills Ventures, Incorporated. She is also the Managing Director of Ceres Homes, Incorporated, Director and Treasurer of C-S Mansions and Development Corporation and Alabang Homes Condotel, Inc. Ms. Keh is a member of the Board of Governors of the SHDA, consultant to the Board of Directors of SM Foundation, Incorporated, and a member of the Board of Directors/Trustees of Foundation for Professional Training, Inc., Asian Appraisal Company, Incorporated and Amalgamated Project Management Services, Inc. Ms. Keh holds a Masters in Business Administration from the J.L. Kellogg Graduate School of Management, Northwestern University, Chicago Illinois, USA and the Hong Kong University of Science and Technology, Clearway Bay, Hong Kong. She has a Bachelor of Science in Biology degree (Summa Cum laude) from the University of the Philippines, where she also earned the Dean's Medal for the Highest Academic Achievement.

Willibaldo J. Uy
Chief Execitove Officer and Director

Mr. Uy became the COO and member of the board of directors of the Company on February 2016. Before that, Mr. Uy was an independent director of the Company in August 2012 up to January 2016. Mr. Uy presently holds concurrent positions with the Phinma Group of Companies. He formerly holds the following position: President and CEO of Phinma Property Holdings Corporation, President of Asian Plaza Inc., Senior Vice President of Philippine Investment Management(Phinma), Inc., Executive Vice President of T-O Insurance Brokers, Inc., Vice President and Treasurer of Mariposa Properties, Inc., Member of the Board of Directors/Trustees for Microtel Development Corporation, Phinma BPO, Union Galvasteel Corporation, Trans-Asia Renewable Energy Corporation, Phinma Foundation, Inc. and Mariposa Foundation, Inc. Mr. Uy also holds the position of President and Chairman of the Board of Rockwell Center Association, Inc. He is also the Managing Director of CMTC International Marketing Corporation, Treasurer and Director for American Home Appliance Marketing Corporation, le Becarre International Corporation, Harritex Industrial Corporation, Director of Harrison Industrial Corporation, Southeast Asia Tour and Travel Corporation, Emerald Headway Distributors, Inc., Philippine Retirement, Inc., the SHDA, SHDA Guaranty Funds, Inc., Microventures, Inc. and Treasurer for Coalition for the Homeless Foundation, Inc. Mr. Uy completed the Executive Program from the National University of Singapore and University of California, Los Angeles (1992). He has a Master in Business Administration from the Ateneo Graduate School of Business (1986) and a degree of Bachelor of Science in Marketing Management from the De La Salle University (1979).

In the special meeting of the Board of Directors of the Company held on 27 December 2017, the Board approved the appointment of Mr. Willibaldo J. Uy as the President and Chief Executive Officer of the Company effective 1 January 2018.

Manuel S. Delfin, Jr.
Director

Dr. Delfin is currently a partner in Allied Ophthalmic Consultants. He is also a consultant and the Vice-Chairman of the Department of Ophthalmology in Manila Doctors Hospital. He is also a consultant in Patients First Medical Center. Apart from his medical affiliations, he is also currently serving the following positions: (i) Corporate Secretary of UP Medical Foundation; (ii) President of Lakan Bakor Foundation; (iii) Treasurer of Philippine Glaucoma Society; (iv) Assistant Secretary of Philippine Glaucoma Foundation; (v) Director of Happy Wells Management & Corp.; and (vi) Director of 77 Avenida Corp. Dr. Delfin graduated with a bachelor's degree in Zoology from the University of the Philippines Diliman, cum laude, in 1982. He obtained his medical degree from the University of the Philippines College of Medicine in 1986. He also obtained his residency from the same university in 1990. He obtained his fellowship in Glaucoma from California Pacific Medical Center, USA, under Dr. Dr. Robert L. Stamper MD and Dr. Marc F. Lieberman MD.

Lowell L. Yu
Director

Mr. Yu, is currently the President of iHoldings Inc. He also holds chairmanship positions at 77 Living Spaces, Inc, Grand Majestic Convention City Corp., 101 Restaurant City, Inc., iKitchen Inc., MyMarket, Inc. and Govago, Inc. He is also a founding partner of Dato and Yu Law offices. He previously worked as an AVP of Business Development of Earth+Style/Quantuvis Resources. Atty. Yu Holds Masters in Management from the Asian Institute of Management and a Bachelor of Laws from Siliman University.

Raul Fortunato R. Rocha
Director

Mr. Rocha was born in Tabaco Albay on August 28, 1953. A banker for fourteen years and a businessman with businesses that include real estate development and leasing. He is currently the president of LYRR Realty Development Corporation and Naga Queenstown Realty and Development Inc. He is also the Chairman of the Board of Directors of Tabaco Port Cargo Corp. He graduated from Divine Word College Legazpi City in 1976 with a degree of BSC Major in Management. He is a member of various organizations like Rotary Club of Naga East, Metro Naga Chamber of Commerce and Industry and Kapisanan ng mga Broadcaster ng Pilipinas (KBP).

Richard L. Haosen
Director, and Treasurer

Mr. Richard L. Haosen, assumed the position of Treasurer of the Company in 2010. Mr. Haosen is also currently serving as the General Manager of 8990 Housing. Before joining the Company in 2010, he served as the Vice President/Division Head of the Business Lending Division – Cebu and the Business Lending Group – Visayas/Mindanao of Metropolitan Bank and Trust Company (MBTC) from 2006 to 2010. He also served as Unit Head of MBTC Cebu Account Management Unit from 2005 to 2006, and as Account Officer of MBTC Cebu Downtown Center Branch from 1994 to 2005. Mr. Haosen obtained his license as a Certified Public Accountant in 1982. He also has a degree in B.S. Commerce, major in Accounting from the Ateneo de Davao University (1982).

Alexander Ace Sotto
Director

Mr. Sotto has been with 8990 Holdings Inc for the past 13 years since he joined the company in 2004. He is currently the Chief Operating Officer of the Company. He was the General Manager for Construction of the Company. He also holds the positions of Governor of the Subdivision and Housing Developers Association (SHDA) for Visayas and Advisor for the Subdivision and Housing Developers

Association (SHDA) in Central Visayas. He holds a Bachelor of Science degree in Civil Engineering from the University of San Carlos Technological Center, Talamban, Cebu City in 2002.

Ian Norman E. Dato
Director

Mr. Dato is the Managing Partner of Dato Inciong & Associates. He is also an incumbent director of IKitchen, Inc. and MyMarket, Inc. and an incoming one (pending approval by the Monetary Board) of First Naga Rural Bank, Inc. He is Corporate Secretary to 27 corporations. His experience in private law practice includes Ponce Enrile Reyes & Manalastas Law Offices (2012) and Kalaw Sy Vida Selva & Campos (2005-2006). He was in government service between 2003 and 2010 in various capacities, such as: Undersecretary of Justice (2010), Undersecretary of Political Affairs (2008-2010), Assistant Secretary of Political Affairs (2007-2008), and Director in the Presidential Legislative Liaison Office in the Office of the President of the Philippines (2003-2005). He has a Master of Laws degree from University College of London where he graduated with merit in 2011. He obtained his *Juris Doctor* from the Ateneo de Manila University School of Law and a degree in Political Science from the University of the Philippines Diliman. He is a member of the UCL Alumni Association, International Visitors Leadership Program Alumni of the U.S. Department of State, and Chevening Alumni of the Foreign & Commonwealth Office of the United Kingdom.

Han Jun Siew
Director

Mr. Jun Siew is currently a Senior Vice President in the Investments division of Khazanah Nasional Berhad, supporting the Financial Institutions Group sector and Philippines coverage. Within Khazanah he has worked on a wide range of investment projects, particularly in banking, insurance and reinsurance investments. He joined Khazahan in 2012. He holds a Bachelor of Business and Commerce (Economics, Banking and Finance) from Monash University, Australia.

Dominic J. Picone
Director

Mr. Picone is a Principal and Head of Asia Financial Services (ex. India) at TPG Capital, based in Singapore. In addition to 8990, he has been involved with current and past TPG portfolio companies including BFI Finance, Masan Group, Fairmont Raffles Hotels, Bank BTPN, United Test & Assembly Center (UTAC), and CIMB. He is an alternate board member of UTAC Holdings, and serves on the audit, risk, and compensation committees of BFI Finance. Prior to joining TPG in 2005, Mr. Picone worked in the Investment Banking Division of Credit Suisse First Boston in Melbourne, primarily focused on mergers and acquisitions in Australia and New Zealand. A native of Australia, he received a Bachelor of Commerce (Honours – Finance) and a Bachelor of Laws from the University of Melbourne.

The table below sets forth the Company's officers as of writing.

Name	Age	Nationality	Position
Willibaldo J. Uy	Deceased	Filipino	President and CEO
Richard L. Haosen	57	Filipino	Treasurer

Name	Age	Nationality	Position
Roan Buenaventura – Torregoza	34	Filipino	Chief Financial Officer
Alexander Ace Sotto	39	Filipino	Chief Operating Officer
Teresa C. Secuya	58	Filipino	Compliance Officer
....			
Cristina S. Palma Gil-Fernandez	52	Filipino	Corporate Secretary
....			
Maureen Christine O. Lizarondo	33	Filipino	Asst. Corporate Secretary
....			
Patricia Victoria Ilagan	44	Filipino	Investor Relations Officer

The business experience of each of the key executive and corporate officers is set forth below.

Richard L. Haosen
Treasurer
Please refer to the table of Directors above.

Alexander Ace Sotto
Chief Operating Officer
Please refer to the table of Directors above.

Roan Buenaventura – Torregoza
Chief Financial Officer

Ms. Roan Buenaventura-Torregoza assumed the position of Chief Financial Officer of the Company on September 2016. Prior to her current position, she served as Acting Chief Financial Officer, Deputy Chief Financial Officer, Assistant General Manager for Audit, and Management Services Manager for 8990 Holdings, Inc. Before joining the Company in 2014, she served as Account Officer of Wholesale Finance Department of BPI Family Savings Bank, Inc. from 2008 to 2012. Ms. Buenaventura-Torregoza finished her Master in Business Administration Concentration in Finance from Asian Institute of Management as W. Sycip Graduate School of Business Scholar in December 2013. She also has a degree in B.S. Business Administration from the University of the Philippines-Diliman (2007).

Teresa C. Secuya
Compliance Officer

Ms. Secuya assumed the position of Compliance Officer of the Company in September 2012. Ms. Secuya is also currently the Executive Assistant to the Chairman of 8990 Luzon Housing Development Corp. Prior to her current positions, she served as the Executive Secretary of the President of Ceres Homes, Inc. (February 2006 to December 2009), Executive Assistant of the Chairman of Urban Basic Housing Corporation (May 1999 to January 2003), Executive Assistant for Admin Affairs of Newpointe Realty & Development Corp. (June to July 1996), Marketing Assistant of HlC Construction & Development Corp. (March to May 1996), and Proprietor of Jobs Drugs and Gifts (November 1991 to March 1996). She obtained her Bachelor of Arts degree, major in Communication Arts from the Ateneo de Davao University in 1982.

Cristina S. Palma Gil-Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in September 2012. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has over 18 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate.

Maureen Christine Lizarondo
Assistant Corporate Secretary

Atty. Maureen Christine O. Lizarondo was born on November 30, 1986, graduated cum laude with the degree of Bachelor Arts, Major in Political Science, from the University of the Philippines in 2003, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 2011. She is currently an Associate at Picazo Buyco Tan Fider & Santos Law Offices.

Patricia Victoria G. Ilagan
Investor Relations Officer

Prior to joining the Company, Ms. Ilagan worked as an equities analyst at Philippine Equity Partners (a local research partner of Bank of America Merrill Lynch) from 2015 to 2017. She has a Master's Degree in Business Administration from Esade Business School and a Bachelor's Degree in Management from the Ateneo de Manila University. Her previous roles also include working as Senior Research Associate at Macquarie Capital Securities Philippines from 2010 to 2012 and Senior Manager for Financial Planning and Analysis at Bloomberry Resorts and Hotels, Inc. from 2012 to 2015.

Family Relationships

As of writing, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

Lowell L. Yu, Director, is the son of Mr. Luis N. Yu, Jr., Director.

Involvement of Directors and Executive Officers in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this report: [1] had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; [2] have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; [3] have been the subject of 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 their involvement in any type of business, securities, commodities or banking activities; or [4] have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Compensation

The following are the Company's president and four most highly compensated executive officers for the year ended December 31, 2019:

Name	Position
Willibaldo J. Uy Willibaldo J. Uy	President and CEO
Alexander Ace Sotto	Chief Operating Officer
Roan Buenaventura-Torregoza	Chief Financial Officer
Richard L. Haosen	General Manager – Treasury Group
Anthony Vincent S. Sotto	General Manager – Operations

The following table identifies and summarizes the aggregate compensation (actual and expected) of the Company's President and CEO and the four most highly compensated executive officers of the Company in 2017, 2018 and 2019:

	Year	Total[(1)] (₱)
President and the four most highly compensated executive officers named above		
....	2012	19,643,778
	2013	19,643,778
	2014	21,608,155
	2015	22,688,562
	2016	23,822,990
	2017	25,014,139
	2018	26,264,846
	2019	26,921,467
Aggregate compensation paid to all other officers as a group unnamed		
....	2012	19,402,621
	2013	23,250,000
	2014	28,050,000
	2015	29,452,500
	2016	30,925,125
	2017	32,471,380
	2018	34,094,949
	2019	35,117,797

Note:

(1) Includes salary, bonuses and other income.

Compensation of Directors

The by-laws of the Company provide that, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten (10%) percent of the net income before tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. However, since 2013, no directors' compensation was approved and given by the Board.

Currently, the directors are entitled to a per diem allowance of ₱10,000.00 for each attendance in the Company's board meetings.

Employee Stock Option Plan

The Corporation has no employee stock option plan at the moment.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of December 31, 2019.

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Total No. of Shares Held	% of Total Outstanding Shares
IHoldings, Inc. Unit 605, Ayala FGU Center, Cebu Business Park, Cebu City	The record owner is the beneficial owner of the shares indicated	Filipino	2,183,082,107*	2,183,082,107*	39.56%*
Kwantlen Development Corporation Unit 605, Ayala FGU Center, Cebu Business Park, Cebu City	The record owner is the beneficial owner of the shares indicated	Filipino	926,325,018	926,325,018	16.79%

**excludes the 40,000,000 shares registered in the name of IP Ventures, Inc. with an agreement to transfer to IHoldings, Inc. upon expiration of the PSE lock-up thereon.*

As of December 31, 2019 the Company's level of foreign ownership is 17.41% of its equity.

Security Ownership of Directors and Officers as of writing

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Luis N. Yu Jr.	258,099,322 – direct	Filipino	4.75
Common	Mariano D. Martinez, Jr.	168, 916,767 – direct 1,979,200 – indirect	Filipino	3.15

Common	Willibaldo J. Uy	0 – direct	Filipino	0.0
Common	Manuel C. Crisostomo	100 – direct	Filipino	0.0
Common	Arlene C. Keh	1 – direct	Filipino	0.0
Common	Alexander Ace Sotto	100 – direct	Filipino	0.0
Common	Richard L. Haosen	1 – direct 40,000 – indirect*	Filipino	0.0
Common	Manuel S. Delfin, Jr	1 – direct	Filipino	0.0
Common	Lowell L. Yu	1 – direct	Filipino	0.0
Common	Raul Fortunator R. Rocha	100 – direct 500,000 – indirect*	Filipino	0.0
Common	Ian Norman E. Dato	5,001 – direct	Filipino	0.0
Common	Han Jun Siew	100 – direct	Malaysian	0.0
Common	Dominic J. Picone	1 – direct 99 – indirect*	American	0.0
Common	Roan Buenaventura-Torregoza	0 – direct 1,500 - indirect	Filipino	0.0
Common	Cristina S. Palma Gil-Fernandez	None	Filipino	0.0
Common	Maureen O. Lizarondo-Medina	None	Filipino	0.0
Common	Teresa C. Secuya	None	Filipino	0.0
Common	Patricia Victoria G. Ilagan	None	Filipino	0.0
	Total:	**429,542,294 shares**		

**held through the PCD Nominee Corporation*

Voting Trust Holders of Five Percent or More

There were no persons holding more than five percent of a class of shares of the Company under a voting trust or similar agreement as of writing.

Changes in Control

As of year-end 2018, there are no arrangements, which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company and its Subsidiaries, in their ordinary course of business, engage in transactions with related parties and affiliates. These transactions include advances and reimbursement of expenses. Settlement of outstanding balances of advances at year-end occurs in cash. As of December 31, 2017 and 2018, the Company has not made any provision for impairment losses relating to amounts owed by related parties.

Refer to Note 29 of the 2018 Audited Consolidated Financial Statements for the summary of the Company's transactions with its related parties.

Transactions Not in the Ordinary Course of Business

The Company has likewise entered into transactions with related parties otherwise than in the ordinary course of business. These transactions consist of advances to and from the 8990 Majority Shareholders and the 8990 Related Companies as disclosed in Note 29 of the 2017 Audited Consolidated Financial Statements.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

See Exhibit 1 for the Annual Corporate Governance Report filed with SEC on July 30, 2020.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C (Current Reports)

07 January 2019 – Clarification of News Report on the news article entitled "8990 net seen to hit P5.2B" posted in Inquirer.net on January 7, 2019.

07 January 2019 – Press Release on "8990 Hits Php11.5 billion in 2018, Sets 2019 Revenue Guidance of Php 13.5 billion".

09 January 2019 – List of Top 100 Stockholders

15 January 2019 – Public Ownership Report

15 January 2019 – [Amend-1] Declaration of Cash Dividends

01 February 2019 – Declaration of Cash Dividends

01 February 2019 – Declaration of Cash Dividends

01 February 2019 – Declaration of Cash Dividends

01 February 2019 – Declaration of Cash Dividends

04 February 2019 – Material Information/Transactions (Buy-back of HOUSE common shares)

06 February 2019 – Press Release (8990 Announces Php2 Billion Share Buy Back Program)

07 February 2019 – Reply to Exchange's Query [PSE's letter dated February 4, 2019 requesting additional information regarding the approval by the Company's Board of Directors of the buy-back program of up to Two Billion Pesos (Php2,000,000,000.00) worth of the Company's common shares]

13 February 2019 – Share Buy-Back Transactions

15 February 2019 – Share Buy-Back Transactions

19 February 2019 – Share Buy-Back Transactions

20 February 2019 – Press Release (8990 Holdings Ventures into High-End Market)

20 February 2019 – Material Information/Transactions (Clarification on earlier re: GENVI Development Corporation)

27 February 2019 – Press Release (8990 and Megawide Signs First Horizontal Development Contract)

28 February 2019 – Share Buy-Back Transactions

01 March 2019 – Share Buy-Back Transactions

05 March 2019 – Share Buy-Back Transactions

08 March 2019 – Share Buy-Back Transactions

12 March 2019 – Share Buy-Back Transactions

13 March 2019 – Share Buy-Back Transactions

14 March 2019 – Share Buy-Back Transactions

15 March 2019 – Share Buy-Back Transactions

18 March 2019 – Share Buy-Back Transactions

18 March 2019 – Acquisition or Disposition of Shares of Another Corporation [Acquisition of 100% interest in Genvi Development Corporation (the "Genvi Acquisition")]

19 March 2019 – Share Buy-Back Transactions

19 March 2019 – [Amend-1]Acquisition or Disposition of Shares of Another Corporation [Acquisition of 100% interest in Genvi Development Corporation (the "Genvi Acquisition")]

20 March 2019 – Share Buy-Back Transactions

21 March 2019 – Share Buy-Back Transactions

25 March 2019 – Share Buy-Back Transactions

26 March 2019 – Share Buy-Back Transactions

27 March 2019 – Share Buy-Back Transactions

29 March 2019 – Share Buy-Back Transactions

02 April 2019 – Share Buy-Back Transactions

03 April 2019 – Share Buy-Back Transactions

04 April 2019 – Share Buy-Back Transactions

08 April 2019 – Share Buy-Back Transactions

08 April 2019 – Material Information/Transactions (Philippine Competition Commission Summons and Notice of Objection)

10 April 2019 – Share Buy-Back Transactions

12 April 2019 – List of Top 100 Stockholders

12 April 2019 – Request for extension to file SEC Form 17-A

15 April 2019 – Public Ownership Report

16 April 2019 – Share Buy-Back Transactions

17 April 2019 – Share Buy-Back Transactions

22 April 2019 – Share Buy-Back Transactions

23 April 2019 – Share Buy-Back Transactions

26 April 2019 – Share Buy-Back Transactions

29 April 2019 – Share Buy-Back Transactions

08 May 2019 – Annual Report

08 May 2019 – Press Release (8990 Exceeds 2018 Revenue Target, Posts 15% Topline Growth)

09 May 2019 – Notice of Analysts'/Investors' Briefing

14 May 2019 – Quarterly Report

14 May 2019 – Press Release (8990 1Q19 Results Highlight Strong Demand for Affordable Housing)

14 May 2019 – [Amend-1]Notice of Analysts'/Investors' Briefing

17 May 2019 – Share Buy-Back Transactions

21 May 2019 – Share Buy-Back Transactions

22 May 2019 – Share Buy-Back Transactions

27 May 2019 – Share Buy-Back Transactions

31 May 2019 – Integrated Annual Corporate Governance Report

03 June 2019 – Share Buy-Back Transactions

03 June 2019 – [Amend-1]Integrated Annual Corporate Governance Report

06 June 2019 – Share Buy-Back Transactions

14 June 2019 – Share Buy-Back Transactions

14 June 2019 – Notice of Annual or Special Stockholders' Meeting

14 June 2019 – Reclassification of Shares

14 June 2019 – Amendments to Articles of Incorporation

14 June 2019 – Creation and Issuance of New Equity Security

19 June 2019 – Share Buy-Back Transactions

20 June 2019 – Information Statement (Preliminary Information Statement)

20 June 2019 – Share Buy-Back Transactions

21 June 2019 – Share Buy-Back Transactions

24 June 2019 – Material Information/Transactions [Assignment of registered trademarks and trademark applications by 8990 Leisure and Resorts Corporation (a wholly owned subsidiary of 8990 Holdings, Inc.) ("8990 LRC") to Adama Resorts and Hotels, Inc. ("Adama Resorts")]

24 June 2019 – Share Buy-Back Transactions

25 June 2019 – Share Buy-Back Transactions

26 June 2019 – Share Buy-Back Transactions

28 June 2019 – Share Buy-Back Transactions

01 July 2019 – Share Buy-Back Transactions

02 July 2019 – Share Buy-Back Transactions

03 July 2019 – Share Buy-Back Transactions

03 July 2019 – Share Buy-Back Transactions

04 July 2019 – Information Statement
04 July 2019 – [Amend-1]Notice of Annual or Special Stockholders' Meeting

05 July 2019 – Share Buy-Back Transactions

10 July 2019 – Share Buy-Back Transactions

10 July 2019 – List of Top 100 Stockholders

11 July 2019 – Share Buy-Back Transactions

12 July 2019 – Share Buy-Back Transactions

15 July 2019 – Share Buy-Back Transactions

15 July 2019 – Public Ownership Report

16 July 2019 – Share Buy-Back Transactions

17 July 2019 – Share Buy-Back Transactions

22 July 2019 – Share Buy-Back Transactions

23 July 2019 – Share Buy-Back Transactions

25 July 2019 – Share Buy-Back Transactions

26 July 2019 – Share Buy-Back Transactions

29 July 2019 – Share Buy-back Transactions

30 July 2019 – Results of Annual or Special Stockholders' Meeting

30 July 2019 – Results of Organizational Meeting of Board of Directors

30 July 2019 – Share Buy-Back Transactions

31 July 2019 – Share Buy-Back Transactions

01 August 2019 – Share Buy-Back Transactions

02 August 2019 – Share Buy-Back Transactions

05 August 2019 – Share Buy-Back Transactions

05 August 2019 – Clarification of News Reports on the news article entitled "8990 in talks to acquire property in Pampanga" posted in BusinessWorld (Online Edition) on August 5, 2019.

06 August 2019 – Share Buy-Back Transactions

07 August 2019 – Share Buy-Back Transactions

08 August 2019 – Share Buy-Back Transactions

08 August 2019 – Notice of Analysts'/Investors' Briefing

09 August 2019 – Share Buy-Back Transactions

13 August 2019 – Share Buy-Back Transactions

14 August 2019 – Share Buy-Back Transactions

14 August 2019 – Quarterly Report

14 August 2019 – [Amend-1]Quarterly Report

15 August 2019 – Press Release (8990 Sustains Net Income Growth Momentum in 1H19)

15 August 2019 – Share Buy-Back Transactions

16 August 2019 – Share Buy-Back Transactions

19 August 2019 – Share Buy-Back Transactions

20 August 2019 – Share Buy-Back Transactions

22 August 2019 – Share Buy-Back Transactions

23 August 2019 – Share Buy-Back Transactions

27 August 2019 – Share Buy-Back Transactions

28 August 2019 – Share Buy-Back Transactions

29 August 2019 – Share Buy-Back Transactions

30 August 2019 – Share Buy-Back Transactions

02 September 2019 – Share Buy-Back Transactions

03 September 2019 – Share Buy-Back Transactions

04 September 2019 – Share Buy-Back Transactions

05 September 2019 – Share Buy-Back Transactions

06 September 2019 – Share Buy-Back Transactions

09 September 2019 – Share Buy-Back Transactions

10 September 2019 – Share Buy-Back Transactions

11 September 2019 – Share Buy-Back Transactions
12 September 2019 – Share Buy-Back Transactions

13 September 2019 – Share Buy-Back Transactions

16 September 2019 – Share Buy-Back Transactions

17 September 2019 – Share Buy-Back Transactions

18 September 2019 – Share Buy-Back Transactions

19 September 2019 – Share Buy-Back Transactions

20 September 2019 – Share Buy-Back Transactions

23 September 2019 – Share Buy-Back Transactions

24 September 2019 – Share Buy-Back Transactions

25 September 2019 – Press Release (8990's new subsidiary forays into luxury hotel business)

25 September 2019 – Share Buy-Back Transactions

26 September 2019 – Share Buy-Back Transactions

27 September 2019 – Share Buy-Back Transactions

30 September 2019 – Share Buy-Back Transactions

01 October 2019 – Share Buy-Back Transactions

02 October 2019 – Share Buy-Back Transactions

03 October 2019 – Share Buy-Back Transactions

03 October 2019 – Clarification of News Reports on the news article entitled "PCC slaps P27-M fine on 8990 Urban Deca Homes"

04 October 2019 – Share Buy-Back Transactions

07 October 2019 – Share Buy-Back Transactions

07 October 2019 – Change in Corporate Contact Details and/or Website

08 October 2019 – List of Top 100 Stockholders

08 October 2019 – Share Buy-Back Transactions

09 October 2019 – Share Buy-Back Transactions

10 October 2019 – Share Buy-Back Transactions

11 October 2019 – Share Buy-Back Transactions

11 October 2019 – Press Release (Philippine Competition Commission (PCC) Joint Motion for Settlement

14 October 2019 – Share Buy-Back Transactions

14 October 2019 – Public Ownership Report

15 October 2019 – Share Buy-Back Transactions

16 October 2019 – Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)

16 October 2019 – Share Buy-Back Transactions

17 October 2019 – Press Release (8990 Holdings Inc official statement on the passing of its President and CEO)

17 October 2019 – Share Buy-Back Transactions

18 October 2019 – Share Buy-Back Transactions

21 October 2019 – Share Buy-Back Transactions

22 October 2019 – Share Buy-Back Transactions

23 October 2019 – Share Buy-Back Transactions

24 October 2019 – Share Buy-Back Transactions

25 October 2019 – Share Buy-Back Transactions

28 October 2019 – Share Buy-Back Transactions

29 October 2019 – Share Buy-Back Transactions

30 October 2019 – Share Buy-Back Transactions

31 October 2019 – Share Buy-Back Transactions

04 November 2019 – Share Buy-Back Transactions

04 November 2019 – Material Information/Transactions (Appointment of Members of the Related Party Transactions Committee)

07 November 2019 – Press release (8990 Posts Accelerated Growth of 22% in Revenues for the First Nine Months)

07 November 2019 – Share Buy-Back Transactions

08 November 2019 – Share Buy-Back Transactions

11 November 2019 – Share Buy-Back Transactions

12 November 2019 – Share Buy-Back Transactions

13 November 2019 – Share Buy-Back Transactions

14 November 2019 – Share Buy-Back Transactions

14 November 2019 – Press Release (8990 Reports 23% Net Income Growth for the First Nine Months of 2019)

14 November 2019 – Quarterly Report

14 November 2019 – [Amend-1]Quarterly Report

15 November 2019 – Share Buy-Back Transactions

18 November 2019 – Share Buy-Back Transactions

18 November 2019 – Press Release (8990 Liquidates Php5 Billion in Receivables)

19 November 2019 – Share Buy-Back Transactions

20 November 2019 – Share Buy-Back Transactions

21 November 2019 – Share Buy-Back Transactions

22 November 2019 – Share Buy-Back Transactions

25 November 2019 – Press Release (8990 to Sell Php 10 Billion in Receivables, Eyes Php2.5 Billion Securitization in 2020)

25 November 2019 – Share Buy-Back Transactions

26 November 2019 – Share Buy-Back Transactions

28 November 2019 – Share Buy-Back Transactions

29 November 2019 – Share Buy-Back Transactions

02 December 2019 – Share Buy-Back Transactions

03 December 2019 – Share Buy-Back Transactions

04 December 2019 – Share Buy-Back Transactions

05 December 2019 – Share Buy-Back Transactions

06 December 2019 – Share Buy-Back Transactions
09 December 2019 – Share Buy-Back Transactions

10 December 2019 – Share Buy-Back Transactions

11 December 2019 – Share Buy-Back Transactions

12 December 2019 – Share Buy-Back Transactions

13 December 2019 – Share Buy-Back Transactions

16 December 2019 – Share Buy-Back Transactions

17 December 2019 – Share Buy-Back Transactions

18 December 2019 – Share Buy-Back Transactions

19 December 2019 – Share Buy-Back Transactions

20 December 2019 – Share Buy-Back Transactions

23 December 2019 – Share Buy-Back Transactions

26 December 2019 -Share Buy-Back Transactions

27 December 2019 – Share Buy-Back Transactions

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulations Code, and Section 14 of the Corporation Code, the ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019 (SEC FORM 17-A) is signed on behalf of the issuer by the undersigned, thereunto duly authorized in the City of Makati, Philippines on AUG 01 2020 2020.

MARIANO D. MARTINEZ Chairman	**ALEXANDER ACE S. SOTTO** Chief Operating Officer/Acting President
ROAN BUENAVENTURA - TORREGOZA Chief Financial Officer	**CRISTINA S. PALMA GIL-FERNANDEZ** Corporate Secretary

Before me REPUBLIC OF THE PHILIPPINES)
) S.S.

SUBSCRIBED AND SWORN TO before me this AUG 01 2020, the following persons exhibiting me their Passports/ TIN IDs:

	Passport No.	Date of Issue	Place of Issue
Mariano D. Martinez	EB5662795	15 Jun 2012	DFA Manila
Roan Buenaventura - Torregoza	EC3871965	07 Apr 2015	DFA NCR Northeast
Cristina S. Palma Gil-Fernandez	EB8953705	22 Aug 2013	DFA Manila
	TIN ID No.		
Alexander Ace S. Sotto	235-171-383		

Doc. No.: 370
PageNo.: 74
Book No.: 5
Series of 2020

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
... March 29, 2019
... 2019-2020)

ANNEX E

8990
HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **8990 Holdings, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, 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 Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

8990
HOLDINGS, INC.

Mariano Martinez, Jr.
Chairman of the Board

Alexander Ace Sotto
Acting President and CEO/COO

Roan B. Toregoza

Roan Toregoza
Chief Financial Officer

Signed this 27th day of July, 2020

REPUBLIC OF THE PHILIPPINES)

PASIG CITY) S.S.

BEFORE ME , a Notary Public for and in the City of PASIG CITY this AUG 01 2020 day of

_______________personally came and appeared:

WITNESS my hand and seal on the date and place above written.

Doc. No. 368

Page No. 74

Book No. 5

Series of 2020

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
Until December 31, 2020
PTR No. A-4252429 / 1-03-2019 / Taguig City
IBP No. 053715 / 11-...-18 For Year 2019 / RSM
Roll No. 41969
MCLE Comp. No. VI-0021812 / March 29, 2019
Appointment No. 32 (2019-2020)

P&A Grant Thornton
An instinct for growth™

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
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Report of Independent Auditors

The Board of Directors and Stockholders
8990 Holdings, Inc. and Subsidiaries
11th Floor Liberty Center
104 H.V. Dela Costa, Salcedo Village
Makati City

Opinion

We have audited the consolidated financial statements of 8990 Holdings, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements in the Philippines that are relevant to our audits of the consolidated financial statements, 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.

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which indicates management's assessment of the impact of COVID-19 and related consequent events on the Group's financial statements. Management has determined that these are non-adjusting events and as such, had no impact on the Group's consolidated financial statements as at and for the year ended December 31, 2019. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue Recognition for Real Estate Sales

Description of the Matter

We considered the Group's recognition of revenue from real estate sales a key audit matter because of the significant volume of transactions and amount of revenue from real estate sales involved. The Group's revenue from real estate sales amounted to P14.9 billion, which accounts for 97% of total revenues for the year ended December 31, 2019. The Group recognizes revenue from real estate sales at a point in time, i.e., as the control of the completed real estate inventories are transferred to the customers, and over time using the percentage of completion method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation. Thus, the complexity of the application of the revenue recognition standard in real estate sales contracts; and the application of significant management judgments in determining when to recognize revenue, particularly on the assessment of the probability of collecting the contract price, and in estimating the stage of project completion were also taken into consideration. An error in the application of the requirements of said standard, and of management judgments and estimates could cause material misstatement in the Group's consolidated financial statements.

The Group's accounting policy on recognition of revenue from real estate sales, and basis of significant judgments and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, details of contract revenues, specifically the disaggregation of revenues, are disclosed in Note 19.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- obtained an understanding of the Group's revenue recognition policy and the related processes and evaluated whether it is established and implemented consistent with the underlying principles of the applicable revenue recognition standard and is appropriate in the context of the Group's real estate transactions;

- evaluated the design effectiveness of implemented controls relevant to the recognition and measurement of revenues from real estate sales, and tested the operating effectiveness of certain relevant controls, particularly those addressing the existence and occurrence of recognized sales;

- inspected pertinent documents giving rise to contract with identified customers, on a sample basis, which include contracts-to-sell, disclosure statements detailing the terms of the sales contracts, and official receipts to determine whether the related real estate sales transactions occurred and were appropriately recognized based on the Group's revenue recognition policy;

- performed ocular inspection and obtained the related certifications from project engineers to assess the physical completion of the selected real estate projects to confirm that real estate sales recognized during the reporting period pertains to completed real estate inventories for those recognized in full at a point in time and the percentage of completion of certain projects commensurate with the amount of revenue recognized for those recognized over time;

- tested the progress reported for the year in reference to the actual cost incurred relative to the total budgeted project development costs for real estate sales recognized over time;

- evaluated the assumptions of management in determining the amount of collection at which point the collectability of the receivables from estate sales is reasonably assured;

- recalculated the percentage of collection over total contract price of selected sales contract, based on total accumulated principal payments as of the reporting date over the contract price to determine if the Group has appropriately established that the customers have continuing commitment to satisfy their obligations over the sales contract; and,

- performed substantive analytical procedures on revenues such as, but not limited to, yearly and monthly analyses of real estate sales per project, which include corroborating evidence from other audit procedures, and verifying that the underlying data used in the analyses are complete.

(b) Existence and Valuation of Real Estate Inventories

Description of the Matter

As of December 31, 2019, the Group has real estate inventories totalling P36.9 billion, which represents about 54% of the Group's total assets. Because the asset is a material component of the Group's consolidated financial statements and it involves voluminous transactions as well as significant management judgment and estimates in respect of the determination of the net realizable value of the asset, we considered its valuation a key audit matter. The valuation of the asset is also hinged on its existence; accordingly, existence of real estate inventories was also considered a key audit matter.

The Group's accounting policy on real estate inventories and related information are disclosed in Notes 2 and 9 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We performed ocular inspection of selected real estate projects near the reporting date to confirm their existence and examined documents such as land titles, progress reports and accomplishment billings, among others, to corroborate with other audit procedures. Moreover, we checked the mathematical accuracy and reasonableness of the Group's schedule of lower of cost and net realizable value of real estate inventories, and tested on a sampling basis the estimated selling price and costs to complete and sell. We tested the assumptions used by management in estimating the selling price; the estimated cost to complete using recent projects of the Group and historical data on restoration costs, among others; and estimated cost to sell by analyzing selling expenses such as commissions and other related expenses.

As part of our audit strategy, we have obtained an understanding and tested the design and operating effectiveness of the Group's internal controls related to inventory existence valuation.

(c) Business Acquisition

Description of the Matter

In 2019, a major subsidiary of the Group acquired an entity, which is also engaged in real estate business, for a total consideration of P2.3 billion. The Group determined the transaction to be an acquisition of business as defined in PFRS 3, *Business Combinations*, hence, it accounted for the transaction by applying the acquisition method. The acquisition method requires the recognition of identifiable assets, liabilities, indemnification assets, contingent liabilities and deferred consideration in a business combination, if any, at fair value at the date of acquisition, with the excess of the acquisition price over the identified fair values recognized, as goodwill, if positive, otherwise, gain on bargain purchase. As the acquisition price is higher than the fair value of the net identifiable assets, the Group recognized goodwill of P526.5 million.

Considering the complexities involved in the application of the acquisition method of accounting for business combinations, the material impact of the transaction on the Group's consolidated financial statements, and the following other considerations, we have determined the business acquisition as a key audit matter:

- high level of management judgment and estimates used in identifying and determining the fair value of identifiable assets acquired and liabilities assumed, if any, and recognition and measurement of any resulting goodwill or gain on bargain purchase during the purchase price allocation process; and,

- complexities, if any, of the transfer of operational and accounting data, and the rollforward of the amounts of assets and liabilities acquired.

The Group's accounting policy and disclosures related to business combinations are set out in Notes 1, 2, 3 and 13 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our main audit responses included, among others, the following:

- Obtained adequate understanding of the transaction by:
  - ensuring the proper authorization for the transaction by reviewing the minutes of meetings of the Board of Directors;
  - reviewing the Share Purchase Agreement (SPA) and related documents to understand the key terms and conditions; and
  - confirming our understanding with management.
- Evaluated the appropriateness of the acquisition method, which includes identification of assets and liabilities in accordance with the terms of the SPA, used by management, i.e., net assets acquired constitute a business as defined under PFRS 3;
- Engaged our Firm's valuation specialists to evaluate the propriety of the methodology and the reasonableness of the key assumptions used by management and the Group's external independent valuation specialist to value the identified assets for the purchase price allocation and related goodwill recognized;
- Checked the appropriateness of recognition and valuation of the tangible and intangible assets acquired; and,
- Assessed the sufficiency and adequacy of disclosures made in the Group's consolidated financial statements in accordance with PFRS.

(d) Performing Significant Portion of Audit Remotely

Description of the Matter

As disclosed in detail in Note 31 to the consolidated financial statements, the outbreak in the Philippines of COVID-19 was officially recognized in early March 2020. The outbreak and consequent events such as the Enhanced Community Quarantine and social distancing measures implemented by the government to manage the spread of the virus resulted in us having to perform a significant portion of the audit remotely.

The change in working conditions is relevant and significant to our audit since it created an increased risk of misstatement due to less in-person communication with the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit necessitated exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;
- intensified the application of PSA requirements, especially in respect of providing proper supervision and review;

- obtained information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;

- performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective;

- examined critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) in response to the risk in revenues and costs, which is considered to be significant; and,

- adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group'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, 2019, but does not include the consolidated 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, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audits of the consolidated financial statements resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 8116545, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2020 (until Jun. 25, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

July 27, 2020

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	7	**P 853,902,368**	P 2,143,615,711
Trade and other receivables - net	8	**4,406,960,663**	3,158,894,392
Inventories	9	**36,925,318,545**	29,131,375,817
Due from related parties - net	27	**1,230,669,970**	1,007,656,721
Other current assets - net	13	**4,377,768,039**	4,262,146,435
Total Current Assets		**47,794,619,585**	39,703,689,076
NON-CURRENT ASSETS			
Trade receivables	8	**17,790,085,254**	17,268,916,719
Investment securities at fair value through other comprehensive income	10	**1,212,863,555**	1,349,484,111
Property and equipment - net	11	**808,466,409**	826,474,150
Investment properties - net	12	**313,096,011**	183,805,149
Goodwill	1, 13	**526,474,833**	-
Other non-current assets - net	13	**374,463,516**	312,130,500
Total Non-current Assets		**21,025,449,578**	19,940,810,629
TOTAL ASSETS		**P 68,820,069,163**	P 59,644,499,705

	Notes	2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	11, 14	**P 6,438,856,129**	P 5,703,346,881
Bonds payable	17	**8,385,745,688**	-
Loans payable	16	**11,828,160,185**	7,242,845,485
Deposits from customers	15	**905,526,780**	518,309,156
Due to related parties	27	**83,767,452**	56,974,725
Income tax payable		**82,233,768**	65,555,280
Total Current Liabilities		**27,724,290,002**	13,587,031,527
NON-CURRENT LIABILITIES			
Trade and other payables	11, 14	**1,059,949,361**	190,176,308
Loans payable	16	**5,756,697,041**	7,764,234,753
Bonds payable	17	**590,389,052**	8,951,507,702
Deferred tax liabilities - net	26	**869,986,728**	201,168,505
Total Non-current Liabilities		**8,277,022,181**	17,107,087,268
Total Liabilities		**36,001,312,184**	30,694,118,795
EQUITY	18		
Capital stock		**5,567,990,720**	5,567,990,720
Additional paid-in capital		**9,303,641,204**	9,303,641,204
Treasury shares, at cost		**(1,266,523,478)**	-
Revaluation reserve		**794,938,306**	937,243,793
Retained earnings		**18,418,710,227**	13,141,505,193
Total Equity		**32,818,756,979**	28,950,380,910
TOTAL LIABILITIES AND EQUITY		**P 68,820,069,163**	P 59,644,499,705

See Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES	19			
Real estate sales		**P 14,873,220,812**	P 11,677,869,283	P 10,170,816,977
Hotel operations		**386,815,132**	55,496,721	-
Rental income		**16,469,214**	12,508,357	10,874,080
		15,276,505,158	11,745,874,361	10,181,691,057
COSTS OF SALES AND SERVICES	20			
Cost of real estate sales		**(6,853,164,352)**	(5,263,869,231)	(4,523,276,223)
Hotel operations		**(157,331,927)**	(16,335,910)	-
Cost of rental services		**(265,056)**	(1,774,863)	-
		(7,010,761,335)	(5,281,980,004)	(4,523,276,223)
GROSS PROFIT		**8,265,743,823**	6,463,894,357	5,658,414,834
OPERATING EXPENSES	21	**(2,474,326,180)**	(1,985,624,275)	(1,684,280,254)
OTHER OPERATING INCOME	23	**1,689,669,223**	1,403,930,328	1,575,987,676
FINANCE COSTS	22	**(1,621,737,017)**	(1,204,575,440)	(1,134,254,699)
OPERATING PROFIT		**5,859,349,850**	4,677,624,970	4,415,867,557
OTHER GAINS	23	**-**	130,437	21,277,172
PROFIT BEFORE INCOME TAX		**5,859,349,850**	4,677,755,407	4,437,144,729
TAX EXPENSE	26	**(280,829,816)**	(2,857,572)	(298,376,886)
NET PROFIT	29	**P 5,578,520,034**	P 4,674,897,835	P 4,138,767,843
BASIC/DILUTED EARNINGS PER SHARE	29	**P 1.03**	P 0.85	P 0.75

See Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
NET PROFIT		**P 5,578,520,034**	P 4,674,897,835	P 4,138,767,843
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Fair value gain (loss) on investment securities at fair value through other comprehensive income (FVOCI)	10	**(136,620,556)**	105,564,162	-
Transfer of realized fair value gains on disposed investment securities at FVOCI to retained earnings	10	**-**	(24,171,604)	-
Actuarial gain (loss) on post-employment benefit plan - net of tax	24	**(5,684,931)**	2,543,374	2,132,832
		(142,305,487)	83,935,932	2,132,832
TOTAL COMPREHENSIVE INCOME		**P 5,436,214,547**	P 4,758,833,767	P 4,140,900,675

See Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

				Revaluation Reserves				
	Capital Stock (see Note 18)	**Additional Paid-in Capital** (see Note 18)	**Treasury Shares** (see Note 18)	**Actuarial Gain on Post-employment Benefit Plan** (see Note 24)	**Fair Value Gain on Investment Securities through FVOCI** (see Note 10)	**Subtotal**	**Retained Earnings** (see Notes 2 and 18)	**Total Equity**
Balance at January 1, 2019	P 5,567,990,720	P 9,303,641,204	P -	P 64,201	P 937,179,592	P 937,243,793	P 13,141,505,193	P 28,950,380,910
Acquisition of treasury shares during the year	-	-	(1,266,523,478)	-	-	-	-	(1,266,523,478)
Cash dividends	-	-	-	-	-	-	(301,315,000)	(301,315,000)
Comprehensive income for the year								
Net income	-	-	-	-	-	-	5,578,520,034	5,578,520,034
Other comprehensive loss	-	-	-	(5,684,931)	(136,620,556)	(142,305,487)	-	(142,305,487)
Balance at December 31, 2019	**P 5,567,990,720**	**P 9,303,641,204**	**(P 1,266,523,478)**	**(P 5,620,730)**	**P 800,559,036**	**P 794,938,306**	**P 18,418,710,227**	**P 32,818,756,979**
Balance at January 1, 2018								
As previously reported	P 5,567,990,720	P 9,303,641,204	P -	(P 2,479,173)	P -	(P 2,479,173)	P 11,832,097,031	P 26,701,249,782
Effect of adoption of PFRS 9	-	-	-	-	855,787,034	855,787,034	(53,451,381)	802,335,653
As restated	5,567,990,720	9,303,641,204	-	(2,479,173)	855,787,034	853,307,861	11,778,645,650	27,503,585,435
Cash dividends	-	-	-	-	-	-	(3,336,209,896)	(3,336,209,896)
Comprehensive income for the year								
Net income	-	-	-	-	-	-	4,674,897,835	4,674,897,835
Other comprehensive income	-	-	-	2,543,374	105,564,162	108,107,536	-	108,107,536
Transfer of fair value gain on investment securities at FVOCI	-	-	-	-	(24,171,604)	(24,171,604)	24,171,604	-
Balance at December 31, 2018	P 5,567,990,720	P 9,303,641,204	P -	P 64,201	P 937,179,592	P 937,243,793	P 13,141,505,193	P 28,950,380,910
Balance at January 1, 2017	P 5,517,990,720	P 4,400,126,855	P -	(P 4,612,005)	P -	(P 4,612,005)	P 9,348,726,404	P 19,262,231,974
Preferred shares issuance	50,000,000	4,903,514,349	-	-	-	-	-	4,953,514,349
Cash dividends	-	-		-	-	-	(1,655,397,216)	(1,655,397,216)
Comprehensive income for the year			-					
Net income	-	-	-	-	-	-	4,138,767,843	4,138,767,843
Other comprehensive income	-	-	-	2,132,832	-	2,132,832	-	2,132,832
Balance at December 31, 2017	P 5,567,990,720	P 9,303,641,204	P -	(P 2,479,173)	P -	(P 2,479,173)	P 11,832,097,031	P 26,701,249,782

See Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax		**P 5,859,349,850**	P 4,677,755,407	P 4,437,144,729
Adjustments for:				
Interest expense	22	**1,596,179,807**	1,181,272,643	1,169,943,106
Interest income	23	**(1,217,507,161)**	(1,212,646,509)	(1,411,825,919)
Loss (gain) on repossession - net	9, 21, 23	**(125,869,859)**	97,680,357	112,683,872
Allowance for (reversal of) credit and impairment losses	21, 23	**112,394,407**	74,788,837	(11,683,504)
Depreciation and amortization	11, 12, 21	**110,338,448**	73,826,231	55,194,011
Losses from assets written-off	9, 21	**37,137,321**	-	12,079,339
Amortization of bond issue costs	17, 22	**24,627,038**	23,085,294	21,640,077
Post-employment benefits	24	**1,837,185**	2,185,046	3,048,707
Gain on sale of propety and equipment	23	**-**	(130,437)	(350,000)
Gain on sale of available-for-sale securities	10, 23	**-**	-	(20,927,172)
Operating income before changes in working capital		**6,398,487,036**	4,917,816,869	4,366,947,246
Changes in operating assets and liabilities				
Decrease (increase) in:				
Trade and other receivables		**(1,330,792,994)**	2,924,002,315	(807,236,681)
Inventories		**(4,966,678,832)**	(2,813,358,839)	(5,059,837,552)
Other assets		**(659,650,525)**	(2,051,701,326)	(460,858,344)
Increase in:				
Trade and other payables		**441,091,671**	1,371,747,790	1,261,713,659
Deposits from customers		**387,217,624**	76,833,397	12,445,454
Net cash generated from (used in) operations		**269,673,980**	4,425,340,206	(686,826,218)
Interest received		**1,169,174,348**	1,196,297,372	1,411,825,919
Income taxes paid		**(259,577,808)**	(329,683,420)	(454,188,708)
Net Cash from Operating Activities		**1,179,270,520**	5,291,954,158	270,810,993
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of business	1	**(1,360,765,328)**	(566,661,963)	-
Cash advances to related parties	27	**(404,913,621)**	(931,719,419)	(389,662,222)
Collections of advances to related parties	27	**109,303,950**	103,418,758	29,081,374
Acquisitions of:				
Investment properties	12	**(135,337,479)**	(827,458)	(4,076,268)
Property and equipment	11	**(78,241,258)**	(41,820,902)	(71,232,876)
Loans granted to a third party	8	**(82,947,517)**	(314,005,923)	-
Interest received from loans to a third party	23	**48,332,813**	16,195,773	-
Proceeds from:				
Sale of available-for-sale securities		**-**	32,031,175	28,924,221
Disposal of property and equipment		**-**	466,410	350,000
Net Cash Used in Investing Activities		**(1,904,568,440)**	(1,702,923,549)	(406,615,771)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of loans payables	30	**13,539,033,930**	8,693,144,320	8,296,386,371
Repayment of loans payable	30	**(10,961,256,942)**	(7,316,504,976)	(9,717,033,310)
Interest paid on loans and bonds		**(1,631,734,875)**	(1,080,483,953)	(1,145,934,297)
Acquisition of treasury shares	18	**(1,266,523,478)**	-	-
Payment of cash dividends	18	**(301,315,000)**	(3,336,209,896)	(1,655,397,216)
Cash advances from related paries	30	**26,792,727**	317,606,794	91,327,322
Repayments of advances from related parties	30	**-**	(100,387,482)	(13,447,351)
Net Cash from (Used in) Financing Activities		**(595,003,638)**	(2,822,835,193)	809,415,868
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,320,301,558)**	766,195,416	673,611,090
Cash and Cash Equivalents of Newly Acquired Subsidiary		**30,588,215**	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,143,615,711**	1,377,420,295	703,809,205
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 853,902,368**	P 2,143,615,711	P 1,377,420,295

Supplemental Information on Non-cash Activities is disclosed in Note 30 to the Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Operations and Composition of the Group

8990 Holdings, Inc. (8990 Holdings or the Parent Company) was incorporated in the Philippines, registered with the Securities and Exchange Commission (SEC) on July 8, 2005 and was listed in the Philippine Stock Exchange (PSE) on October 20, 2010.

The Parent Company is a holding company. It is presently engaged in various activities of an investment holding company without engaging in dealership in securities, or in brokerage business.

8990 Holdings is 39.21% owned by iHoldings, Inc., which is a holding company that was incorporated and domiciled in the Philippines.

The Parent Company and the following wholly-owned subsidiaries at the end of the reporting periods are referred to herein as the Group:

a) 8990 Housing Development Corporation (8990 HDC)
b) Euson Realty and Dev't. Corp. (ERDC)*
c) Tondo Holdings Corporation (THC)*
d) RLC Coastal Estates, Inc (RLC)*
e) Primex Land, Inc. (PLI)*
f) Fog Horn, Inc. (FHI)
g) 8990 Luzon Housing Development Corporation (8990 LHDC)
h) 8990 Davao Housing Development Corporation (8990 DHDC)
i) Leisure and Resorts Corporation (8990 LRC)
j) 8990 Mindanao Housing Development Corporation (8990 MHDC)
k) Genvi Development Corporation [Genvi (see Note 1.2)]*

**Wholly owned subsidiary of 8990 HDC*

The above subsidiaries are all incorporated and operating in the Philippines, and except for 8990 LRC, are engaged in real estate development. 8990 LRC is engaged in hotel and resorts business.

The registered office address of the Parent Company is 11th Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City. iHoldings, Inc.'s registered office address is Unit 1503, 15th Floor China Bank Corporate Center, Lot 2, Samar Loop corner Road 5, Cebu Business Park, Cebu City.

1.2 Acquisition of Genvi

On October 30, 2018, the Group, through HDC, entered into a Share Purchase Agreement with the previous stockholders of Genvi to acquire all its issued and outstanding shares for a total consideration of P2.3 billion. Pursuant to the agreement and actions taken by the parties such as takeover of the management, the Group assumed full control of Genvi, as a wholly owned subsidiary, on January 1, 2019, which is also the acquisition date. As the acquisition date coincides with the beginning of the Group's reporting period, the revenues and net profit earned by Genvi were recognized in full as part of the 2019 consolidated statement of profit or loss. In 2018, HDC has made an advance payment of P566.7 million for the acquisition and presented as part of Inventories account in the 2018 consolidated statement of financial position.

The acquisition of Genvi is to strengthen the position of the Group in the real estate industry, particularly, in the southern region of the country. The acquisition includes real estate inventories, which are developed subdivision lots, amounting to P3.3 billion.

The fair values of the acquired identifiable assets and liabilities assumed as at the date of acquisition are presented below.

Consideration	
Cash	P 2,337,427,291
Recognized amounts of identifiable assets acquired:	
Real estate inventories	3,268,056,000
Other tangible assets	274,794,270
Liabilities	(1,731,897,812)
Net identifiable assets	1,810,952,458
Goodwill	**P 526,474,833**

The excess of acquisition costs over the fair value of net identifiable assets of Genvi amounting to P526.5 million is presented as Goodwill in the 2019 consolidated statement of financial position.

The gross contractual amount of the trade and other receivables acquired as part of the business combination amounted to P427.3 million. As of the acquisition date, the best estimate of the contractual cash flow not expected to be collected amounted to P385.7 million.

There were no specific acquisition related to costs incurred or contingent consideration arrangements and indemnification assets arising from the business combination.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on July 27, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group 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 consolidated 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 Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents the consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

The Group presents a third statement of consolidated 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 consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, interpretation, amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning or after January 1, 2019.

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combination and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

Discussed below are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no changes in the plan, curtailment or material settlement during the year.

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group's consolidated financial statements as there is no financial asset identified with negative compensation.

(iii) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretations: IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard did not results to any adjustments in the amounts recognized in the consolidated financial statements as at January 1, 2019. Accordingly, comparative information were not restated. Furthermore, because the Group has only a few lease contracts with relatively short periods of about two to three years only, the impact of the adoption of the standard is not considered as material to the consolidated financial statements. The right of use of assets and lease liabilities recognized as at January 1, 2019 amount to P12.9 million and P13.1 million, respectively.

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments*. This 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 Group 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 Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation had no significant impact in the Group's consolidated financial statements since there were no transactions that occurred related to these interpretations during the year.

(v) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group, but had no significant impact since the Group does not have any transactions covered by these amendments:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) Effective in 2019 that are not Relevant to the Group

Among the amendments, which are mandatorily effective for annual periods beginning on or after January 1, 2019, the amendments to PAS 28, *Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures* are not relevant to the Group's consolidated financial statements.

(c) Effective Subsequent to 2019 but not Adopted Early

There are new amendments that are effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances).

The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendments have also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(iv) *SEC Memorandum Circulars in Relation to Adoption of PFRS 15 in 2018*

Relative to the adoption of PFRS 15, *Revenue from Contracts with Customers*, together with the *Clarification to PFRS 15* in 2018, the SEC issued the following Memorandum Circulars (MC), which provided relief by deferral of the application on the following items until calendar year ending December 31, 2020.

- SEC MC No. 14, Series of 2018 –
    - Concept of the significant financing component in the contract to sell, which is the adjustment for the time value of money due to higher payment [buyer pays ahead of the percentage of completion (POC)] and lower payment (POC is ahead of the buyer's payment)

- SEC MC No. 3, Series of 2019:
  - Accounting for common usage service area charges; and,
  - Accounting for cancellation of real estate sales

- SEC MC No. 4, Series of 2020:
  - IFRIC agenda decision on over time transfer of constructed goods for real estate industry which clarify that borrowing costs on inventory for unsold units under construction are not capitalized

The Group opted to avail the relief provided by the SEC to defer the implementation of the IFRIC Agenda Decision until December 31, 2020. Upon the expiration of the said relief, the following are the expected impact on the consolidated financial statements:

- Had the concept of significant financing component been adopted in 2018, the Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser, thus it would have either decreased or increased revenues, as the case may be. Both interest income and expense are calculated using the effective interest rate method.

- Had the Group adopted SEC MC No. 4, Series of 2020, there would have been a decrease in the retained earnings balance as at January 1, 2019. Under the MC, borrowing costs cannot be capitalized on unsold real estate inventories.

The Group's accounting policies with respect to capitalization of borrowing costs on real estate inventories under construction are disclosed in Notes 2.6 and 2.18.

Management is currently monitoring and assessing the impact of the foregoing MCs when adopted in 2021.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles. Adjustments are made to align any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries and interests in jointly-controlled operations as discussed in the succeeding page.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when: it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

The Group holds interests in various subsidiaries as presented in Note 1.

(b) Interests in Jointly-controlled Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The Group recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and, its expenses, including its share of any expenses incurred jointly. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group. No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

2.4 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

Negative goodwill or gain on bargain purchase which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions and Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. A business usually consists of the three elements as follows:

(a) inputs, which is an economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it;

(b) processes, which may pertain to any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs; and,

(c) outputs which are the result of inputs and processes applied to those inputs.

While a business usually has outputs, outputs are not required for an integrated set of assets to qualify as a business.

Under the asset purchased accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. 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.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The classification and measurement of financial assets are described below.

(i) 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 Group'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 SPPI 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 Group's financial assets measured at amortized cost include those presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding receivables from officers and employees), Due from Related Parties, and as part of Other Non-current Assets with respect to Deposits.

Financial assets measured at amortized cost 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.

For purposes of cash flows reporting and presentation, cash equivalents comprise accounts with original maturities of three months or less. These generally include short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash include cash on hand and demand deposits.

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). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves. The interest earned on installment contract receivables and finance lease receivables, and cash and cash equivalents are recognized and presented in the consolidated statement of profit or loss as part of Other Operating Income.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

Financial asset is classified and measured at FVOCI if the asset meets the following conditions:

- it is held under a business model whose objective is achieved by both collecting the contractual cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has designated its equity investment as at FVOCI on initial application of PFRS 9 (see Note 10).

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings, except for debt securities classified as FVOCI, if any, wherein cumulative fair value gains or losses are reclassified to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Dividend Income, when the Group's right to receive dividends is established; it is probable that the economic benefits associated with the dividend will flow to the Group; and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group 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 Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes an allowance for ECL on its financial assets measured at amortized cost and investment securities measured at FVOCI. The measurement of the ECL involves consideration of broader range of information in assessing credit risk, including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

The Group assesses impairment of trade receivables on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for trade receivables by applying a method that evaluates the credit quality of a portfolio of trade receivables and the cumulative loss rates by analyzing historical net charge-offs arising from cancellations and back-out sale for homogenous accounts that share the same origination period.

For investment securities measured at amortized cost and at FVOCI, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For other credit exposures such as receivables and advances to related parties and other companies, ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL). For deposits in banks, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – it is an estimate of likelihood of a counterparty defaulting of its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.

- *Loss Given Default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Group expects to receive. For trade receivables, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, *Realty Installment Buyer Protection Act* or Maceda law.

- *Exposure at Default* – it represents the gross carrying amount of the financial assets in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account , except for investment securities measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventories.

Inventories include subdivision lots, houses and lots, land developments, medium-rise and high-rise condominium units, and parking spaces. Land acquired by the Group and are held for future development and sale in the ordinary course of business is also accounted for as inventories. Inventories are measured at the lower of cost and net realizable value (NRV).

Cost of inventories includes:

- land cost;
- amounts paid to contractors for the construction; planning and design costs; costs of site preparation; professional fees directly attributable to construction/development of the property, property transfer taxes; construction overheads and other related costs; and,
- any borrowing costs to the projects which were capitalized during construction [Notes 2.2(c)(iv) and 2.18].

Repossessed property arising from sales cancellation is recognized at NRV.

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

The cost of inventories recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

2.7 Property and Equipment

Property and equipment, except for land and construction-in-progress, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land and construction-in-progress are carried at cost less any impairment value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Construction-in-progress includes cost of construction, other direct costs, furniture and fixtures and leasehold improvements under construction but not yet used in operations and is not depreciated until such time that the relevant asset is completed and ready for intended use.

Expenditures incurred after the property and equipment have been put into operational use, such as repairs and maintenance, are normally charged to operations in the year in which the costs are incurred. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation and amortization.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in profit or loss as incurred.

Depreciation and amortization of property and equipment commences once the item of property and equipment is put into operational use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Land improvements	3-5 years
Leasehold improvements	3-5 years or the term of the lease whichever shorter
Furniture and fixtures	3-5 years
Machineries and equipment	3-5 years
Transportation vehicles	1-5 years

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 2.16).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated property and equipment and fully amortized leasehold improvements are retained in the accounts until they are no longer in use.

An item of property and equipment, including the related accumulated depreciation, amortization and 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 profit or loss in the year the item is derecognized.

2.8 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties, which include land, building and improvements are initially recognized at cost. The initial cost of investment property consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent to initial recognition, investment properties, except for land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land is carried at cost less any impairment in value (see Note 2.16).

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which the costs are incurred.

Depreciation and amortization of investment properties commences from the time of acquisition and is computed on a straight-line basis over the estimated useful lives of the investments properties as follows:

Building	20 years
Improvements	20 years

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 2.16).

Investment properties, including the related accumulated depreciation and amortization, are derecognized upon disposal or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are recognized in profit or loss in the year of retirement or disposal.

2.9 Intangible Assets

Intangible assets of the Group pertain to software cost presented under Other Non-current Assets and goodwill which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs, except those related to goodwill, are amortized on a straight-line basis over the estimated useful lives of five years, as the lives of these intangible assets are considered finite. Goodwill is not amortized because it is considered to have indefinite useful life. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.10 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group 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 Group 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.

The Group's other assets include investment in joint operation (see Note 2.3).

2.11 Financial Liabilities at Amortized Cost

Financial liabilities, which include trade and other payables (excluding tax-related liabilities, deferred rent and retirement benefit obligation), loans payable, bonds payable and amounts due to related parties, are recognized when the Group becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of profit or loss.

Loans payable and bonds payable are raised for support of long-term funding of operations. Finance charges, including direct issue costs, are charged to profit or loss on an accrual basis [except for capitalizable borrowing costs which are added to the cost of qualifying assets (see Note 2.18)] using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company.

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and a recognition of new liability, and the difference between the carrying amount of the financial liability derecognized and the consideration paid or payable or the carrying amount of the new liability is recognized in profit or loss.

2.12 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 consolidated statement of financial position when the Group 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 consolidated financial instruments.

2.13 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 the 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 consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group 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.

2.14 Revenue and Expense Recognition

(a) Revenue, Other Operating Income and Gains

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The transfer of control can occur over time or at a point in time. Generally, revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding Value Added Tax (VAT), and rebates and discounts, if any.

The Group has concluded that it is the principal in its revenue arrangements with customers based on existing contracts at the end of the reporting period.

Based on identified contract with customers, the Group determines the revenue to be recognized following a five-step process as follows:

(i) identifying the contract with a customer;
(ii) identifying the performance obligation;
(iii) determining the transaction price;
(iv) allocating the transaction price to the performance obligations; and,
(v) recognizing revenue when/as performance obligations are satisfied.

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

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

Judgment applied by management in determining whether a contract with customer exists and the other significant judgment, estimates and assumptions related to accounting for revenue from contracts entered into with customers related to sale of real estate properties and hotel operations are disclosed in Note 3.1(a) and 3.1(b).

The Group derives revenue primarily from sale of houses and lots, subdivision lots, medium-rise and high-rise condominium units and parking spaces. The Group also enters into transactions involving hotel accommodations, food and beverage operations, and other incidental activities.

In addition to the above considerations, the Group's revenue and other operating income and gains are recognized and measured based on the following specific criteria:

(i) *Real estate sales*

(a) *On pre-completed real estate projects*

Revenue from pre-completed real estate projects are recognized over time proportionate to progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues section in the consolidated statement of profit or loss.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract assets under the Trade and Other Receivables account of the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.5(b)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract liabilities under the Trade and Other Payables account of the consolidated statement of financial position. A contract liability is the Groups obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sale, consideration received from buyers are presented under the Deposits from Customers account in the liabilities section of the consolidated statement of financial position.

(b) On completed real estate projects

Revenue from completed real estate sales are recognized as the control transfer to the customer at the point in time and upon reaching the collection threshold set by management, i.e., income from sale is considered fully earned at the time the collection from customer has reached the desired percentage requirement of the total contract price.

Collections from buyers which are not yet qualified for revenue recognition are treated as deposits and presented as Deposits from Customers in the consolidated statement of financial position.

(ii) Hotel operations

Revenues from hotel operations which include occupancy and sale of ancillary services are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services and goods have been rendered or served). Revenue from banquets and other special events are recognized when the events take place, hence, over time.

(iii) Gain or loss on repossession and cancellation

Gain or loss on repossession is recognized at a point in time (i.e., at the date of repossession) and measured based on the difference between the fair value less cost to restore and sell repossessed inventories and the carrying value of the installment contract receivables out of amount refundable to the buyer as required by RA 6552, or Maceda Law, at the time of repossession. This is presented in the consolidated statement of profit and loss as Other Operating Income.

(iv) Other operating income and gains

Other income arising from other customer-related fees such as collection services fees, penalties, retrieval fees, transfer and other fees are recognized over time in the same amount to which the entity has the right of invoice to the customer (i.e., when the Group has rendered the related services which coincides to the time when the customer obtains the benefits thereon). Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(b) Costs and Expenses

Costs of real estate sales, including costs of land, land development costs, building costs, professional fees, permits and licences and capitalized borrowing costs (see Notes 2.6 and 2.18) are recognized as these as incurred. These costs are allocated to the saleable area based on relative size, with the portion allocable to the sold area being recognized as costs of sales in profit or loss upon disposal, while the portion allocable to the unsold area being recognized as part of real estate inventories.

Costs of hotel operations and operating expenses are recognized upon utilization of the goods or services or at the date the costs are incurred (i.e., when a decrease in future economic benefits related to a decreased in an asset or an increase of a liability has arisen that can be measured reliably). These are measured at the amount paid or payable.

Incremental costs of obtaining a contract to sell real property to customers (i.e., commissions and documentation) are recognized as part of Operating Expenses on the same basis as revenue from such contract is recognized.

2.15 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (beginning January 1, 2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations below.

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, right-of-use assets are presented as part of other non-current assets. Meanwhile, lease liabilities are presented as part of trade and other payables.

(ii) Accounting for Leases in Accordance with PAS 17 (until December 31, 2018)

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

2.16 Impairment of Non-Financial Assets

The Group's property and equipment, investment properties, goodwill and other non-financial assets are subject to impairment testing. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of its fair value 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for goodwill, an impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.17 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits which are recognized as discussed below and in the succeeding pages.

(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 Group, 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 Group's post-employment defined benefit pension plans covers all regular full-time employees. The pension plans are tax-qualified, noncontributory and administered by trustees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period. 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 for expected benefit payments using a discount rate derived from the interest rate of zero coupon government 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 post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in profit or loss in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs in the consolidated statement of profit or loss.

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

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (e.g. Social Security System). The Group 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 or 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) Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables in the consolidated statement of financial position.

(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 the Trade and Other Payables in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress. Capitalization ceases when substantially all such activities are complete.

2.19 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred tax not recognized in consolidated 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 consolidated 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 carry forward 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 income 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 to 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 Group 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 consolidated profit or loss, except to the extent that it relates to items recognized in consolidated other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group 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.

2.20 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their 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 in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded post-employment plan.

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

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Transaction for Publicly- Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material for purposes of reporting to the SEC as required under the said memorandum circular.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the materiality threshold of 10% of the Group's total assets based on the latest audited financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.21 Equity

Capital stock represents the nominal value of the Parent Company's shares that have been issued.

Additional paid-in capital includes any premium received on the 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 effects.

Treasury shares are shares of stock of the Parent Company that were reacquired but not cancelled. These are carried at acquisition cost and are presented as a deduction from equity until the shares are cancelled, reissued or disposed. The portion of treasury shares in the retained earnings is not allowed for dividends declaration.

Revaluation reserves comprise the fair value gains and losses of investment securities at FVOCI and gains and losses from the remeasurements of retirement benefit obligation.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of comprehensive income and profit or loss, reduced by the amounts of dividends declared, which should not exceed up to the extent of the cost of treasury shares.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 6, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.23 Earnings Per Share (EPS)

Basic and diluted EPS is computed by dividing net profit of the Group by the weighted average number of common shares issued and outstanding during the reporting period, adjusted for any subsequent stock dividends declared. Diluted EPS amounts are calculated by dividing the net profit attributable to the Group (after deducting interest on the convertible preferred shares, if any) by the weighted average number of common shares outstanding during the reporting period plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

2.24 Events After the End of Reporting Period

Post year-end events up to the date of when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when assessed to be material**.**

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation as discussed in Note 3.2, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Determining Existence of a Contract with Customer

In a sale of real estate properties, the Group's primary document for a contract with a customer is a signed contract to sell which is executed when the real estate property sold is completed and ready for use by customer. In rare cases wherein contract to sell are not executed by both parties, management has determined that the combination of other signed documentations with the customers such as reservation agreement, official receipts, computation sheets and invoices, would contain all the elements to qualify as contract with the customer (i.e., approval of the contract by the parties, which has commercial substance, identification of each party's rights regarding the goods or services and the related payment terms). Moreover, as part of the evaluation, the Group assesses the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, the Group considers the significance of the customer's downpayment in relation to the total contract price [see Note 3.1(c)]. Collectability is also assessed by considering factors such as past history with the customer and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

(b) Evaluation of the Timing of Satisfaction of Performance Obligations and Revenue Recognition

(i) Real Estate Sales

The Group sells real estate properties such as house and lots, medium or certain high-rise condominium units, and parking spaces and recognized revenue thereon at a point in time (i.e., upon sale of the inventories that are completed and ready for use and upon reaching collection threshold) or over time. In making this judgment, the Group considers the following criteria:

- any asset created or enhanced as the Group performs;
- the ability of the customers to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and;
- the Group's enforceable right for payment for performance completed to date.

In determining the timing of satisfaction of the Group's performance obligation and the revenue recognition, the Group makes judgments that are integral to its accounting policy. Consistent with the Group's business model (i.e., low-cost housing) and marketing strategy, it sells real estate inventories to marginal earner customer in different regions at prices that are generally lower than the prices offered by other developers in the industry. The Group also develops and constructs these real estate properties applying different construction technology that enables it to build houses and condominium quickly and cost-effectively, ranging from three to six months for house and lot and medium-rise condominium, and an average of 18 months for high-rise/vertical condominiums. Construction and development period includes the duration required for land development stage, which also range from three to six months depending on the size of the project.

Based on the Group's marketing evaluation, its customers are generally buyers who are not willing to wait for longer property development and construction period before they are able to transfer and occupy the property for residential purposes and who are indifferent whether or not the related common areas and amenities are complete. Generally, these common areas and amenities are relatively not significant to the project development and are substantially completed prior to selling activities.

With the combination of these factors, the Group generally offers its real estate inventories to customer when the house and lot and condominium units are completed and ready for use by the customer and the related common areas, site development, and amenities are substantially completed. The Group assessed that at the time they made the offer to sell the inventories, there is no significant additional performance obligation that needs to be fulfilled under its contract with customer and there are no significant costs that the Group will incur relative to the total development costs of a particular project. On this basis, the customer is contractually obliged to make payments to the Group of the consideration involved in the contract for the fully completed performance obligation.

However, in the new selling scheme introduced by the management in 2019 for a certain project, recognition of revenue from those real estate inventories under the pre-selling scheme shall be based on the satisfaction of performance of obligation over time. The newly acquired subsidiary of the Group sells pre-completed real estates, thus also recognizes revenue over time. The Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

The Group also requires a certain percentage of buyer's payments of total contract price to be collected as one of the criteria in order to initiate revenue recognition [see Notes 2.14(a)(i) and 3.1(c)].

(ii) Hotel Operations

The Group determined that its revenue from hotel operations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(c) Determination of Collection Threshold for Revenue Recognition

The Group uses judgment in evaluating the probability of collection of transaction price on real estate sales as a criterion for revenue recognition. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the collection history from customers, buyer's profile and number of back-out sales in prior years. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer when reaching the set collection threshold would demonstrate the buyer's commitment to pay the total contract price.

(d) Determination of ECL on Trade and Other Receivables and Advances to Related Parties

The Group uses the cumulative loss rate approach to calculate ECL for trade receivables. This approach considers and includes reasonable approximation of probable and estimable future losses determined by applying historical gross charge-off information (arising from cancellations and back-out sales) to forward-looking qualitative information (i.e., forecast of economic condition). While there may be an assessed default occurring in these receivables over the term of the instrument, the amount of required allowance for ECL is minimized since the legal title related to the unit sold will only be transferred once the contract receivable has been paid in full, and the Group has the right to recover the real estate properties covered by the contract with customer through repossession, and to resell the asset at an amount sufficient to cover the unpaid outstanding obligations.

On the other hand, additional ECL may be calculated for certain pool of trade receivables specifically determined to have expected cash shortfall based on outstanding exposures. These generally arise from receivables which were charged-off at an earlier term of the instrument since origination period.

In relation to advances to related parties, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances affecting the quality of certain advances to related parties at the reporting date, management recognized credit losses in 2019 and 2018 (see Notes 4.1 and 27).

(e) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying value of the Group's financial assets at FVOCI and the fair value gains and losses recognized on these securities are disclosed in Note 10.

(g) Distinguishing Between Business Combination and Asset Acquisition

The Parent Company determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. The Parent Company evaluates whether an acquired entity is capable of being conducted and managed as a business by assessing the integrated set of activities and assets based on at least two essential elements – inputs and processes applied to those inputs, which together are or will be used to create outputs. Otherwise, the transaction is accounted for as an asset acquisition. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

Management assessed that the acquisition of the Genvi's outstanding shares in 2019 is accounted for as a business acquisition in accordance with PFRS 3.

(h) Distinction Among Real Estate Inventories, Investment Properties and Owner-occupied Properties

In determining the classification of assets as to real estate inventories, investment properties or owner-occupied properties, the Group considers management's intention in acquiring or developing the asset and the asset's current use.

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. With respect to other rest estate properties, the Group classifies an asset as investment property when the property is not occupied substantially for use by, or in operations of the Group, but are held primarily to earn rental income and capital appreciation. On the other hand, owner-occupied properties are those that generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

(i) Distinguishing Preferred Shares Held in Club Shares as Financial Instrument, Inventories or Intangible Asset

In determining whether preferred shares held in investee entities operating as a club and resorts shall be accounted for as either financial instruments or inventories, the Group considers its role in the development of the club or resorts and its intent for holding the securities acquired. The Group classifies such shares as inventories when it acts as the developer of the property and intends to sell a developed property together with the shares. If these criteria were not met, the securities are classified as financial asset, or an intangible asset when the shares only provides membership rights on the developed properties rather than proprietary interest.

(j) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into a lease agreement for certain office and parking spaces. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(f) Evaluation of Business Model of the Financial Assets

The significant sale of the Group's CTS receivables were deemed by management as a temporary means of meeting its major maturing obligations (see Notes 16 and 17) and as such its model remains to be held to collect both principal and interest as at December 31, 2019.

(k) 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 2.13 and disclosures on relevant provisions and contingencies are presented in Note 28.

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) *Estimation of Allowance for ECL*

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). Management also applies judgement in the estimation of the contractual cash flows due from counterparties that the Group would expect to receive from the realization of any credit enhancements, including the discounting factor for recoveries beyond one year. Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.1.

(b) *Estimating NRV of Inventories*

The Group adjusts the cost of its inventories to NRV based on its assessment of the recoverability of the inventories.

NRV for inventories, including land held for future development, is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions.

NRV in respect of inventories and improvements under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The Group did not recognize any write-down on its inventories in 2019, 2018, and 2017. The carrying values of the Group's inventories are disclosed in Note 9.

(c) *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 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those 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.

The carrying values of the non-financial assets, particularly property and equipment, investment properties and goodwill, and any related allowance for any impairment losses are disclosed in Notes 11, 12 and 13, respectively.

(d) Determination of Estimated Useful Life of Property and Equipment and Investment Properties

The Group determines the estimated useful life of its property and equipment, and investment properties based on the period over which the assets are expected to be available for use. The Group reviews periodically the estimated useful life based on factors that include asset utilization, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment, and investment would increase depreciation and amortization expense and decrease non-current assets in the succeeding reporting periods.

The estimated useful life of the Group's property and equipment, and investment properties are disclosed in Notes 2.7 and 2.8, respectively. This carrying values of are disclosed in Notes 11 and 12, respectively.

(e) Estimation of Post-employment Benefit Obligation

The cost of defined benefit pension plans as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

Future salary increases and pension increases are based on expected future inflation rates for the country. All assumptions are reviewed at each reporting date.

The carrying value of the post-employment benefit obligation, as well as the other details of the defined benefit pension plans, and the assumptions used in the valuation as at December 31, 2019 and 2018, are disclosed in Note 24.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets. Refer to Note 26 for the information on the Group's recognized and unrecognized deferred tax assets.

(g) Fair Value Measurement for Investment Properties

The Group's investment properties composed of land, building and improvements are measured using the cost model. In determining the fair value of these assets for disclosure purposes, the Group engages the services of professional and an independent appraiser applying the relevant valuation methodologies as discussed in Note 5.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the consolidated financial statements if their fair value will indicate evidence of impairment.

4. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group has various financial assets and financial liabilities such as cash in banks, trade and other receivables, investment securities at FVOCI, trade and other payables, loans payable, bonds payable and due to and from related parties which arise directly from its operations. Thus, exposure to credit, market and liquidity risks arise in the normal course of the Group's business activities.

The main objectives of the Group's financial risk management are as follows:

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

The Parent Company's BOD reviews and approves the policies for managing each of these risks and they are summarized in the succeeding pages.

4.1 Credit Risk

Credit risk is the risk of financial loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligation. To manage credit risk, the Group maintains credit policies and monitors its exposure to credit risk on a continuous basis.

Trade receivables balances are being monitored on a regular basis to ensure timely execution of necessary collection intervention efforts. In addition, the credit risk for trade receivables is mitigated as the Group has only transferred the corresponding title of the subdivision lots, house and lot units, condominium units and parking spaces upon full payment of the contract price.

(a) *Maximum exposure to credit risk*

The Group's maximum exposure to credit risk is equal to the carrying value of its financial assets as discussed below.

(i) *Cash and Cash Equivalents*

The credit risk for cash equivalents is considered negligible. As part of Group policy, bank deposits are only maintained with reputable financial institutions with low credit risk based on externally available risk rating or from the Group's internal credit grading that takes into consideration its banking relationship and activities with its depository banks. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*.

(ii) *Trade Receivables*

Trade receivables from the sale of real estate inventories, including finance lease receivables, as of December 31, 2019 and 2018 are fully secured by collateral (the subdivision lots, house and lots, medium-rise and high-rise condominium units, and parking spaces).

The Group uses cumulative credit loss rate approach to calculate ECL for trade receivables. This approach is based on historical analysis of the Group's trade receivables portfolio, which calculates the receivables' loss experience over a reasonable observation period and apply such information to project what the portfolio will look like going forward. The model is done by dividing each period's net charge-offs arising from contract cancellations and back-out sales by the original principal balance at the origination period of the receivables. The loss experience of these original balances is tracked annually and summed over the life of the contract, leaving a cumulative loss rate based on historic averages.

The management determined that there is no required additional ECL to be recognized on the Group's trade and lease receivables as it is secured to the extent of the fair value of the real properties sold since the title to the real estate properties remains with the Group until the receivables are fully collected. Therefore, there is no expected loss given default as the recoverable amount from subsequent resale of the real estate is sufficient.

However, certain trade receivables are specifically identified by the management as credit-impaired. As such, adequate allowance for ECL are recognized on these receivables. In 2019, management assessed that a portion of the Group's trade receivables was deemed collectible. Accordingly, reversals of allowance for probable loss amounting to P87.8 million was recorded in 2019 (see Note 8).

The estimated fair value of collateral and other security enhancements held against trade receivables are presented below.

	2019	2018
Real estate sales receivables	**P25,590,872,801**	P19,804,812,925
Contract assets	**93,717,740**	-
Finance lease receivables	**543,255,385**	469,094,400
	P26,227,845,926	P20,273,907,325

(iii) Advances to Related Parties

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Management assessed that portion of the outstanding receivables from certain related parties as of December 31, 2019 and 2018 which are not fully recoverable since these related parties do not have enough capacity to pay the advances upon demand. Accordingly, credit losses amounting to P8.2 million and P21.9 million were recognized in 2019 and 2018, respectively. Impairment losses in 2019 and 2018 are presented as part of Expected credit and impairment losses under Operating Expenses in the 2019 and 2018 consolidated statements of profit or loss, respectively (see Note 21).

The Group does not consider any significant risks in the remaining advances to related parties since the Group, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of the its long-term corporate strategy.

(iv) Other Receivables and Lease Deposits

The Group applied simplified approach in determining the ECL of certain other receivables. This approach uses a provision matrix to collectively assess other receivables based on shared credit risk characteristics of the financial assets, grouped based on days past due with loss rate determined from a range of 10% to 100%. In 2018, management assessed that a portion of the Group's other receivables was deemed collectible, however, certain receivables were identified as impaired in 2019. Accordingly, additional impairment and reversals of allowance for probable loss amounting toP104.1 million and P48.4 million was recorded in 2019 and 2018, respectively.

Lease deposits, which pertain to the deposits from rental and electrical facilities, are monitored by the Group and involves creditworthy counterparties and with no historical default experience.

Moreover, other receivables pertains to loans extended to employees and other reputable third parties which are settled through salary deduction and installment basis on a short-to-medium term. Thus, the credit risk is considered negligible under the circumstances.

(b) Credit risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentration of credit risk by location of the Group's installment contract receivables (ICRs) and finance lease receivables, net of allowance for impairment, is shown below.

	2019	2018
Metro Manila	**P 8,612,771,790**	P 5,000,370,415
Iloilo	**2,701,991,404**	2,992,088,151
Davao	**2,483,078,191**	3,879,712,364
Cebu	**1,837,181,201**	2,972,716,905
Cavite	**1,308,549,402**	1,657,355,222
Pampanga	**1,153,641,647**	1,322,512,769
	P 18,097,213,635	P 17,824,755,826

(c) Credit quality

Generally, the Group classifies cash in banks and short-term placements as high grade as these are deposited with reputable banks.

Due from related parties and other financial assets are considered to be unrated. For trade receivables, standard grade pertains to receivables with no default in payments.

The tables below show the credit quality per class of financial assets, gross of allowance, as of December 31, 2019 and 2018:

	December 31, 2019				
	Neither past due nor impaired		**Past due but**	**Credit-**	
	High grade	**Standard grade**	**not impaired**	**impaired**	**Total**
Cash in banks and short-term placements	P 831,366,055	P -	P -	P -	P 831,366,055
Trade and other receivables					
Installment contract receivables	-	18,880,387,060	533,584,783	109,478,263	19,523,450,106
Finance lease receivables	-	553,988,415	-	-	553,988,415
Retention receivables	-	1,136,958,319	-	13,243,509	1,150,201,828
Other receivables	-	149,758,925	-	149,161,687	298,920,612
Due from related parties	-	1,230,669,970	-	72,596,422	1,303,266,392
Deposits*	-	157,649,231	-	2,511,974	160,161,205
	P 832,366,055	**P 22,109,411,920**	**P 533,584,783**	**P 346,991,855**	**P23,822,354,613**

	December 31, 2018				
	Neither past due nor impaired		Past due but	Credit-	
	High grade	Standard grade	not impaired	impaired	Total
Cash in banks and short term placements	P 2,132,579,584	P -	P -	P -	P 2,132,579,584
Trade and other receivables					
Installment contract receivables	-	16,734,460,056	622,224,867	197,243,194	17,553,928,117
Finance lease receivables	-	468,070,903	-	-	468,070,903
Retention receivables	-	1,023,816,176	-	13,243,509	1,037,059,685
Other receivables	-	796,605,102	-	45,001,395	841,606,497
Due from related parties	-	943,294,414	-	64,362,307	1,007,656,721
Deposits*	-	152,402,549	-	2,511,974	154,914,523
	P 2,132,579,584	P 20,118,649,200	P 622,224,867	P 322,362,379	P23,195,816,030

**Included in Other Non-current Assets in the consolidated statements of financial position.*

High grade financial assets pertain to accounts with a very low probability of default as demonstrated by the counterparty's long history of stability, profitability and diversity.

Standard grade financial assets pertain to accounts where counterparties are expected to be able to adjust to their financial conditions. Any prolonged adverse economic conditions would however create profitability and liquidity issues. The counterparty may have a history of default in interest but must have regularized its records to date.

Credit-impaired receivables represent receivables with specific allowance for impairment.

4.2 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term 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. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.As at December 31, 2019 and 2018, the Group's financial liabilities have contractual maturities which are presented below.

	2019					
	On demand	**Up to 1 month**	**More than 1 month to 6 months**	**More than 6 months to 12 months**	**Beyond 1 year**	**Total**
Trade and other payables						
Trade and accounts payables	P 2,552,798,595	P -	P -	P -	P -	P 2,552,798,595
Retention payable	-	-	-	461,554,626	191,006,930	652,561,556
Construction bonds	-	-	-	77,830,455	-	77,830,455
Accrued expenses	-	-	-	2,277,975,894	-	2,277,975,894
Due to related parties		-	-	83,767,452	-	83,767,452
Loans payable	-	832,485,408	6,840,530,858	4,457,104,578	6,350,445,669	18,480,566,513
Bonds payable	-	-	268,425,351	8,685,526,303	706,098,786	9,660,050,440
	P 2,552,798,595	**P 832,485,408**	**P 7,108,956,209**	**P16,043,759,308**	**P7,247,551,385**	**P33,785,550,905**

	2018					
	On demand	Up to 1 month	More than 1 month to 6 months	More than 6 months to 12 months	Beyond 1 year	Total
Trade and other payables						
Trade and accounts payables	P 2,391,507,096	P -	P -	P -	P -	P 2,391,507,096
Retention payable	-	-	-	365,376,921	186,735,939	552,112,860
Construction bonds	-	-	-	64,252,002	-	64,252,002
Accrued expenses	-	-	-	1,912,505,106	-	1,912,505,106
Due to related parties	56,974,725	-	-	-	-	56,974,725
Loans payable	-	583,300,707	2,920,382,127	4,334,190,425	7,870,702,180	15,708,575,439
Bonds payable	-	139,968,152	-	419,904,455	9,671,561,389	10,231,433,996
	P 2,448,481,821	P 723,268,859	P 2,920,382,127	P 7,096,228,909	P17,728,999,508	P30,917,361,224

4.3 Market Risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

As of December 31, 2019 and 2018, the Group has no financial instruments that are exposed to significant interest rate risk and foreign currency risk. However, the Group's investment securities measured at FVOCI as exposed to price risks. The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

4.4 Offsetting of Financial Instruments

The following tables show the details of recognized financial instruments of the Group subject to offsetting, enforceable master netting arrangements or similar agreements, and the effect of other rights of offset but do not meet the offsetting criteria under PAS 32:

	2019					
				Effect of remaining rights of set off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial instruments recognized at end of year by type	**Gross carrying amounts (before offsetting) [a]**	**Gross amounts offset in accordance with the offsetting criteria [b]**	**Net amount presented in statements of financial position [a-b] [c]**	**Financial instruments [d]**	**Fair value of financial collateral (e)**	**[c-d-e] [f]**
Financial assets – Due from related parties	**P 1,230,669,970**	**P -**	**P 1,230,669,970**	**P -**	**P -**	**P 1,230,669,970**
Financial liabilities:						
Loans payable						
Short-term loans	P11,828,160,185	P -	P11,828,160,185	P -	P 114,808,728	P11,713,351,457
Long-term loans	5,756,697,041	-	5,756,697,041	-	568,998,257	5,187,698,784
Due to related parties	83,767,452	-	83,767,452	-	-	83,767,452
	P17,668,624,678	**P -**	**P17,668,624,678**	**P -**	**P 683,806,985**	**P 16,984,817,693**

Financial instruments recognized at end of year by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b] [c]	Effect of remaining rights of set off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments [d]	Fair value of financial collateral (e)	[c-d-e] [f]
	2018					
Financial assets –						
Due from related parties	P 1,299,571,196	P 291,914,475	P 1,007,656,721	P -	P -	P 1,007,656,721
Financial liabilities:						
Loans payable						
Short-term loans	P 7,242,845,485	P -	P 7,242,845,485	P 548,643,475	P -	P 6,694,202,010
Long-term loans	7,763,234,753	-	7,764,234,753	1,345,655,036	286,919,369	6,130,660,348
Due to related parties	348,889,200	291,914,475	56,974,725	-	-	56,974,725
	P15,354,969,438	P 291,914,475	P15,064,054,963	P 1,894,298,511	P 286,919,369	P 12,881,837,083

5. FAIR VALUE MEASUREMENT AND DISCLOSURE

5.1 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

5.2 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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or financial 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 an 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Except for investment securities at FVOCI, all other financial assets of the Group are measured at amortized cost as of December 31, 2019 and 2018.

Management has determined that the carrying values of the Group's financial instruments carried at amortized cost approximate or equal their fair values except, non-current portion of the ICRs and bonds payable. Accordingly, those are no longer presented in the analysis below.

Except for cash in banks and bonds payable, for which fair value is classified as Level 1, the fair value of other financial instruments and investment properties where fair value is required to be disclosed are classified as Level 3 in the hierarchy.

The table below presents the assets and liabilities for which fair value is required to be disclosed, by valuation method as of December 31, 2019 and 2018.

	2019				
	Carrying Amount	**Fair Value Level 1**	**Fair Value Level 2**	**Fair Value Level 3**	**Total**
Financial assets :					
Installment contract receivable	**P 19,523,450,106**	**P -**	**P -**	**P 18,880,387,060**	**P18,880,387,060**
Investment securities through FVOCI	**1,212,863,555**	**-**	**-**	**1,212,863,555**	**1,212,863,555**
Non-financial assets –					
Investment properties	**313,096,011**	**-**	**-**	**1,016,662,000**	**1,016,662,000**
Financial liabilities –					
Bonds payable	**8,976,134,740**	**9,098,834,759**	**-**	**-**	**9,098,834,759**

	2018				
	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
Financial asset –					
Installment contract receivable	P 17,553,928,117	P -	P -	P 16,132,904,301	P16,132,904,301
Investment securities through FVOCI	1,349,484,111	-	-	1,349,484,111	1,349,484,111

	2018									
	Carrying Amount		Fair Value Level 1		Level 2		Level 3		Total	
Non-financial assets – Investment properties	P	183,805,148	P	-	P	-	P	1,018,080,000	P	1,018,080,000
Financial liabilities – Bonds payable		8,951,507,702		8,789,367,339		-		-		8,789,367,339

There were no transfers between Levels 2 and 3 in 2019 and 2018.

5.3 Methods and Assumptions Used

The methods and assumptions used by the Group in estimating the fair value of the assets and liabilities are described below and in the succeeding page.

(a) Financial Instruments

(i) Cash and cash equivalents, and other receivables

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(ii) Installment contract and lease receivables

Installment contract and lease receivables are net of allowance for credit losses. The estimated fair value these receivables represents the discounted amount of estimated future cash flows, including principal amount outstanding and interest expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Retention receivables

Fair values are estimated using the discounted cash flow methodology using the prevailing market rates for similar types of instrument, which due to their short-term duration, their carrying amount approximates fair value.

(iv) Investment securities at FVOCI

In 2018, the fair value of these securities were determined based on the valuation method internally developed by management (i.e., market comparable approach) using inputs from recent transacted price of the securities with market participants with whom the Group can enter into a sale transaction, which generally is the most advantageous market.

As the Group's FVOCI securities are substantially not traded in an active market, the valuation input (i.e., observable price from recent transactions) was adjusted as appropriate using an estimated haircut rate to consider factors affecting the price such as the volume and level of selling activities and the unpredictability of the price that may change based on the behavior of such market participants. The comparable price used in the fair value measurement as of December 31, 2018 ranges from P36,000 to P80,000. Increase or decrease in the comparable price would result in higher or lower fair values, all else equal.

In 2019, there were no recent sales transactions over the Group's FVOCI securities. Accordingly, the Group has used the discounted cash flow method to determine the fair value of the FVOCI securities. The most significant inputs used in the valuation include the occupancy rate, discount rate, and the terminal growth rate. Under this approach, the higher occupancy and terminal growth rates, and lower discount rate used in the valuation will result in higher fair value of the FVOCI securities.

Management believes that these valuation approaches provides a reasonable approximation of the fair value of the securities based on the circumstances affecting the securities at the end of the reporting date.

A reconciliation of the carrying amounts of Level 3 equity securities at the beginning and end of 2019 and 2018 is shown in Note 10.2.

(v) Due from and to related parties

The carrying amounts of due from and to related parties, which are short-term in nature and payable on demand, approximate their fair values.

(vi) Noninterest-bearing refundable security deposits

The estimated fair value of security deposits represent the discounted amount of estimated future cash flows expected to be received from the instruments. Expected cash flows are discounted at current market rates to determine fair value.

(vii) Trade and other payables

The carrying amounts of all trade and other payables approximate fair value as these liabilities are short-term in nature.

(viii) Retention payable

The carrying amount of retention payable approximates fair value.

(ix) Loans payable

The fair value is calculated based on the discounted cash flows method using the current market rate. As these instruments bear interest that are equal to or approximates the market rates, management determined that the effect of discounting for those long-term payable are not significant. However, conditions or events may exist, which might result to a significant change in the current market rate. Nevertheless, the Group assessed that these changes would have an immaterial impact in the consolidated financial statements.

(x) Bonds payable

The fair value of bonds payable is estimated by reference to quoted bid price in active market (i.e., bond exchange) at the end of the reporting period and are categorized within Level 1.

(b) Investment Properties

Fair values are determined based on recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

The Group engages the services of professional and independent appraiser that uses the market data approach in the valuation of its investment properties. Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the property. Significant increases (decreases) in discount would significantly lower (higher) fair value of the property. The description of each significant unobservable input used in the valuation of the investment properties are as follows:

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable comforts to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

6. SEGMENT INFORMATION

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

(a) Low-cost Mass Housing

This segment pertains to the housing market segment of the Group. It caters to the development and sale of residential lots and units.

(b) Medium-rise Condominium

This segment pertains to the medium-rise condominium segment of the Group. It caters to the development and sale of condominium units of up to four storeys, and sale of parking spaces in the condominium.

(c) High-rise Condominium

This segment pertains to the high-rise condominium segment of the Group. It caters to the development and sale of condominium units with more than four storeys, and sale of parking spaces in the condominium.

(d) Others

(i) Sale of Developed Subdivision Lots

This pertains to the development and sale of lots by Genvi, a newly acquired subsidiary of the Group in 2019.

(ii) Hotel Operations

Presented as part of others in the segment report, income earned from hotel operations in Boracay which is being operated by 8990 LRC; it started operations in October 2018. Income earned is presented as Hotel Operations under Revenues in the 2019 and 2018 consolidated statements of profit or loss (see Note 19).

(iii) Lease of Properties

This pertains to the Group's leasing activities in respect of its investment property. Revenue earned from these activities are presented as Rental income in the consolidated statements of profit or loss.

Also presented as part of others in the segment report is the income pertaining to incidental revenues from unsold timeshares of the Group in the vacation hotel, Azalea Baguio Residences. Income earned is presented as part of Miscellaneous under Other Operating Income in the consolidated statements of profit or loss (see Note 10).

The Group has only one geographical business segment as all the assets and liabilities are located in the Philippines. The Group derives all of its revenues from domestic operations. Thus, geographical business segment information is not presented. No operating segments have been aggregated to form the above operating business segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss. The presentation and classification of segment revenues and expenses are consistent with the consolidated statements of profit or loss. This segment information is presented monthly to the Parent Company's BOD who is the Chief Operating Decision Maker.

Finance income consists of interest earned from ICRs and deposits in banks.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS.

Capital expenditures represent acquisitions of property and equipment, and investment properties.

The Group has no significant customer, which contributes 10% or more of their segment revenue.

The financial information about the operations of the business segments is summarized below.

	Low-cost Mass Housing	Medium-rise Condominium	High-rise Condominium	Others	Total Segment	Adjustments and Eliminations	Consolidated
2019:							
Revenues	P 3,792,543,342	P 2,387,350,872	P 8,273,453,090	P 898,255,863	P 15,351,602,907	(P 75,097,749)	P 15,276,505,158
Costs	2,020,500,041	1,142,086,649	2,932,690,125	1,272,808,833	6,576,024,870	434,736,465	7,010,761,335
Gross income	1,772,043,300	1,245,264,223	5,340,762,965	417,507,809	8,775,578,038	(509,834,214)	8,265,743,823
Operating expenses	913,688,109	587,764,446	845,795,108	197,487,354	2,544,735,017	(70,408,837)	2,474,326,180
Net operating income (loss)	858,354,932	657,499,777	4,494,967,857	220,020,455	6,230,843,020	(439,425,377)	5,791,417,643
Finance costs	945,597,662	687,642,596	475,392,068	20,207,258	2,128,839,584	(507,102,567)	1,621,737,017
Interest income	870,535,248	427,428,053	397,995,146	28,651,281	1,724,609,728	(507,102,567)	1,217,507,161
Other income	696,409,514	479,959,582	1,306,503,715	57,847,089	2,540,719,900	(2,068,557,837)	472,162,063
Income before income tax	1,479,702,032	877,244,816	5,724,074,649	286,311,567	8,367,333,064	(2,507,983,214)	5,859,349,850
Income tax expense (income)	107,786,753	47,227,268	12,121,290	113,694,505	280,829,816	-	280,829,816
Net income	**P 1,371,915,280**	**P 830,017,547**	**P 5,711,953,359**	**P 172,617,062**	**P 8,086,503,249**	**(P 2,507,983,214)**	**P 5,578,520,034**
Non-cash items							
Depreciation and amortization	**P 59,071,969**	**P 44,962,310**	**P 4,225,705**	**P 2,079,283**	**P 110,338,448**	**P -**	**P 110,338,448**
Allowance for (recovery from) credit and impairment losses	**P 61,015,0564**	**P 50,350,085**	**P 715,490**	**P 313,267**	**P 112,394,407**	**P**	**P 112,394,407**
2018:							
Revenues	P 5,525,764,601	P 2,730,480,016	P 3,421,624,666	P 68,005,078	P 11,745,874,361	P -	P 11,745,874,361
Costs	2,585,974,482	1,085,120,332	1,592,774,417	18,110,773	5,281,980,004	-	5,281,980,004
Gross income	2,939,790,119	1,645,359,684	1,828,850,249	49,984,305	6,463,894,357	-	6,463,894,357
Operating expenses	900,102,668	656,223,106	403,272,980	11,365,248	1,970,964,002	14,660,273	1,985,624,275
Net operating income (loss)	2,039,687,451	989,136,578	1,425,577,269	38,529,057	4,492,930,355	(14,660,273)	4,478,270,082
Finance costs	773,346,934	702,762,554	201,121,817	4,103,873	1,681,335,178	(476,759,378)	1,204,575,440
Interest income	814,299,580	572,981,106	299,210,188	2,915,126	1,689,405,999	(476,759,738)	1,212,646,261
Other income	106,886,951	61,461,813	16,638,864	7,071,128	192,058,757	(644,253)	191,414,504
Income before income tax	2,187,527,048	920,816,943	1,540,304,504	44,411,438	4,693,059,933	(15,304,526)	4,677,755,407
Income tax expense	31,310,431	7,916,898	(47,487,958)	11,118,201	2,857,572	-	2,857,572
Net income	P 2,156,216,617	P 912,900,045	P 1,587,792,462	P 33,293,237	P 4,690,202,361	(P 15,304,526)	P 4,674,897,835

	Low-cost Mass Housing	Medium-rise Condominium	High-rise Condominium	Others	Total Segment	Adjustments and Eliminations	Consolidated
Non-cash items							
Depreciation and amortization	P 34,958,802	P 35,379,408	P 2,967,670	P 520,351	P 73,826,231	P -	P 73,826,231
Allowance for (recovery from) credit and impairment losses	P 27,502,581	P 13,402,892	P 19,369,925	(P 791,087)	P 59,484,311	P 15,304,526	P 74,788,837
2017:							
Revenues	P 5,192,512,378	P 2,755,329,735	P 2,222,974,864	P 10,874,080	P 10,181,691,057	P -	P 10,181,691,057
Costs	2,341,021,635	1,179,382,479	1,002,872,109	-	4,523,276,223	-	4,523,276,223
Gross income	2,851,490,743	1,575,947,256	1,220,102,755	10,874,080	5,658,414,834	-	5,658,414,834
Operating expenses	1,037,856,415	385,838,229	246,923,614	13,661,996	1,684,280,254	-	1,684,280,254
Net operating income (loss)	1,813,634,328	1,190,108,027	973,179,141	(2,787,916)	3,974,134,580	-	3,974,134,580
Finance costs	823,950,836	604,397,975	152,957,938	1,180,812	1,582,487,561	(448,232,862)	1,134,254,699
Interest income	1,180,062,282	472,945,942	206,731,304	319,253	1,860,058,781	(448,232,862)	1,411,825,919
Other income	318,029,217	157,823,013	30,198,741	7,699,119	513,750,090	(328,311,161)	185,438,929
Income before income tax	2,487,774,991	1,216,480,007	1,057,151,248	4,049,644	4,765,455,890	(328,311,161)	4,437,144,729
Income tax expense	203,501,090	44,415,215	47,439,716	3,020,865	298,376,886	-	298,376,886
Net income	P 2,284,273,901	P 1,172,064,792	P 1,009,711,532	P 1,028,779	P 4,467,079,004	(P 328,311,161)	P 4,138,767,843
Non-cash items							
Depreciation and amortization	P 35,575,727	P 17,310,910	P 1,454,267	P 853,107	P 55,194,011	P -	P 55,194,011
Allowance for (recovery from) credit and impairment losses	(P 11,377,318)	(P 963,085)	P 851,004	(P 194,105)	(P 11,683,504)	P -	(P 11,683,504)

Other information on the Group's operating segment follows:

	Low cost Mass Housing	Medium-rise Condominium	High-rise Condominium	Hotel Operations	Others	Total Segment	Adjustments and Eliminations	Consolidated
2019:								
Segment assets	**P 48,151,414,341**	**P 7,865,547,704**	**P23,930,847,981**	**P 2,599,359,341**	**P 56,611,833,165**	**P 139,159,002,532**	**(P 70,338,933,369)**	**P 68,820,069,163**
Segment liabilities	**P 30,754,749,761**	**P 2,180,533,017**	**P10,828,688,995**	**P 1,467,412,134**	**P 15,490,798,720**	**P 60,722,182,628**	**(P 24,720,870,444)**	**P 36,001,312,184**
Capital expenditures	**P 2,869,407**	**P 3,785,342**	**P 4,936,052**	**P 13,029,112**	**P 7,592,186**	**P 32,212,099**	**P -**	**P 32,212,099**
2018:								
Segment assets	P 39,674,206,326	P 4,224,377,121	P14,622,918,656	P 1,173,021,952	P 68,279,512,889	P127,974,036,944	(P 68,329,537,239)	P 59,644,499,705
Segment liabilities	P 16,152,998,649	P 1,104,873,445	P12,154,497,382	P 986,364,490	P 23,898,624,348	P 54,297,358,314	(P 23,603,239,519)	P 30,694,118,795
Capital expenditures	P 404,523,811	P 1,222,793	P 154,652,459	P 102,950,006	P 574,254,435	P 1,237,603,504	P -	P 1,237,603,504
2017:								
Segment assets	P 36,491,498,284	P 17,983,214,173	P10,219,563,830	P 2,884,043,653	P 52,172,725,847	P119,751,045,787	(P 64,923,998,091)	P 54,827,047,696
Segment liabilities	P 20,874,492,448	P 9,545,518,649	P 7,783,354,494	P 1,974,279,770	P 13,194,889,644	P 53,372,537,005	(P 25,246,739,091)	P 28,125,797,914
Capital expenditures	P 50,620,106	P 23,045,489	P 30,893	P 3,215,702	P 134,185	P 77,046,375	P -	P 77,046,735

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2019	2018
Cash on hand	**P 22,536,313**	P 11,036,127
Cash in banks	**575,431,232**	1,917,863,038
Short-term placements	**255,934,823**	214,716,546
	P 853,902,368	P2,143,615,711

Cash in banks earn interest at prevailing bank deposit annual rates ranging from 0.13% to 0.25% in 2019, 2018 and 2017. Short-term placements are made for varying periods between 22 to 90 days and earn effective interest of 1.13% to 1.75% in both 2019 and 2018, and 1.75% to 1.90% in 2017, respectively (see Note 23.1).

There are no restrictions on the Group's cash and cash equivalents as at December 31, 2019 and 2018.

8. TRADE AND OTHER RECEIVABLES

This account consists of:

	Note	2019	2018
Current:			
Installment contract receivables		**P 2,634,787,842**	P 1,045,810,025
Finance lease receivables		**49,518,866**	21,278,199
Retention receivables		**1,150,201,828**	1,037,059,685
Receivables from officers and employees		**507,462,799**	495,681,725
Receivables from marketing managers		**60,856,698**	60,856,698
Contract assets	19	**65,005,815**	-
Other receivables		**298,920,613**	841,606,497
		4,766,754,461	3,502,292,829
Allowance for credit losses		**(359,793,798)**	(343,398,437)
		4,406,960,663	3,158,894,392
Non-current:			
Installment contract receivables		**16,888,662,265**	16,508,118,092
Finance lease receivables		**504,469,549**	446,792,704
Loans receivable		**396,953,440**	314,005,923
		17,790,085,254	17,268,916,719
		P 22,197,045,917	P 20,427,811,111

Installment contract receivables pertain to receivables from the sale of residential houses and lots, condominium units and parking spaces, which are collectible in monthly installments over a period of one to 25 years. As security for the full settlement of the receivables, the titles to the related real estate properties are transferred to the buyers only upon full payment of the contract price.

Installment contract receivables bear annual interest ranging from 8.5% to 18.0% in 2019, 2018 and 2017. Interest income earned from these receivables in 2019, 2018 and 2017 amounted to P1.2 billion, P1.2 billion and P1.4 billion, respectively (see Note 23.1).

On December 11, 2019, the Group entered into an agreement with Fillmore Resources Holdings, Inc. (Fillmore) for the sale of contracts-to-sell (CTS), with a total face value or principal amount of up to P10.0 billion, without recourse. Subsequent to the sale of the CTS, Fillmore shall be primarily responsible for servicing, administering and collecting these receivables. On the same date, the Group was appointed as the sub-services and the remarketing agent of Fillmore. As at December 31, 2019, total amount of CTS sold by the Group to Fillmore is P2.9 billion. The related receivables arising from this transaction amounting to P38.5 million as at December 31, 2019 is presented as part of Other receivables under the Trade and Other Receivables account of the 2019 consolidated statement of financial position.

On January 29, 2018, the Group entered into an agreement with Dearborn Resources and Holdings, Inc. (Dearborn) for the sale of CTS, with a total face value or principal amount of up to P10.0 billion, without recourse. On September 13, 2019, the Group entered into another similar agreement to sell additional CTS with a total face value or principal amount of up to P5.0 billion. Subsequent to the sale of the CTS, Dearborn shall be primarily responsible for servicing, administrating, and collecting these receivables. On the same date, the Group was appointed as the sub-servicer and the remarketing agent of Dearborn. Total CTS sold to Dearborn in 2019 and 2018 amounted to P4.8 billion and P8.2 billion, respectively. The related receivables arising from this transaction amounting to P165.5 million in 2018 is presented as part of Other receivables under the Trade and Other Receivables account in the 2018 consolidated statements of financial position. There are no outstanding receivables from this transaction as of December 31, 2019.

On December 29, 2017, a loan facility agreement between Dearborn and certain lenders was executed to provide a loan facility in the aggregate principal amount of P1.4 billion for the purpose of partially financing Dearborn's acquisition of certain CTS of the Group. Under the loan facility agreement, the Parent Company also committed to lend Dearborn the principal amount of up to but not in excess of P300.0 million which bears 16% interest per annum, payable monthly. The loan granted under the facility agreement is unsecured and has a term of five years counting from the date of initial drawdown. However, the principal amount of the loan and any related accrued interest will be due and demandable in the event of default. On November 13, 2019, the Parent Company agreed to extend the loan facility with Dearborn up to P665.0 million with no changes in the interest rate per annum. As of December 31, 2019 and 2018, the Parent Company has already extended P397.0 million and P314.0 million financing to Dearborn, respectively. Interest earned from this loan receivable amounted to P54.2 million and P16.2 million in 2019 and 2018, respectively and is presented as part of Interest income under Other Operating Income in the 2019 and 2018 consolidated statements of profit or loss (see Note 23.1).

Interest receivable from this loan amounts to P5.3 million as at December 31, 2019 and is presented as part of Other receivables under the Trade and Other Receivables account of the 2019 consolidated statement of financial position. There were no interest receivables from 2018.

On May 14, 2014, the Group executed a Deed of Assignment to acquire from Bon Giorno Homes, Inc. (BGHI), an entity owned by certain stockholders, its ICRs and the related liability for the conversion of titles. On June 5, 2014, an amendment to the Deed of Assignment was made to include other assets related to the acquired ICRs (see Note 27.1). As of December 31, 2019 and 2018, the amount of receivables related to these transactions still outstanding is P19.4 million and P41.4 million, respectively, and are presented as part of Installment contract receivables.

On May 15, 2014, the Group also entered into a contract with Urban Basic Housing Corporation (UBHC), an entity owned by certain stockholders, to acquire ICRs and the related liability for the conversion of titles (see Note 27.1). As of December 31, 2019 and 2018, the amount of receivables still outstanding is P26.5 million and P28.1 million, respectively, and is also presented as part of Installment contract receivables.

Retention receivables are amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A, to pay-off their obligations to the Group. This amount is normally released by HDMF to the Group upon the latter's execution of a Deed of Undertaking for the conversion of the CTS accounts and presentation of the necessary documents.

Finance lease receivables pertain to the Group's net investment in the lease of certain projects under a rent-to-own scheme which started in 2017. The carrying amount of this receivable is presented at net of deferred income representing unearned interest amounting to P437.7 million and P349.5 million as of December 31, 2019 and 2018, respectively. Rent-to-own scheme has a lease term of 15 years and is subject to 5.50% to 20.00% interest per annum.

Receivables from officers and employees pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses that are subject to liquidation. This account also includes short-term, noninterest-bearing salary and other loans granted to the employees and are recoverable through salary deductions.

Receivables from marketing managers are amounts given to individuals in connection with marketing activities to generate revenues which are deductible against their future commissions.

Significant portion of other receivables pertain to advances to third parties arising from taxes paid on the land acquired by the Group on behalf of the sellers.

In 2019 and 2017, the Group had directly written-off uncollectible accounts from third parties against the outstanding balance of other receivables amounting to P37.1 million and P12.1 million, respectively. These were recognized and presented as Losses from assets written-off under Operating Expenses in the 2019 and 2017 consolidated statement of profit or loss (see Note 21). No similar transaction occurred in 2018.

As of December 31, 2019 and 2018, the carrying value of ICRs used as collateral to secure borrowings from banks amounted to P682.0 million and P147.0 million, respectively (see Note 16).

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Notes	2019	2018
Balance at beginning of year		**P 343,398,437**	P 281,359,209
Impairment losses	4.1 (a), 21	**104,160,292**	62,039,228
Reversal of credit losses	23.1	**(87,764,931)**	-
Balance at end of year		**P 359,793,798**	P 343,398,437

9. INVENTORIES

Inventories represent the subdivision lots, housing units, medium-rise and high-rise condominium units, and parking spaces for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines.

Details of this account follow:

	2019	2018
Low-cost mass housing:		
Houses and lots:		
New	**P 13,242,011,216**	P 10,033,996,498
Repossessed	**3,168,624,237**	2,758,070,367
	16,410,635,453	12,792,066,865
Subdivision lots –		
New	**3,864,743**	3,864,923
	16,414,500,196	12,795,931,788
Medium-rise condominium:		
New	**1,210,216,972**	1,375,356,761
Repossessed	**483,244,168**	91,094,034
	1,693,461,140	1,466,450,795
High-rise condominium		
New	**14,598,782,221**	14,735,575,647
Repossessed	**1,089,832,283**	133,417,587
	15,688,614,504	14,868,993,234
Developed subdivision lots	**3,128,742,705**	-
	P36,925,318,545	P 29,131,375,817

High-rise condominium units pertain to the Group's high-rise projects located along Epifanio Delos Santos Avenue, Ortigas Avenue Extension and Vista Street, Tondo, Manila, which is intended to provide low-cost condominium units to average earning individuals in Metro Manila.

Developed subdivision lots pertain to the Group's real estate inventories from Genvi, the newly acquired subsidiary during the year. These real estate inventories are located in the urban places of Cebu.

All the real estate inventories are carried at cost, except repossessed inventories which are measured at NRV. The Group did not recognize any inventory write-downs in 2019, 2018 and 2017. In 2019, the Group recognized gain on repossession amounting to P125.9 million and is presented as part of Other Operating Income in the 2019 consolidated statement of profit or loss. Meanwhile, total loss on repossession of inventories incurred by the Group amounted to P97.7 million and P112.7 million in 2018 and 2017, respectively, which are presented under Operating Expenses in the 2018 and 2017 consolidated statements of profit or loss (see Note 21).

The summary of the movements in inventories is shown below.

(a) Low-cost Mass Housing

	Notes	**2019**	2018
Balance at beginning of year		**P 12,795,931,788**	P 10,730,870,900
Reclassification from investment property	12	**-**	107,761,205
Land acquisitions		**60,450,000**	898,307,260
Construction and development costs incurred		**4,378,356,930**	2,089,400,214
Cost of sales	20	**(2,599,034,222)**	(2,585,974,482)
Repossessed		**1,778,795,700**	1,555,566,691
Balance at end of year		**P 16,414,500,196**	P 12,795,931,788

(b) *Medium-rise Condominium Units*

	Note	**2019**	2018
Balance at beginning of year		**P 1,466,450,795**	P 1,349,186,547
Land acquisitions		**-**	890,000
Construction and development costs incurred		**962,584,703**	832,281,249
Cost of sales	20	**(1,140,959,980)**	(1,085,120,332)
Repossessed		**405,385,622**	369,213,331
Balance at end of year		**P 1,693,461,140**	P 1,466,450,795

(c) High-rise Condominium Units

	Note	2019	2018
Balance at beginning of year		**P14,868,993,234**	P 13,661,216,720
Land acquisitions		**-**	154,964,992
Construction and development costs incurred		**2,589,138,298**	2,552,044,131
Cost of sales	20	**(2,868,882,812)**	(1,592,774,417)
Repossessed		**1,099,365,784**	93,541,808
Balance at end of year		**P 15,688,614,504**	P 14,868,993,234

(d) Developed subdivision lots

	Notes	2019	2018
Balance at beginning of year		**P -**	P -
Land acquisitions from the acquired subsidiary	1	**3,268,056,000**	-
Construction and development costs incurred		**104,974,043**	-
Cost of sales	20	**(244,287,338)**	-
Balance at end of year		**P 3,128,742,705**	P -

On June 5, 2014, 8990 HDC entered into a Share Purchase Agreement (SPA) with the previous stockholders of ERDC and THC (collectively referred to as 'Landowners') to acquire 100% of the outstanding shares of the latter with the intention of developing the land owned by the Landowners into mass housing, condominium and commercial mall projects. The SPA further provides that the Landowners have the option to purchase the developed properties equivalent to 5% of the total saleable units per building for all residential buildings constructed on the properties at a fixed price agreed by the parties; and to purchase 5% of 8990 HDC's 50% share in a planned joint venture with an operator to build a commercial mall at a fixed price. 8990 HDC commits to finish the development of the entire property within a 10-year period.

In 2018, the Landowners exercised the option to purchase certain condominium units as provided by the SPA. Accordingly, THC and ERDC recognized real estate revenues relating to this transaction totaling to P166.4 million. There are no similar transactions in 2019.

8990 HDC entered into a share sale transaction agreement with PLI on July 22, 2016, whereby PLI stockholders agreed to sell, transfer, and convey to 8990 HDC 100% outstanding common shares of PLI. In accordance with the Group's policy (see Note 2.4), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute an acquisition of a business. The total purchase price at acquisition date amounting to P856.2 million was allocated among the asset and liability accounts based on their relative fair values, majority of which were allocated land, presented as part of Inventories. As part of the share sale transaction, 8990 HDC and another corporation agreed to form a joint venture, which shall be owned by the parties on a 65% and 35% basis, respectively. As at December 31, 2019, this arrangement is yet to be consummated.

The carrying value of real estate inventories includes capitalized borrowing costs amounting to P54.4 million in 2018 (see Note 16). There are no capitalized borrowing costs in 2019 as most projects of the Group with specific borrowings are completed.

Inventories recognized as cost of real estate inventories amounted to P6.9 billion, P5.3 billion and P4.5 billion in 2019, 2018, and 2017, respectively, and are included under Costs of Sales and Services in the consolidated statements of profit or loss (see Note 20).

As of December 31 2019 and 2018, a land acquisition amounting to P140.0 million, which is classified as part of High-rise Condominium Units of the Inventories, is used as collateral for the Group's loans payable (see Note 16).

10. INVESTMENTS SECURITIES AT FVOCI

This account is composed of unquoted equity securities in the following investee entities as at December 31:

	2019	2018
ALRC	**P 1,184,118,055**	P 1,320,738,611
ARVI	**28,112,000**	28,112,000
Pico de Loro	**633,500**	633,500
	P 1,212,863,555	P 1,349,484,111

10.1 Equity Securities

Investment securities at FVOCI of the Group represent investments in preferred shares of ALRC and Azalea Resort and Vacation Club, Inc. (ARVI), and shares of stock of Pico de Loro Beach and Country Club (Pico de Loro).

In October 2014, by way of a Deed of Absolute Sale, ALRC acquired 8990 HDC's and FHI's building. The Group in turn invested in the common shares of ALRC through 8990 HDC and FHI representing 30% and 15% ownership, respectively, and in the preferred shares of ALRC covered by respective subscription agreement. 8990 HDC acquired 102,030 preferred shares and 450,000 common shares with total subscription price of P732.6 million and P0.45 million, respectively.

ALRC's primary purpose is to operate, maintain and/or manage a membership club. ALRC's preferred shares represent membership rights to the club including the right to use a specific unit of the building acquired from the Group and other facilities/amenities for one day per calendar year.

The Group through FHI started selling the preferred shares of ALRC upon approval by the SEC of the offering to the public on May 25, 2015. Gain on sale of preferred shares recognized in 2017 amounted to P20.9 million and is presented as Gain on sale of AFS securities under Other Gains in the 2017 consolidated statement of profit or loss (see Note 23.2). In 2018, the Group sold certain equity securities under ALRC at P32.1 million selling price. Accordingly, realized fair value gains relating to these preferred shares amounting to P24.2 million was transferred to Retained Earnings from Other Comprehensive Income. Moreover, the Group recognized fair value gain of P105.6 million on its FVOCI securities, which was presented in the 2018 consolidated statement of comprehensive income under items that will not be reclassified subsequently to profit or loss. There are no similar transaction in 2019, however, unrealized fair value losses amounting to P136.6 million was incurred by the Group and is presented in the 2019 consolidated statement of comprehensive income.

On October 23, 2018, 8990 HDC and ALRC agreed to rescind the subscription agreement entered by both parties in 2014 for the 102,030 preferred shares with the effect of returning such preferred shares equal to the subscription price and terminating the benefits received by the parties. In addition, on that same date, both parties also rescinded the Deed of Absolute Sale pertaining to the building acquired by ALRC from 8990 HDC in 2014 located in Boracay (see Note 11). The rescission of the Deed of Absolute Sale resulted in the recognition of the building amounting to P543.1 million, including the costs of improvements made by ALRC on the asset. (see Note 11).

As of December 31, 2019 and 2018, 8990 HDC's outstanding receivable from ALRC arising from these transactions amounts to P164.3 million and P191.8 million, respectively, and presented as part of Due from Related Parties in the consolidated statements of financial position (see Note 27).

In 2019, 2018 and 2017, the Group's share in net income related to the unsold preferred shares of ARLC to secondary market amounted to P16.0 million, P7.1 million and P10.5 million, respectively. These are presented as part of Miscellaneous under Other Operating Income in the consolidated statements of profit or loss (see Note 23.1).

10.2 Reconciliation of Carrying Amounts

The reconciliation of the carrying amount of these financial assets follows:

	Note	**2019**	2018
Balance at beginning of year		**P 1,349,484,111**	P 2,008,564,114
Unrealized fair value gain		**(136,620,556)**	105,564,162
Disposals	10.1	**-**	(764,644,165)
Balance at end of year		**P 1,212,863,555**	P 1,349,484,111

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	December 31, 2019								
	Land	**Building**	**Land Improvements**	**Leasehold Improvements**	**Furniture and Fixtures**	**Machineries and Equipment**	**Transportation Vehicles**	**Construction in- progress**	**Total**
Cost	P 107,405,010	P 610,023,700	P 10,458,647	P 31,182,532	P 127,932,343	P 115,365,420	P 142,711,875	P 27,975,413	P 1,173,054,940
Accumulated depreciation and amortization	-	(65,519,356)	(10,458,647)	(18,394,817)	(75,785,835)	(78,933,865)	(106,526,011)	-	(355,618,531)
Accumulated impairment losses	(8,970,000)	-	-	-	-	-	-	-	(8,970,000)
Net carrying amount	**P 98,435,010**	**P 544,504,344**	**P -**	**P 12,787,715**	**P 52,146,508**	**P 36,131,555**	**P 36,485,864**	**P 27,975,413**	**P 808,466,409**

	December 31, 2018								
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in- progress	Total
Cost	P 107,405,010	P 609,057,527	P 10,458,647	P 28,941,424	P 106,594,476	P 73,756,767	P 139,576,505	P 19,023,326	P 1,094,813,682
Accumulated depreciation and amortization	-	(35,248,780)	(10,458,647)	(13,595,946)	(56,133,109)	(55,870,079)	(88,062,971)	-	(259,369,532)
Accumulated impairment losses	(8,970,000)	-	-	-	-	-	-	-	(8,970,000)
Net carrying amount	P 98,435,010	P 573,808,747	P -	P 15,345,478	P 50,461,367	P 17,886,688	P 51,513,534	P 19,023,326	P 826,474,150

	January 1, 2018								
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in- progress	Total
Cost	P 107,405,010	P 57,548,577	P 10,458,647	P 20,687,018	P 85,982,371	P 66,943,489	P 142,786,318	P 26,618,286	P 518,429,716
Accumulated depreciation and amortization	-	(22,941,669)	(10,417,323)	(9,939,779)	(39,857,353)	(43,102,211)	(73,556,485)	-	(199,814,820)
Accumulated impairment losses	(8,970,000)	-	-	-	-	-	-	-	(8,970,000)
Net carrying amount	P 98,435,010	P 34,606,908	P 41,324	P 10,747,239	P 46,125,018	P 23,841,278	P 69,229,833	P 26,618,286	P 309,644,896

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below.

	2019								
	Land	**Building**	**Land Improvements**	**Leasehold Improvements**	**Furniture and Fixtures**	**Machineries and Equipment**	**Transportation Vehicles**	**Construction in- progress**	**Total**
Balances at January 1, 2019, net of accumulated depreciation, amortization and impairment losses	P 98,435,010	P 573,808,747	P -	P 15,345,478	P 50,461,367	P 17,886,688	P 51,513,534	P 19,023,326	P 826,474,150
Additions	-	806,201	-	2,241,108	21,307,494	37,611,702	6,735,370	8,952,087	77,653,962
Additions due to acquisition of subsidiary	-	159,972	-	-	30,373	396,951	-	-	587,296
Reclassification	-	-	-	-	-	3,300,000	(3,300,000)	-	-
Depreciation and amortization	-	(30,270,576)	-	(4,798,871)	(19,652,726)	(23,063,786)	(18,463,040)	-	(96,248,999)
Balances at December 31, 2019, net of accumulated depreciation, amortization and impairment losses	**P 98,435,010**	**P 544,504,344**	**P -**	**P 12,787,715**	**P 52,146,508**	**P 36,131,555**	**P 36,485,864**	**P 27,975,413**	**P 808,466,409**

	2018								
	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in- progress	Total
Balances at January 1, 2018, net of accumulated depreciation, amortization and impairment losses	P 98,435,010	P 34,606,908	P 41,324	P 10,747,239	P 46,125,018	P 23,841,278	P 69,229,833	P 26,618,286	P 309,644,896
Additions	-	543,075,125	-	8,254,406	20,662,549	6,813,279	6,293,949	838,864	585,938,172
Reclassifications		8,433,824	-	-	-	-	-	(8,433,824)	-
Disposals – net		-	-	-	(17,656)	-	(318,317)	-	(335,973)
Depreciation and amortization	-	(12,307,110)	(41,324)	(3,656,167)	(16,308,544)	(12,767,869)	(23,691,931)	-	(68,772,945)
Balances at December 31, 2018, net of accumulated depreciation, amortization and impairment losses	P 98,435,010	P 573,808,747	P -	P 15,345,478	P 50,461,367	P 17,886,688	P 51,513,534	P 19,023,326	P 826,474,150

In connection with the rescission of the Deed of Absolute Sale between 8990 HDC and ALRC as disclosed in Note 10, the building covered under this agreement was returned to 8990 HDC resulting in the latter reacquiring title to the ownership of the asset including all equipment and improvements thereon. The total value of the assets reacquired upon the rescission was P544.1 million, which is equivalent to the carrying amount of the assets including a transportation vehicles worth P1.0 million.

The depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses in the Group's consolidated statements of profit or loss.

As of December 31, 2019 and 2018, no items of property and equipment were pledged as security for any of the Group's liabilities. Moreover, the Group has no contractual commitments to acquire property and equipment.

As at the same date, the cost of fully depreciated property and equipment that are still used in operations amounts to P129.0 million and P82.6 million, respectively.

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation and amortization of investment property at the beginning and end of 2019 and 2018 are shown below.

	Land	Building	Improvements	Total
December 31, 2019				
Cost	P 245,122,977	P 9,737,805	P 101,171,390	P 356,032,172
Accumulated depreciation and amortization	-	(4,383,233)	(38,552,928)	(42,936,161)
Net carrying amount	**P 245,122,977**	**P 5,354,572**	**P 62,618,462**	**P 313,096,011**
December 31, 2018				
Cost	P 119,030,686	P 8,832,631	P 92,831,378	P 220,694,695
Accumulated depreciation and amortization	-	(3,941,601)	(32,947,943)	(36,889,544)
Net carrying amount	P 191,030,686	P 4,891,029	P 59,883,435	P 183,805,149
January 1, 2018				
Cost	P 226,791,891	P 8,832,630	P 92,003,920	P 327,628,440
Accumulated depreciation and amortization	-	(3,499,970)	(28,336,289)	(31,836,259)
Net carrying amount	P 226,791,891	P 5,332,660	P 63,667,631	P 295,792,181

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2019 and 2018 is shown below and in the succeeding page.

	Land	Building	Improvements	Total
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 191,030,686	P 4,891,029	P 59,883,434	P 183,805,148
Additions	126,092,291	905,175	8,340,013	135,337,479
Depreciation and amortization	-	(441,631)	(5,604,984)	(6,046,616)
Balance at December 31, 2019, net of accumulated depreciation and amortization	**P 245,122,977**	**P 5,354,572**	**P 62,618,462**	**P 313,096,011**

	Land		Building		Improvements		Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 226,791,891	P	5,332,660	P	63,667,631	P	295,792,182
Additions	-		-		827,458		827,458
Reclassification (see Note 9)	(107,761,205)		-		-	(	107,761,205)
Depreciation and amortization	-	(	441,631)	(	4,611,654)	(	5,053,286)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 119,030,686	P	4,891,029	P	59,883,435	P	183,805,149

In 2018, the Group reclassified certain parcels of land amounting to P107.8 million which are previously held as investment property to inventories since the management started to develop these parcels of land for construction of condominium units (see Note 9).

The depreciation and amortization of investment properties is presented as part of Depreciation and amortization under Operating Expenses in the Group's consolidated statements of profit or loss.

Rent income from investment properties recognized by the Group amounted to P16.5 million, P12.5 million, and P10.9 million in 2019, 2018 and 2017, respectively (see Notes 19 and 25).

Operating expenses directly related to investment properties recognized as part of Security, managerial and janitorial, Communication, light and water, and Transportation and travel totaling P0.3 million, P1.7 million and P0.6 million in 2019, 2018 and 2017, respectively (see Note 21).

13. OTHER ASSETS

This account consists of:

	2019	2018
Current:		
Advances to contractors	**P 3,555,673,047**	P 3,470,575,004
Net input tax	**337,661,047**	401,731,915
Creditable withholding tax	**213,484,734**	107,170,936
Advances to landowners	**126,814,119**	202,799,200
Prepaid expenses	**112,056,869**	84,993,113
Advances to brokers	**39,969,681**	37,801,628
Others	**47,483,745**	12,449,842
	4,433,143,242	4,317,521,638
Allowance for impairment losses	**(55,375,203)**	(55,375,203)
	4,377,768,039	4,262,146,435

Forward

	Notes	2019	2018
Non-current:			
Goodwill	1	**P 526,474,833**	P -
Deposits		**160,161,205**	154,914,523
Investment in a joint operation		**127,322,806**	91,231,192
Software cost		**49,364,636**	1,492,522
Right-of-use assets – net	21	**4,872,301**	-
Others		**35,254,541**	67,004,237
		903,450,323	314,642,474
Allowance for impairment losses		**(2,511,974)**	(2,511,974)
		900,938,349	312,130,501
		P 5,278,706,389	P 4,574,276,936

Advances to contractors represent advance payments to contractors for the construction of high-rise and medium-rise condominium units, subdivision houses and improvements. These advances are deductible from future billings.

Advances to brokers pertain to the advance payment made by the Group for the commissions of brokers for every confirmed reservation. Commission is computed based on percentage of the selling price depending on number of units sold for a certain period.

Advances to landowners represent deposits made for the acquisition of parcels of land held for future development.

Prepaid expenses represent prepaid realty taxes, advertising and insurance.

Deposits constitute rental deposit, deposits for the connection of electricity on the Group's property locations and cash bond paid to the Department of Agrarian Reform as a requirement for the conversion of the agricultural land into a residential and commercial area.

Software cost includes deposits to supplier for the system upgrade of the Group, which is related to accounting software.

Amortization of right-of-use assets in 2019 amounted to P8.0 million and is presented as part of Depreciation and amortization under the Operating Expenses section of the 2019 consolidated statements of profit or loss (see Note 21).

For purposes of determining the goodwill, the Group determined the fair value of the identified net assets as of June 30, 2019 as presented in Note1.2.

Goodwill resulted from the Group's acquisition of Genvi, as discussed in details in Note 1. It reflects the premium on the high end real estate brand of Genvi, which is Monterrazas de Cebu. The Group considers it at as a significant opportunity to enter the high end segment of the real estate industry, particularly in the southern region of the country, which is the main reason for the acquisition.

Management's assessment showed that the goodwill, which is allocated in full to the real estate operations of Genvi, is not impaired as at December 31, 2019. Some of the factors considered in the assessment of the goodwill's impairment are the current performance of Genvi and its financial condition. There were no changes in the competitive environment where it operates that could affect its overall profitability nor is there any indicators of decline in market value of the premium subdivision lots it is selling. In 2019, Genvi generated P490.4 million revenues and earned P23.6 million net profit.

Investment in a joint operation as of December 31, 2019 and 2018 pertains to the Group's contribution in a joint arrangement with ITECH-RAR Solutions, Inc. (ITECH-RAR), a third party information technology contractor. Under the agreement of the parties, ITECH-RAR shall supply and install fiber optics materials, appliances and other services that the parties deem applicable in the medium-rise condominium units (the Installation Projects). In turn, the Group shall shoulder the fixed amount of the Installation Projects covering all condominium units of the Group. The agreement also provides that the Group shall receive a minimum share in the results of operations of the Installation Projects of P0.4 million per year. As of December 31, 2019 and 2018, the Group has yet to receive share in net profit of the Installation Projects.

Others also includes deferred tax assets arising from the Group's subsidiaries, which are related to deferred charges.

14. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2019**	2018
Current:			
Trade and accounts payable		**P2,552,798,595**	P2,391,507,096
Accrued expenses		**2,216,431,615**	1,912,505,106
Retention payable		**461,554,626**	365,376,921
Interest payable	17	**181,056,192**	216,611,260
Net output tax		**101,803,864**	174,806,382
Construction bonds		**77,830,455**	64,252,002
Withholding tax payable		**75,499,691**	94,852,634
Lease liabilities	11	**4,991,632**	-
Deposits		**284,641,238**	248,311,698
Others	28	**482,248,221**	235,123,782
		6,438,856,129	5,703,346,881
Non-current:			
Contract liabilities	19	**858,291,119**	-
Retention payables		**191,006,930**	186,735,939
Retirement benefit obligation	24.2	**10,580,053**	3,440,369
Lease liabilities	11	**71,259**	-
		1,059,949,361	190,176,308
		P7,498,805,490	P5,893,523,189

Trade payables are mainly attributable to the Group's obligation to contractors for the construction of subdivision houses and improvements and purchase of land and materials. These are noninterest-bearing and are normally settled on 15 to 60-day terms.

Accrued expenses consist of the following:

	Note	**2019**	2018
Documentation	21	**P1,386,391,248**	P1,104,402,830
Commission		**782,999,606**	747,493,365
Others		**47,040,761**	60,608,911
		P 2,216,431,615	P1,912,505,106

Retention payables are noninterest-bearing liabilities with contractors and brokers and are normally settled a year after the Group's completion of the relevant contracts.

Construction bonds pertain to a fixed amount of cash deposit paid by the buyers in cases where the buyers opted to make renovations and/or improvement to their desired units. In case of damages to the Group's projects that occurred during the construction, penalties will be applied against these accounts. These cash deposits will be returned to the buyer upon completion of the construction.

Other current liabilities includes provision for probable losses related to contingencies as of December 31, 2019 and 2018.

15. DEPOSITS FROM CUSTOMERS

This account represents downpayments made by the real estate buyers for the purchase of residential housing units and timeshares/preferred shares. Cash deposits as of December 31 are received from:

	2019	2018
Real estate buyers	**P 877,333,807**	P 491,917,789
Timeshare/preferred share buyers	**28,192,973**	26,391,367
	P 905,526,780	P 518,309,156

Deposits from real estate buyers constitute cash receipts that are yet to qualify for the collection threshold criteria prior to recognition of a revenue. For timeshares, deposits represent payments made by the buyer that is yet to reach the level of required payment before a sale is recognized.

Timeshares are in-house issuances of the Group that grants the purchaser a perpetual right to occupy one unit of the Group's vacation hotel in Baguio every year for a specific number of days. It also grants certain buyers the right to avail of the international exchange services offered by affiliated companies through the Group's Resorts Condominium International membership. Purchase by the buyer of timeshare does not result into any change in equity or ownership of the Group as the sale does not grant the purchaser any proprietary or voting right or residual interest in the Group.

16. LOANS PAYABLE

This account represents peso borrowings from local banks broken into:

	Note	2019	2018
Short-term loans	27	**P 5,931,978,261**	P 5,581,758,250
Long-term loans – current portion		**5,896,181,924**	1,661,087,235
		11,828,160,185	7,242,845,485
Long-term loans – non-current portion		**5,756,697,041**	7,764,234,753
		P17,584,857,226	P15,007,080,238

In 2019 and 2018, the Group availed of loans from various banks. These bank loans bear annual interest rates ranging from 4.3% to 7.0% in 2019, 3.0% to 6.3% in 2018, and 3.0% to 4.9% in 2017. Interest rates are either fixed for the loan term or subject to annual repricing. Loans payable have various maturity dates ranging from three months to five years.

Interest expense on loans payable amounted to P1,036.1 million, P620.4 million, and P550.9 million in 2019, 2018, and 2017, respectively, and is presented as part of Finance Costs in the consolidated statements of profit or loss (see Note 22). Interest expense pertains only to interest incurred which are not capitalized.

Total borrowing costs capitalized for the construction of the Group's real estate projects amounted to P54.4 million in 2018 (see Note 9). No borrowing costs from general borrowings were capitalized since the allocated borrowing costs on qualifying assets are considered not material to the consolidated financial statements, which is generally because construction for its horizontal developments is completed within a short period of time. The capitalization rate used, which is based from the annual interest rate of the monthly renewable interest-bearing loans, ranges from 3.13% to 7.19% in 2018. There are no capitalized borrowings in 2019 because construction related to a specific borrowing for a vertical development has been completed prior to the beginning of the reporting period.

As of December 31, 2019 and 2018, the Group's loans payable is secured by the following assets with their corresponding carrying values:

	Notes	2019	2018
Short-term loans –			
Deposits of a controlling shareholder	27.1	**P 114,808,728**	P 137,758,250
Long-term loans:			
Deposits of a controlling shareholder	27.1	**97,000,000**	177,050,478
Collaterals owned by the Group:			
Installment contract receivables	8	**681,998,257**	146,919,369
Land held for future development	9	**140,000,000**	140,000,000
		918,998,257	463,969,847
		P1,033,806,985	P 601,728,097

17. BONDS PAYABLE

The breakdown of this account follows:

	2019	2018
Current	**P8,385,745,688**	P -
Non-current	**590,389,052**	8,951,507,702
	P8,976,134,740	P8,951,507,702

The amount of bonds payable presented above is net of the unamortized discount amounting to P23.9 million and P48.5 million in 2019 and 2018, respectively.

On July 16, 2015, the Parent Company offered and issued unsecured fixed-rate peso bonds with an aggregate principal amount of P5.0 billion with an oversubscription option up to P4.0 billion.

The offer comprises of the following series:

Bond Series	**Option Date**	**Principal Amount**
Series A – 6.2080% per annum, five-year and three months, due October 16, 2020	-	P 8,405,590,000
Series B – 6.1310% per annum, seven-year, due July 16, 2022 unless otherwise earlier redeemed by Parent Company	The third month after the fifth anniversary of issue date and the sixth anniversary of issue date	375,500,000
Series C – 6.8666% per annum, ten-year, due July 16, 2025 unless otherwise earlier redeemed by Parent Company	The seventh anniversary of issue date and each anniversary of the issue date thereafter	218,910,000
		P 9,000,000,000

Total transaction costs capitalized upon issuance of the bonds amounted to P122.3 million.

Interests on the bonds are payable quarterly in arrears starting on October 16, 2015 for the first interest payment date and on January 16, April 16, July 16, and October 16 of each year for each subsequent interest payment date.

The bonds shall be repaid at par, plus any outstanding interest on the relevant maturity date of each series, unless the Parent Company exercises its early redemption option for Series B or C Bonds on the early redemption option dates.

The fair value of the bonds amounts to P9,098.8 million and P8,789.4 million as of December 31, 2019 and 2018, respectively. Amortization of bond issue costs amounted to P24.6 million, P23.1 million and P21.6 million in 2019, 2018 and 2017, respectively, and are included as part of Finance Costs in the consolidated statements of profit or loss (see Note 22).

Total finance costs incurred on these bonds, inclusive of the amortization of the debt issue costs, amounted to P584.7 million, P583.0 million and P581.5 million in 2019, 2018 and 2017, respectively. Accrued interest on the bonds amounting to P115.6 million as at December 31, 2019 and 2018 is presented as part of Interest Payable under Trade and Other Payables in the consolidated statements of financial position (see Note 14).

The Parent Company and its subsidiaries are required under the terms of the bonds to observe certain covenants, including, among others, maintenance of financial ratios, incurrence or guarantee of additional debt, encumbrance for borrowed money and other covenants. These were complied with by the Group in 2019 and 2018, respectively.

18. EQUITY

18.1 Capital Stock

As of December 31, 2019, 2018 and 2017, details of the capital stock of the Parent Company and the movements thereon are as follows:

	Shares		Amount	
	2019	2018	**2019**	2018
Preferred Shares – P1 par value, cumulative, non-voting, non-participating, non-convertible, redeemable 6.0263% per annum				
Authorized – 100 million shares				
Issued and outstanding	**50,000,000**	50,000,000	**P 50,000,000**	P 50,000,000
Common Shares – P1 par value				
Authorized shares – 7 billion shares				
Issued and outstanding:				
Balance at beginning of year	**5,517,990,720**	5,517,990,720	**5,517,990,720**	5,517,990,720
Treasury shares – at cost (see Note 14.3)	**(89,033,300)**	-	**(1,266,523,478)**	-
Balance at end of year	**5,428,957,420**	5,517,990,720	**4,251,467,242**	5,517,990,720
Total	**5,478,957,420**	5,567,990,720	**P4,301,467,242**	P5,567,990,720

18.2 Authorized Capital Stock

On October 20, 2010, the PSE approved the Parent Company's application for the initial listing of 181.9 million common shares under the Second Board of the PSE.

On August 25, 2011, the Parent Company entered into a Subscription Agreement (SA) with Intellectual Property Ventures Group (IPVG), wherein IPVG agreed to subscribe to 40.0 million shares of the common stock of the Parent Company at a subscription price of P2.52 per share or a total subscription of P100.8 million. IPVG paid P25.0 million in cash as partial payment and agreed to pay the remaining balance of the subscription price upon call thereon by the Parent Company's BOD.

As a result of the Asset Purchase Agreement dated September 28, 2011, the said SA and the related shares subscribed and partially paid were transferred to Intellectual Property Ventures, Inc. (IPVI).

On February 29, 2012, the stockholders approved the issuance of the 40.0 million shares in favor of IPVI. On the same date, the minority and unrelated stockholders waived the requirement to conduct a rights or public offering of the shares subscribed.

In April 2012, the Parent Company received the remaining subscription receivable and issued the corresponding shares to IPVI. These shares were part of the shares acquired by the stockholders of the 8990 Group (former stockholders of the company's subsidiaries). On May 6, 2013, the Parent Company recognized deposits for future stock subscription amounting to P27.9 billion in exchange for its investments in subsidiaries through Share Swap with the stockholders of 8990 Group.

On September 23, 2013, the BOD of the Parent Company approved the subscriptions and issuance of 465,580,467 shares at P1.00 per share to new public investors to comply with the minimum public ownership requirement of the PSE. Such issuance is subject to following conditions: (i) the approval of the SEC of the Parent Company's application for the increase in authorized capital stock from P460.0 million to P7.0 billion divided into 7.0 billion shares with par value of P1.00 per share; and, (ii) the issuance of 3,968,357,534 shares to the stockholders of 8990 Group. The shares were issued subsequent to the approval by the SEC of the increase in authorized capital stock of the Parent Company on October 1, 2013.

Subsequent to SEC's approval of the increase in authorized capital stock, the deposit for future stock subscription of the Parent Company was applied as payment for the issuance of shares which were recorded as part of the Parent Company's Capital Stock and Additional Paid-in Capital (APIC) of P4.0 billion and P23.9 billion, respectively. Of the total APIC, P23.9 billion is eliminated on consolidation against Investment in Subsidiaries because it represents the cost of the subsidiaries acquired through the Shares Swap.

On March 17, 2014, the Parent Company's BOD approved the offering and issuance by way of a "follow-on" offering consisting of the following shares at an offer price of P6.50 per share:

Primary shares	862,186,050
Secondary shares	382,360,770
Over-all allotment shares	134,950,860

The registration by way of a follow-on offering of common shares was rendered effective by the SEC on April 15, 2014 and for which a Certificate of Permit to Offer Securities for Sale was issued by the SEC on April 30, 2014.

Total proceeds from the primary offer shares amounted to P5.6 billion and the related direct issue costs incurred in connection with the offering amounted to P341.9 million which were charged to APIC. Accordingly, the issuance resulted into an excess of P4.4 billion over the capital stock and is recorded as APIC in 2014.

As of December 31, 2019 and 2018, there are 5,428,957,420 and 5,517,990,720 listed shares, which are held by 34 and 42 holders, respectively. Such listed shares closed at P14.74 per share and P8.10 per share as of December 31, 2019 and 2018, respectively.

On January 31, 2017, the stockholders approved and ratified the creation of the preferred shares under the shelf registration. The SEC approved the Parent Company's amended Articles of Incorporation creating the preferred shares on April 19, 2017.

On July 25, 2017, the BOD of the Parent Company unanimously authorized the sale and offer of up to Ten Billion Pesos (P10,000,000,000) preferred shares, at an offer price of P100.00 per share, or 100,000,000 preferred shares with an initial tranche of 50,000,000 preferred shares, under a shelf registration to be issued within a period of three years.

The Parent Company also applied with the PSE for the listing of the preferred shares, which the PSE approved for listing on the main board of the PSE on November 8, 2017. The PSE approval covers only the initial tranche of 50,000,000 preferred shares under the shelf registration.

The preferred shares were offered at the price of P100.00 per share resulting in an additional paid-in capital of P4.9 billion, analyzed as follows:

Total issuance price	P 5,000,000,000
Amount of shares issued at par value	50,000,000
Excess of proceeds over par value	4,950,000,000
Direct issuance costs	(46,485,651)
Additional paid-in capital	P 4,903,514,349

18.3 Treasury Shares

On February 6, 2019, the BOD approved the Parent Company's P2.0 billion share buyback program which is to be implemented for a period of 18 months or until August 1, 2020. The said buyback program excludes the participation of the majority shareholders. As of December 31, 2019, the Parent Company has repurchased 89.0 million shares for P1.27 billion (see Note 31). These repurchased shares are presented as Treasury Shares in the 2019 consolidated statement of financial position and do not form part of the outstanding shares.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired. The equivalent amount of retained earnings is considered restricted.

18.4 Retained Earnings

The BOD approved the following cash dividend declarations in 2019, 2018 and 2017:

Amount per share	Date of Declaration	Date of Record	Date of Payment	Amount
2019				
Preferred				
1.506575	Feb. 1, 2019	Feb. 18, 2019	Mar. 1, 2019	P 75,328,750
1.506575	Feb. 1, 2019	May 15, 2019	Jun. 1, 2019	75,328,750
1.506575	Feb. 1, 2019	Aug. 15, 2019	Sep. 1, 2019	75,328,750
1.506575	Feb. 1, 2019	Nov. 15, 2019	Dec. 1, 2019	75,328,750
				P 301,315,000

Amount per share	Date of Declaration	Date of Record	Date of Payment		Amount
2018					
Common					
P0.25	Feb. 5, 2018	Feb. 20, 2018	Mar. 6, 2018	P	1,379,497,680
P0.30	Nov. 5, 2018	Nov. 20, 2018	Nov. 27, 2018		1,655,397,216
					3,034,894,896
Preferred					
P1.506576	Feb. 19, 2018	Feb. 27, 2018	Mar. 1, 2018		75,328,750
P1.506576	May 7, 2018	May 23, 2018	Jun. 1, 2018		75,328,750
P1.506576	Jul. 30, 2018	Aug. 20, 2018	Sept. 1, 2018		75,328,750
P1.506576	Jul. 30, 2018	Nov. 16, 2018	Dec. 1, 2018		75,328,750
					301,315,000
				P	3,336,209,896
2017					
Common					
P0.25	Feb. 6, 2017	Feb. 20, 2017	Mar. 6, 2017	P	1,379,497,680
P0.05	Nov. 6, 2017	Nov. 23, 2017	Dec. 1, 2017		275,899,536
				P	1,655,397,216

Cash dividends declared in 2019, 2018 and 2017 were fully paid in the same year.

The Parent Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

In 2018, the Group adopted PFRS 9 using the transitional relief as allowed by the standard. This allowed the Group not to restate its prior period's financial statements with respect to the effect of this standard. Differences arising from the adoption of PFRS 9 in relation to classification and measurement, and impairment of financial assets amounting to P802.3 million are recognized in the opening balance of Retained Earnings in 2018.

18.5 Capital Management

The primary objective of the Group's capital management is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for its business, and thus, allowing the necessary financial flexibility for its operations and providing sufficient cushion to absorb cyclical industry risks.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. It considers its total liabilities and equity as capital and is not subject to externally-imposed capital requirements.

The bonds require the Group to observe certain covenants, including, among others, maintenance of financial ratios, incurrence or guarantee of additional debt, encumbrance for borrowed money, and other covenants. These were complied with by the Group in 2019 and 2018.

19. REVENUES

The Group derives revenues from sale of real properties and hotel operations. An analysis of the Group's major sources of revenues is presented below.

	Notes	**2019**	2018	2017
Real estate sales				
Low-cost mass housing		**P 3,824,298,435**	P 5,525,764,601	P 5,192,512,378
Medium-rise condominium		**2,386,196,242**	2,730,480,016	2,755,329,735
High-rise condominium		**8,172,335,789**	3,421,624,666	2,222,974,864
Developed subdivision lots	1.2	**490,390,346**	-	-
		14,873,220,812	11,677,869,283	10,170,816,977
Hotel operations		**386,815,132**	55,496,721	-
Rental income	12, 25, 27	**16,469,214**	12,508,357	10,874,080
		P15,276,505,158	P 11,745,874,361	P10,181,691,057

As discussed in Note 2.14, the Group usually recognizes sale of real estate at a point in time. Recently, however, as discussed in Note 5, the Group has started offering sale of pre-completed real estate, which its newly acquired subsidiary, Genvi, also offers to its subdivision lots. Thus, the Group now also recognizes revenue over time.

The breakdown of contract balances as of December 31, 2019 is as follows:

	Notes	
Contract assets	8	P 65,005,815
Contract liabilities	14	(858,291,119)
		(P 793,285,304)

A reconciliation of the movements of contract balances is shown below.

Contract assets	
Balance at beginning of year	P -
Contract assets from the acquired subsidiary	33,573,749
Contract assets during the year	27,773,146
Balance at end of year	P 65,005,815
Contract liabilities	
Balance at beginning of year	P -
Contract liabilities from the acquired subsidiary	1,223,589,553
Revenue recognized that was included in contract liabilities	(418,030,992)
Increase due to cash received excluding amount recognized as revenue during the year	52,732,558
Balance at end of year	P 858,291,119

The transaction price allocated to the unsatisfied performance obligation amounted to P1.0 billion as of December 31, 2019.

20. COST OF SALES AND SERVICES

Cost of sales and services consists of:

	Note	2019	2018	2017
Cost of sales:	9			
Houses and lots		**P 2,599,034,222**	P 2,585,974,482	P 2,341,021,635
Medium-rise condominium		**1,140,959,980**	1,085,120,332	1,179,382,479
High-rise condominium		**2,868,882,812**	1,592,774,417	1,002,872,109
Developed subdivision lots		**244,287,338**	-	-
		6,853,164,352	5,263,869,231	4,523,276,223
Cost of services:				
Hotel operations		**157,331,927**	16,335,910	-
Rental services		**265,056**	1,774,863	-
		157,596,983	18,110,773	-
		P 7,010,761,335	P5,281,980,004	P4,523,276,223

Cost of sales is further broken down as follows:

	2019	2018	2017
Land and land development	**P 1,553,195,292**	P 1,350,930,288	P 1,180,345,114
Construction costs	**5,299,969,060**	3,912,938,943	3,342,931,109
	P 6,853,164,352	P 5,263,869,231	P 4,523,276,223

Construction costs include contractor's costs, professional fees, permits and licenses and capitalized borrowing costs.

21. OPERATING EXPENSES

Operating expenses consist of:

	Notes	2019	2018	2017
Commission		**P 767,070,731**	P 518,489,233	P 386,491,730
Documentation	14	**368,312,230**	353,856,036	313,865,991
Taxes and licenses		**264,466,040**	258,771,880	190,662,965
Salaries and employees benefits	24.1, 27.2	**161,295,821**	143,952,161	147,750,908
Expected credit and impairment losses	8, 27	**112,394,407**	83,902,837	-
Depreciation and amortization	11, 12, 13	**110,338,448**	73,826,231	55,194,011
Security, messengerial and janitorial	12	**89,353,701**	64,316,497	63,177,123
Management and professional fees		**87,077,579**	60,722,448	44,634,427
Repairs and maintenance		**83,195,522**	75,092,281	51,310,888
Advertising and promotional		**59,663,289**	78,585,404	107,763,529
Transportation and travel	12	**57,970,446**	39,463,705	32,866,573
Communication, light and water	12	**49,846,373**	35,768,137	35,076,641
Entertainment, amusement and representation		**43,924,598**	30,751,734	21,700,744
Losses from assets written-off	8	**37,137,321**	-	12,079,339
Rent	25.1	**25,330,108**	23,029,643	17,542,012
Supplies		**16,924,617**	13,211,175	11,290,250
Insurance		**12,585,421**	11,619,838	7,789,983
Subscription dues and fees	18.2	**9,516,593**	6,009,891	11,317,852
Loss on repossession	9	**-**	97,680,357	112,683,872
Miscellaneous		**117,922,935**	16,574,787	61,081,416
		P 2,474,326,180	P 1,985,624,275	P 1,684,280,254

Commissions are payments to real estate brokers and agents in connection with its real estate transaction.

Documentation expenses consist of certification fees, registrations fees, tax clearances and other related expenses incurred in the processing of real estate inventories sales and transfer of titles to the buyers.

22. FINANCE COSTS

This consists of:

	Notes	**2019**	2018	2017
Interest expense on:				
Loans payable	16	**P 1,036,121,342**	P 620,403,033	P 550,936,947
Bonds	17	**560,058,465**	559,872,605	559,872,605
Amortization of debt issue costs	17	**24,627,038**	23,085,294	21,640,077
Interest on pension obligation	24.2	**248,100**	217,503	431,504
Bank charges		**682,072**	997,005	1,373,566
		P 1,621,737,017	P1,204,575,440	P1,134,254,699

23. OTHER OPERATING INCOME AND OTHER GAINS

23.1 Other Operating Income

This consists of:

	Notes	**2019**	2018	2017
Interest income from:				
Installment contract and finance lease receivables	8	**P 1,161,488,440**	P1,187,286,755	P1,409,973,764
Cash in banks and short-term placements	7	**56,018,721**	9,163,979	1,852,155
Loans receivable	8	**54,154,064**	16,195,774	-
Gain on repossession of inventories	9	**125,869,859**	-	-
Reversal of credit losses	8	**87,764,931**	-	11,683,504
Penalties		**62,523,180**	40,423,486	39,560,815
Miscellaneous	10	**141,850,028**	150,860,334	112,917,438
		P1,689,669,223	P1,403,930,328	P1,575,987,676

Miscellaneous income mainly includes retrieval fee, commission fees received from an electric company, association dues, transfer fee, and rebates from an insurance company. It also includes revenues from the use of the rooms allocated to the unsold ALRC preferred shares (see Note 10).

23.2 Other Gains

This consists of:

	Note	**2019**	2018	2017
Gain on sale of property and equipment		**P -**	130,437	350,000
Gain on sale of AFS securities	10	**-**	-	20,927,172
		P -	P 130,437	P 21,277,172

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

The details of salaries and employee benefits are presented below.

	Notes	**2019**	2018	2017
Short-term employee benefits		**P 159,458,636**	P 141,767,115	P 144,702,121
Post-employment benefits	24.2	**1,837,185**	2,185,046	3,048,787
	21	**P 161,295,821**	P 143,952,161	P 147,750,908

24.2 Post-employment Benefits

(a) 8990 Holdings

In 2019 and 2018, 8990 Holdings has unfunded, noncontributory, defined benefit pension plans covering substantially all of its regular employees. Under its pension plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The benefits are based on the projected pension benefit of 22.5 days' pay per year service in accordance with RA 7641, *Retirement Pay Law*. The benefits are based on current salaries and years of service and compensation on the last year of employment. There is no contribution made by 8990 Holdings during the year.

(b) 8990 HDC, FHI and 8990 LHDC

8990 HDC, FHI, and 8990 LHDC have funded, noncontributory, defined benefit pension plan covering substantially all of their regular employees. The benefits are based on the projected pension benefit of 22.5 days' pay per year service in accordance with RA 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the pension benefit obligation.

The defined benefit plan is administered by a third party trustee bank (the Trustee).

The Trustee is responsible for the general administration of the pension plan and the management of the plan assets.

The Trustee may seek advice of counsel and appoint an investment manager or managers to manage the plan assets. As the administrator of the pension plan, the Trustee is responsible for the ultimate control, disposition, or management of the money received or contributed.

The respective Companies have yet to formalize its investment policy and risk management procedures for the pension plan. Currently, the assets of the pension plan are composed of securities issued by the Philippine government and placements in banks.

The pension plan exposes the Group to actuarial risks, such as longevity risk, and market (investment) risk. There are no unusual or significant risks to which the pension plan exposes the Group. However, in the event a benefit claim arises under the pension plan and the plan assets are not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the pension plan.

The cost of defined benefit pension plans, as well as the present value of the defined benefit obligation, is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the net pension liability for the defined benefit plans are shown below.

	2019	2018
Discount rates		
FHI	**5.11%**	7.46%
8990 HDC	**4.99%**	7.41%
8990 LHDC	**5.13%**	7.46%
8990 Holdings	**5.21%**	7.52%
Salary increase rates		
FHI	**4.00%**	5.00%
8990 HDC	**4.00%**	5.00%
8990 LHDC	**4.00%**	5.00%
8990 Holdings	**4.00%**	5.00%

The composition of plan assets by class as at the end of the reporting period is as follows:

	2019	2018
Cash	**P 20,472**	P 642,777
Equity instruments	**9,970,000**	9,600,000
Investment securities:		
Government securities	**1,750,801**	1,590,991
Unit investment trust funds (UITF)	**1,573,374**	269,849
Others	**19,409**	16,398
	P 13,334,056	P 12,120,015

Equity instruments and government securities are quoted instruments, while UITFs have prices published in available markets. These instruments are carried at fair value which are determined based on quoted market prices in active markets, hence, classified as Level 1 in the fair value hierarchy.

Plan assets do not comprise of any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The Group does not expect that any reasonably possible changes to the assumptions used to calculate the defined benefit obligation as of the end of the reporting period would have a significant impact on the Group's net pension liability.

The Group does not expect to contribute to its pension plan in 2019.

Shown below is the maturity analysis of the undiscounted benefit payments.

	2019	2018
Less than one year	**P 788,333**	P 72,153
More than one year to five years	**10,967,474**	9,446,744
More than five years to 10 years	**4,819,336**	6,469,993

The average duration of the defined benefit obligation at the end of the reporting period is and 18 years in 2019 and 2018, respectively.

Changes in the carrying amount of retirement benefit obligation of the Group are as follows:

	2019									
	Net benefit cost in consolidated statement of comprehensive income				**Remeasurements in other comprehensive income**					
	January 1, 2019	**Current service cost**	**Net interest** (see Note 22)	**Subtotal**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Experience adjustments**	**Subtotal**	**December 31, 2019**
Present value of defined benefit obligation	**P 15,560,384**	**P 1,837,185**	**P 1,146,875**	**P 18,544,444**	**P -**	**P 233,577**	**P 2,727,037**	**P 2,409,051**	**P 5,369,665**	**P 23,914,109**
Fair value of plan assets	**12,120,015**	**-**	**898,775**	**13,018,790**	**315,266**	**-**	**-**	**-**	**315,266**	**13,334,056**
Net defined benefit obligation	**P 3,440,369**	**P 1,837,185**	**P 248,100**	**P 5,525,654**	**(P 315,266)**	**P 233,577**	**P 2,727,037**	**P 2,409,051**	**P 5,684,931**	**P 10,580,053**

	2018									
	Net benefit cost in consolidated statement of comprehensive income				Remeasurements in other comprehensive income					
	January 1, 2018	Current service cost	Net interest (see Note 22)	Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal	December 31, 2018
Present value of defined benefit obligation	P 15,739,291	P 2,185,046	P 910,006	P 18,678,037	P -	(P 6,500,208)	P 4,126,020	(P 743,465)	(P 3,117,653)	P 15,560,384
Fair value of plan assets	12,001,791	-	692,503	12,694,294	(574,279)	-	-	-	(574,279)	12,120,015
Net defined benefit obligation	P 3,737,500	P 2,185,046	P 217,503	P 5,983,743	P 574,279	(P 6,500,208)	P 4,126,020	(P 743,465)	(P 2,543,374)	P 3,440,369

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Group's net defined benefit obligation of P10.6 million and P3.4 million as of December 31, 2019 and 2018, respectively, is included as Retirement benefit obligation in the Trade and Other Payables in the Group's consolidated statements of financial position (see Note 14).

25. LEASES

25.1 The Group as a Lessee

The Parent Company has an existing non-cancellable operating lease as a lessee covering its office premises with a term of one year and renewable annually. In 2019 and 2018, the Parent Company renewed the lease for another year.

In 2014, 8990 Holdings entered into another non-cancellable operating lease as a lessee covering a corporate suite for a term of one year; expiring on June 22, 2015 which was renewed and expired in September 2016. It was no longer renewed but 8990 HDC took over the lease within a term expiring on June 21, 2017 with renewal option. In 2019 and 2018, 8990 HDC renewed the lease for another year.

FHI, 8990 HDC and 8990 LHDC entered into separate non-cancellable lease agreements for their office and parking spaces. Except for 8990 LHDC, the Group's lease periods ranges from two to three years, which are renewable thereafter upon mutual agreement of both parties. The lease of 8990 LHDC is renewable annually upon mutual agreement of the contracting parties.

The future minimum rentals payable under these operating leases as of December 31, 2018 are as follows:

Within one year	P	10,012,314
After one year but not more than three years		6,823,775
	P	16,836,089

25.2 The Group as a Lessor – Operating Lease

8990 HDC owns a building and a portion of it is currently leased to a third party which is covered by an operating lease contract for a period of 10 years starting 2007. Rent income recognized by 8990 HDC amounted to P9.6 million, P5.9 million, and P4.9 million in 2019, 2018 and 2017, respectively (see Notes 12 and 19).

In 2014, FHI and 8990 HDC entered into a contract of lease with ALRC on the land where the building and improvements sold to ALRC are constructed. The contract of lease provides a lease term of 50 years, with an annual rent of P5.0 million for the first 10 years. After 10 years, the lease rate shall increase to a rate agreed by both parties. However, on October 23, 2018, 8990 HDC and ALRC agreed to pre-terminate the contract of lease. Rent income recognized by the Group amounted to P5.2 million in 2019 and P4.5 million both in 2018 and 2017 (see Notes 12 and 19).

In 2018, 8990 LHDC leased out its investment properties to another third party, for a period of three years with provision for automatic annual renewal unless formally terminated by either party. Rent income from investment properties amounted to (see Notes 13 and 19).P1.7 million, P2.1 million and P1.5 million in 2019, 2018 and 2017, respectively.

Future minimum lease receivables under non-cancellable operating leases are as follows:

	2019	2018	2017
Less than one year	**P 6,384,286**	P 4,464,286	P 7,309,414
More than one year but not more than two years	**5,904,286**	4,464,286	9,402,658
More than two years but not more than three years	**4,964,286**	4,464,286	9,402,658
More than three years but not more than four years	**4,964,286**	4,464,286	9,402,658
More than four years but not more than five years	**4,964,286**	4,464,286	9,402,658
More than five years	**167,310,714**	171,875,000	415,277,768
	P 192,992,144	P 194,196,430	P 460,197,814

25.3 The Group as a Lessor – Finance Lease

The Group also entered into a finance lease covering the real estate inventories with a lease term of 15 years. To manage its risks over these finance leases, the Group retains its legal title over the underlying assets, and are used as securities over the finance lease receivables. Future minimum lease payments receivable (MLPR) are as follow:

	2019	2018	2017
Less than one year	**P 30,953,285**	P 21,278,199	P 7,093,450
More than one year but not more than two years	**30,953,285**	21,278,199	7,093,450
More than two years but not more than three years	**30,953,285**	21,278,199	7,093,450
More than three years but not more than four years	**30,953,285**	21,278,199	7,093,450
More than four years but not more than five years	**30,953,285**	21,278,199	7,093,450
More than five years	**355,997,060**	468,070,903	145,118,869
	P510,763,485	P574,461,898	P 180,586,119

26. INCOME TAXES

26.1 Current and Deferred Taxes

The components of income tax expense reported in profit or loss consists of:

	2019	2018	2017
Current:			
Regular corporate income tax (RCIT)	**P 273,111,294**	P 238,255,581	P 374,758,154
Minimum corporate income tax (MCIT)	**2,662,352**	315,818	-
Final tax	**482,651**	1,816,475	2,103,670
	276,256,297	240,387,874	376,861,824
Deferred tax expense (income)	**4,573,519**	(237,530,302)	(78,484,938)
Tax expense	**P 280,829,816**	P 2,857,572	P 298,376,886

Current income taxes include RCIT at 30% and final taxes paid at the rate of 20.0% on peso-denominated cash in banks, which is a final withholding tax on gross interest income.

The NIRC of 1997 also provides for rules on the imposition of MCIT of 2.0% on gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the entities in the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

A reconciliation of the Group's statutory income tax rate to effective income tax rate is presented below.

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income under income tax holiday	**(26.53%)**	(15.64%)	(17.45%)
Change in unrecognized deferred tax assets	**3.22%**	1.62%	1.22%
Non-taxable income	**(1.36%)**	(8.39%)	(4.10%)
Non-deductible expenses	**1.42%**	1.43%	2.85%
Income subjected to final tax	**(0.01%)**	(0.02%)	(4.41%)
Others	**(1.95%)**	(5.70%)	(1.36%)
Tax expense	**4.79%**	0.06%	6.75%

The Group recognized net deferred tax liabilities as follows:

	2019	2018
Deferred tax liabilities on:		
Excess of fair value over cost of acquired subsidiary	**P 665,577,597**	P -
Excess of accounting basis over tax basis of deferred gross profit on real estate sales	**397,097,468**	325,615,474
Capitalized commission	**13,128,832**	-
	1,075,803,897	325,615,474
Deferred tax assets on:		
Allowance for impairment losses	**137,972,947**	71,084,244
Accrued expenses	**65,109,778**	52,006,352
Retirement benefit obligation	**2,734,446**	1,356,373
	205,817,169	124,446,969
Net deferred tax liabilities	**P 869,986,728**	P 201,168,505

The components of net deferred tax expense (benefit) reported in the consolidated statements of profit or loss are as follows:

	2019	2018	2017
Allowance for impairment losses	**P 34,709,730**	(P 21,102,012)	P 5,337,501
Excess of accounting basis over tax basis of deferred gross profit on real estate sales	**27,70,141**	(229,997,861)	73,102,608
Accrued expenses	**(12,443,730)**	17,048,316	(12,684,913)
Retirement benefit obligation	**730,615**	(875,994)	2,724,078
Prepaid expenses	**-**	(2,602,751)	(758,996)
Net deferred tax benefit	**P 4,753,519**	(P 237,530,302)	(P 78,484,938)

The Parent Company, ERDC, and RLC did not recognize deferred tax assets on the following temporary differences since management believes that it is not probable that the related benefits will be realized in the future:

	2019	2018
NOLCO	**P 1,790,099,013**	P 1,806,195,032
MCIT	**1,634,878**	315,818
Retirement benefit obligation	**362,947**	4,239,155
	P 1,792,099,838	P 1,810,750,005

Details of the Group's NOLCO, which are mostly that of the Parent Company, follow:

Year Incurred	Amount	Expired/Used	Balance	Expiry Year
2019	P 598,059,705	P -	P 598,059,705	2022
2018	588,578,046	-	588,578,046	2021
2017	603,461,262	-	603,461,262	2020
2016	614,155,724	(614,155,724)	-	
	P2,404,254,737	(P 614,155,724)	P 1,790,099,013	

The NIRC of 1997 allows each of the entities in the Group to deduct from taxable income their respective NOLCO within three years from the time it was incurred.

RA 9504, *An Act Amending the NIRC of 1997*, provides that an optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. The entities in the Group did not claim OSD in lieu of the itemized deductions.

26.2 Registration with Board of Investments (BOI)

The Group has registered the following projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2018:

Project Name	Reg. No.	Date Registered	ITH Period	Registered Activity
Deca Homes Minglanilla Subdivision Phase 3	2008-158	July 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 4	2008-159	July 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mandaue Prime	2008-309	November 14, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mactan 3	2008-315	November 20, 2008	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences	2009-038	May 4, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Homes	2009-082	June 19, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Nothfield Estates	2009-157	November 11, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Talisay	2009-193	December 17, 2009	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 5	2010-003	January 8, 2010	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Minglanilla Subdivision Phase 6	2010-004	January 8, 2010	3 years	Developer of Low-cost Mass Housing Project
Savannah Green Plains Phase 3	2010-068	March 22, 2010	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Mactan 4	2010-127	July 13, 2010	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Pavia	2010-128	July 13, 2010	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Esperanza	2011-009	January 10, 2011	4 years	Developer of Low-cost Mass Housing Project
Deca Homes Mactan 5	2011-008	January 10, 2011	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 10	2011-007	January 10, 2011	3 years	Developer of Low-cost Mass Housing Project
Bon Giorno Homes Subdivision	2011-035	February 8, 2011	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-A	2011-119	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-B	2011-120	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 8-C	2012-121	July 5, 2012	3 years	Developer of Low-cost Mass Housing Project
Azalea Baguio Residences	2012-174	August 22, 2012	4 years	New Operator of Tourist Accommodation Facility - Apartment Hotel
Bella Vista Subdivision	2013-049	February 18, 2012	4 years	New Developer of Low-cost Mass Housing Project
Urban Homes Tipolo Condominium	2013-062	March 8, 2013	3 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 9	2014-109	July 22, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Indangan Phase 1	2014-128	August 15, 2014	4 years	New Developer of Low-cost Mass Housing Project
Deca Homes Resort Residences Phase 12	2014-129	August 15, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Baywalk - Talisay II	2014-172	October 8, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project

Project Name	Reg. No.	Date Registered	ITH Period	Registered Activity
Deca Homes Resort Residences Executive	2014-174	October 9, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Pavia Phase 2	2014-189	October 28, 2014	3 years	Expanding Developer of Low-cost Mass Housing Project
Deca Homes Indangan Phase 2	2014-190	October 18, 2014	3 years	New Developer of Low-cost Mass Housing Project
Urban Deca Homes Tisa	2015-200	September 28, 2015	3 years	New Developer of Economic And Low-Cost Housing Project
Deca Homes Our Lady of Guadalupe	2015-201	September 28. 2015	3 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Pavia Resort Residences	2015-202	September 28, 2015	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Campville	2015-234	September 28, 2015	3 years	Developer of Low-cost Mass Housing Project
Marseilles Subdivision	2015-235	November 2, 2015	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Clark Residences & Resort Phase 3&4	2015-236	November 3, 2015	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Deca Clark Residences & Resort Phase 7&8	2015-237	November 3, 2015	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Deca Homes Resort Residences Prime	2015-273	December 14, 2015	3 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Baywalk - Talisay III	2016-205	October 4, 2016	3 years	Expanding Developer of Low-cost Mass Housing Project
Urban Deca Homes H. Cortes	2016-206	October 4, 2016	3 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Hampton	2016-254	December 14, 2016	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Manila	2017-004	January 4, 2017	3 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Mulig	2017-264	September 11, 2017	4 years	New Developer of Economic and Low-Cost Housing Project
Deca Homes Pavia Resort Residences Phase 2	2017-291	October 25, 2017	3 years	Expanding Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Marilao Subd	2017-336	December 13, 2017	4 years	New Developer of Economic and Low-cost Housing Project
Urban Deca Homes Mahogany	2017-337	December 13, 2017	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Marilao	2017-337	February 8, 2018	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes South Bacolod	2017-337	March 13, 2018	4 years	New Developer of Economic and Low-Cost Housing Project
Urban Deca Homes Tisa 2	2017-337	December 13, 2018	4 years	New Developer of Economic and Low-Cost Housing Project

Pursuant to the above registrations, the Group had been granted income tax holiday (ITH) or a period of three to four years from the date of registration or actual start of commercial operation, whichever is earlier, subject to certain conditions. Interest income from in-house financing is not covered by ITH.

The Group shall be entitled to ITH provided that it maintains a 75:25 debt-equity ratio as required by the BOI. In the event that the Group fails to maintain the ratio requirement, the Group shall present evidence that the construction of housing units have been completed and delivered to the buyers prior to the availment of ITH; otherwise, the Group shall not be entitled to ITH and shall be required to refund any capital incentives availed.

The Group's debt-to-equity ratios per subsidiary that has BOI-registered projects is as follows:

	8990 HDC		8990 LHDC		FHI		8990 DHDC	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Total liabilities	**P26,332,976,778**	P21,647,506,400	**P1,628,835,794**	P2,572,603,361	**P1,079,705,643**	P1,206,132,184	**P1,069,448,039**	P1,239,806,228
Total equity	**23,868,366,419**	25,143,656,823	**2,487,617,589**	2,043,944,191	**3,208,586,619**	3,212,737,292	**677,679,940**	655,836,979
Debt to equity ratio	**52:48**	46:54	**40:60**	56:44	**25:75**	27:73	**61:39**	65:35

The Group is in compliance with BOI's required ratio as of the end of each reporting period.

27. RELATED PARTY TRANSACTIONS

The Group has entered into transactions with related parties principally consisting of cash advances and reimbursement of expenses. Settlement of outstanding balances of advances is made through cash or offsetting as maybe agreed by the parties. As of December 31, 2019 and 2018, the Group recognized allowance for credit losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party through liquidity approach and considered time value of money as well as the market in which the related party operates [see Note 4.1(a)(iii)].

27.1 Related Party Transactions and Outstanding Balances

The summary of the Group's transactions and the related outstanding balances with related parties is presented below and in the succeeding page.

2019			
Category	**Amount of Transactions**	**Outstanding Balance**	**Terms and Conditions**
Stockholders			
Due from related parties	(P 18,979,076)	P 256,724,287	Noninterest-bearing, payable on demand, unsecured, gross of P19,797,772 allowance for credit losses
Due to related parties	26,792,727	(17,290,289)	Noninterest-bearing, payable on demand, unsecured
Dividends	301,315,000	-	Cash dividends declared by Parent Company

2019					
Category		**Amount of Transactions**		**Outstanding Balance**	**Terms and Conditions**
Entities under common control					
Due from related parties	P	250,226,439	P	1,046,542,104	Noninterest-bearing, payable on demand, unsecured, gross of P52,798,650 allowance for credit losses
Due to related parties	(	32,712,667)	(	66,477,163)	Noninterest-bearing, payable on demand, unsecured
Rental income		4,464,286		-	See Notes 12, 13 and 25
Key management personnel					
Compensation		28,796,156		-	
Plan assets		-		13,334,056	See Note 24

2018					
Category		Amount of Transactions		Outstanding Balance	Terms and Conditions
Stockholders					
Due from related parties	(P	17,396,948)	P	275,703,363	Noninterest-bearing, payable on demand, unsecured, gross of P19,797,772 allowance for credit losses
Due to related parties	(	6,071,285)	(	23,210,229)	Noninterest-bearing, payable on demand, unsecured
Dividends		3,336,209,896		-	Cash dividends declared by Parent Company
Entities under common control					
Due from related parties		553,783,134		796,315,665	Noninterest-bearing, payable on demand, unsecured, gross of P44,564,535 allowance for credit losses
Due to related parties		80,766,448	(	33,764,496)	Noninterest-bearing, payable on demand, unsecured Group
Rental income		4,464,286		-	See Notes 12, 13 and 25
Key management personnel					
Compensation		31,539,083		-	
Plan assets		-		12,120,015	See Note 24

Other related parties are entities owned and controlled by the certain shareholders of the Group which are considered related to the Group by virtue of common ownership and control.

The details of the Group's due from related parties are presented below.

	2019	2018
Balance at beginning of year	**P 1,007,656,721**	P 535,632,842
Cash advances provided	**404,913,621**	931,719,419
Collections	**(109,303,950)**	(103,418,758)
Allowance for credit losses	**(72,596,422)**	(64,362,307)
Offsetting	**-**	(291,914,475)
Balances at end of year	**P 1,230,669,970**	P 1,007,656,721

A reconciliation of the allowance for credit losses at the beginning and end of 2019 is shown below.

		2019		2018
Balance at beginning of year	**P**	**64,362,307**	P	42,498,698
Impairment losses during the year		**8,234,115**		21,863,609
Balances at end of year	**P**	**72,596,422**	P	64,362,307

The expected credit losses recognized is presented as part of Expected credit loss and impairment losses under Other Operating Expenses (see Note 21).

8990 HDC entered into an agreement with 8990 Commercial Management Corporation (8990 CMC), an entity owned by a major stockholder, wherein the investment property of the former will be used, managed and maintained by the latter. Any income generated by and any expenses related to the property shall be for the account of 8990 CMC (see Note 12).

The Group shoulders the administrative/accounting cost of certain other related parties at no cost.

27.2 Key Management Compensation

The key management personnel of the Group include all directors, executive, and members of senior management. The compensation and short-term benefits of key management personnel amounted to P27.4 million, P31.0 million and P30.0 million in 2019, 2018 and 2017, respectively (see Note 21). Post-employment benefits of key management personnel amounted to P1.4 million, P0.5 million, and P1.5 million in 2019, 2018 and 2017, respectively (see Note 24.1).

28. COMMITMENTS, PROVISIONS AND CONTINGENCIES

28.1 Provisions and Contingencies

In the normal course of business, the Group is involved in various commitments wherein contingencies are also involved. In the opinion of the management, such contingencies will not have a material effect on the Group's consolidated financial statements. Nevertheless, there were certain provisions for probable losses in 2019, 2018 and 2017 that were recognized by the Group. Total provisions for probable losses recognized as at December 31, 2019 and 2018 amount to P61.9 million and P53.3 million and are presented as part of Others in Trade and Other Payables (see Note 14). The details of these provisions were not disclosed since these may prejudice the position of the Group.

28.2 Commitments

The 8990 Group and the related entities have a contractual commitment to be jointly and severally liable for all of their monetary obligations to a local bank as disclosed in Note 16.

29. EARNINGS PER SHARE

Basic EPS is calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the reporting period (adjusted for any stock dividends, if any).

The following table reflect the net profit and share data used in the basic/diluted EPS computations:

	2019	2018	2017
Net profit	**P 5,578,520,034**	P 4,674,897,835	P 4,138,767,843
Divided by weighted average number of common shares	**5,428,957,420**	5,517,990,720	5,517,990,720
Basic/diluted EPS	**P 1.03**	P 0.85	P 0.75

There were no potential dilutive common shares in 2019, 2018 and 2017.

30. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

30.1 Supplemental Information on Non-cash Operating and Investing Activities

The following are the significant non-cash transactions of the Group:

(a) 2019

- Inventories increased by P5.0 billion as a result of the repossessions due to cancellation of sales recognized in the prior years (see Note 9). Also, the increase is affected by the additional inventories, as a result of the Group's acquisition of Genvi during the year (see Note 1).

- The Group recognized interest income from loans to a third party amounting to P53.6 million, of which, P5.3 million was uncollected as at December 31, 2019 (see Note 8).

- In 2019, the Group acquired a subsidiary for a total consideration of P2.3 billion, of which, P410.0 million remains unpaid as of December 31, 2019 and is presented as part of Trade and Other Payables account in the 2019 consolidated statement of financial position. Also, P566.7 million of the total consideration was paid in 2018.

(b) *2018*

- The Group recognized a building and transportation equipment amounting to P543.1 million and P1.0 million, respectively, as a result of the rescission of the Deed of Absolute Sale between 8990 HDC and ALRC (see Notes 10 and 11).

- Inventories increased by P2.0 billion as a result of repossessions due to cancellations of sales recognized in prior years (see Note 9).

(c) *2017*

- The inventories increased by P1.7 billion as a result of repossessions due to cancellations of sales recognized in prior years (see Note 9).

- The Group reclassified the advances to PLI and its stockholders amounting to P530.0 million from Trade and Other Receivables to Land Held for Future Development upon consummation of PLI's acquisition (see Note 9).

30.2 Reconciliaiton of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Due to Related Parties (see Note 27)	Bonds Payable (see Note 17)	Loans Payable (see Note 16)	Total
Balance at January 1, 2019	P 56,974,725	P 8,951,507,702	P 15,007,080,238	P 24,015,562,665
Cash flows from financing activities:				
Advances received	26,792,727	-	-	26,792,727
Loan availments	-	-	13,539,033,930	13,539,033,930
Loan repayments	-	-	(10,961,256,942)	(10,961,256,942)
Non-cash financing activities -				
Amortization of bond issue costs	-	24,627,038	-	24,627,028
Balance at December 31, 2019	**P 83,767,452**	**P 8,976,134,740**	**P 17,584,857,226**	**P 26,644,759,418**
Balance at January 1, 2018	P 131,669,888	P 8,928,422,408	P 13,630,440,894	P 22,690,533,190
Cash flows from financing activities:				
Advances received	317,606,794	-	-	317,606,794
Advances settled	(100,387,482)	-	-	(100,387,482)
Loan availments	-	-	8,693,144,320	8,693,144,320
Loan repayments	-	-	(7,316,504,976)	(7,316,504,976)
Non-cash financing activities -				
Advances offset	(291,914,475)	-	-	(291,914,475)
Amortization of bond issue costs	-	23,085,294	-	23,085,294
Balance at December 31, 2018	P 56,974,725	P 8,951,507,702	P 15,007,080,238	P 24,015,562,665

31. EVENTS AFTER THE REPORTING DATE

31.1 Outbreak and Impact of COVID-19

In December 2019, a novel strain of corona virus, COVID-19, was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020. This caused the government to declare a state of public health emergency in the country followed by the implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market. From management's perspective, the severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, valuation of assets, and impact on the Group's customers, suppliers, and employees.

The Group has determined that the foregoing events are non-adjusting subsequent events. Accordingly, such events had no impact on the Group's consolidated financial statements as at and for the year ended December 31, 2019.

While management understands that a prolonged disruption of businesses not only in the Philippines but globally may be detrimental to the Group, it also sees opportunities that it is now evaluating to ensure business continuity. Accordingly, management is very actively monitoring the financial condition and operations of each of the subsidiaries and is prepared to seize any opportunity that comes their way.

Currently, management is preparing for the Group's maturing obligations. To better manage the situations, management has made a baseline assessment of the Group's ability to weather the impact of the crisis and determined that the impact on the Group is likely insignificant based on available information as at the issuance date of the consolidated financial statements for the year ended December 31, 2019.

The following are the highlights of the analysis:

- The Group's units sales for the first half of 2020 is 48% better than the same period in 2019 and 13% above budget for 2020, which shows that its sales is not hampered by the crisis.

- In terms of liquidity, management's cash flow projections show that it will have sufficient cash to meets its working capital requirements. There are various activities being implemented by management such as migration of its buyers' contract to sell to Home Development Mutual Fund and sale of its receivables to financial institutions. The Group is expecting to generate significant cash flows of about P7.1 billion from its existing agreement with a financial institution.

- The Group recalibrated its construction schedule to be more resource efficient while allowing it to meet its annual target by focusing more of its resources on projects that are more saleable. However, all planned acquisitions of land for future development have been put on hold while putting priority on construction of residential real estate rather than development of hotel buildings.

On March 29, 2020, the Parent Company suspended its Share Buyback Program as part of its counter measures in respect of the potential impact of COVID-19 as it continues to spread. Management believes that the suspension is the prudent course of action given the uncertainty and challenges arising from this pandemic (see Note 18.3). As at the same date, the Parent Company has already repurchased 126.6 million of its shares, which amounts to P1,806.5 million. As of July 27, 2020, the Parent Company's common share price is at P8.67 or a market capitalization of P46.7 billion.

The Group continues to closely monitor the situation and is taking appropriate actions to optimize cash flows and minimize costs. The Group has also activated business continuity plans, both at the corporate level and business operations level, and conducted scenario planning and analysis to activate contingency plans.

31.2 Dividend Declaration

On February 3, 2020, the Parent Company's BOD approved the declaration of cash dividend on its 50.0 million Series A preferred shares at a rate of 6.0263% per share or P301.3 million, payable to preferred stockholders of record as of February 17, 2020 and payable on March 2, 2020.

ANNEX F

COVER SHEET

C	S	2	0	0	5	1	1	8	1	6

S.E.C. Registration Number

8990 HOLDINGS, INC.

(Company's Full Name)

11F LIBERTY CENTER, 104 HV DELA COSTA, SALCEDO VILLAGE, MAKATI

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

Roan Buenaventura-Torregoza
Chief Finance Officer
Contact Person/s

(632) 4789659/5333915/5333917
Company Telephone Number

0	**3**		**3**	**1**		**SEC Form 17-Q** **March 31,2020**		**0**	**7**		**2**	**8**
Month			Day			FORM TYPE		Month			Day	

Calendar Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

33	**30**	**3**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2020**

2. Commission identification number **CS 2005 11 816**

3. BIR Tax Identification No **239-508-223-000**

4. Exact name of issuer as specified in its charter

8990 HOLDINGS, INC.

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

11F Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City, 1200 Philippines

8. Issuer's telephone number, including area code **(632) 4789659/5333915/5333917**

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	Number of shares of common stock outstanding and amount of debt outstanding
Common	**5,517,990,720**
Preferred Shares	**50,000,000**
Fixed Rate Bonds	**9,000,000,000**

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:
Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Common Shares**

12. Indicate by check mark whether the registrant:

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

Yes [**√**] No [ ]

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

Yes [**√**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

8990 HOLDINGS, INC AND SUBSIDIARIES
Unaudited Consolidated Statements of Financial Position (in Philippine Peso)

	31-Mar		31-Dec	
	2020 Unaudited	2019 Unaudited	2019 Audited	2018 Audited
ASSETS				
Current Assets				
Cash on hand and in banks	576,195,126	456,984,638	853,902,368	2,143,615,711
Current portion of trade and other receivables	4,558,614,849	3,633,112,293	4,406,960,663	3,158,894,392
Inventories	38,458,610,316	31,637,713,263	36,925,318,545	29,131,375,817
Due from related parties	1,971,609,868	1,492,896,696	1,230,669,970	1,007,656,721
Other current assets	4,424,849,457	4,162,342,363	4,377,768,039	4,262,146,435
Total Current Assets	49,989,879,616	41,383,049,252	47,794,619,585	39,703,689,076
Noncurrent Assets				
Trade and other receivables - net of current portion	19,139,627,867	17,364,185,667	17,790,085,254	17,268,916,719
Available for sale securities	1,212,863,555	1,349,484,111	1,212,863,555	1,349,484,111
Property and equipment	803,597,140	1,351,303,367	808,466,409	826,474,150
Investment properties	304,373,548	265,579,227	313,096,011	183,805,148
Goodwill	526,474,833	-	526,474,833	-
Other noncurrent assets	365,596,205	252,120,345	374,463,516	312,130,501
Total Noncurrent Assets	22,352,533,148	20,582,672,717	21,025,449,579	19,940,810,628
	72,342,412,764	61,965,721,969	68,820,069,163	59,644,499,705
LIABILITIES AND EQUITY				
Current Liabilities				
Current portion of trade and other payables	6,052,844,348	4,834,465,827	6,438,856,129	5,703,346,881
Current portion of loans payable	13,952,542,851	8,188,055,914	11,828,160,185	7,242,845,485
Bonds payable	8,391,497,498		8,385,745,688	
Deposits from customers	853,701,449	522,382,423	905,526,780	518,309,156
Due to related parties	78,688,308	338,302,472	83,767,452	56,974,725
Income tax payable	88,476,508	48,350,929	82,233,768	65,555,280
Total Current Liabilities	29,417,750,961	13,931,557,564	27,724,290,002	13,587,031,527
Noncurrent Liabilities				
Trade and other payables - net of current portion	1,059,949,361	60,099,037	1,059,949,361	190,176,308
Loans payable - net of current portion	6,790,621,778	8,777,487,856	5,756,697,041	7,764,234,753
Bonds payable	590,794,002	8,957,182,592	590,389,052	8,951,507,702
Deferred tax liability	869,986,728	354,420,711	869,986,728	201,168,505
Total Noncurrent Liabilities	9,311,351,867	18,149,190,197	8,277,022,181	17,107,087,268
Total Liabilities	38,729,102,828	32,080,747,761	36,001,312,184	30,694,118,795
Equity				
Capital Stock	5,567,990,720	5,567,990,720	5,567,990,720	5,567,990,720
Additional paid-in capital	9,303,641,204	9,303,641,204	9,303,641,204	9,303,641,204
Treasury Shares	(1,717,709,658)	(243,347,368)	(1,266,523,478)	
Revaluation reserve	794,938,306	937,243,793	794,938,306	937,243,793
Retained earnings	19,664,449,364	14,319,445,859	18,418,710,227	13,141,505,193
Total Equity	33,613,309,936	29,884,974,208	32,818,756,979	28,950,380,910
	72,342,412,765	61,965,721,969	68,820,069,163	59,644,499,705

8990 HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Comprehensive Income (in Philippine Peso)

	For three months ended March 31		For years ended December 31	
	2020 Unaudited	2019 Unaudited	2019 Audited	2018 Audited
REVENUES				
Real Estate Operations				
Real estate sales	3,384,261,927	2,903,891,985	14,873,220,812	11,677,869,283
Rental income	1,398,870	1,292,690	16,469,214	12,508,357
Others	79,865,184	105,187,041	386,815,133	55,496,721
	3,465,525,982	3,010,371,716	15,276,505,158	11,745,874,362
Gain on Sale of Preferred Shares	-	-	-	-
	3,465,525,982	3,010,371,716	15,276,505,158	11,745,874,362
COST OF SALES AND SERVICES				
Real Estate Operations				
Cost of real estate sales	1,492,750,142	1,291,063,385	6,853,164,352	5,263,869,231
Cost of rental services	-	-	265,056	1,774,863
Others	50,035,965	40,808,636	157,331,927	16,335,911
	1,542,786,107	1,331,872,021	7,010,761,335	5,281,980,005
Gross Income	1,922,739,875	1,678,499,696	8,265,743,824	6,463,894,358
Operating Expenses	557,099,572	460,713,716	2,474,326,180	1,985,624,275
Other Operating Income	256,044,922	298,369,168	1,689,669,223	1,403,930,328
Finance Costs	269,338,731	292,825,288	1,621,737,017	1,204,575,440
Operating Income	1,352,346,493	1,223,329,859	5,859,349,850	4,677,624,970
Other Income	-	-	-	130,437
Income Before Income Tax from Continuing Operations	1,352,346,493	1,223,329,859	5,859,349,850	4,677,755,408
Provision for Income Tax	31,377,637	45,389,192	280,829,816	2,857,572
Net Income	1,320,968,857	1,177,940,666	5,578,520,034	4,674,897,835
Other Comprehensive Loss	-	-	(142,305,487)	83,935,932
Total Comprehensive Income	1,320,968,857	1,177,940,666	5,436,214,547	4,758,833,767

8990 HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Changes in Equity (in Philippine Peso)

	For the years ended March 31, 2020									
	Capital Stock	Subscribed Capital Stock	Treasury Shares	Additional Paid in Capital	on Post-employment Benefit Plan	Investment Securities thorugh FVOCI	Equity Reserve	Subtotal	Retained Earnings	Total
Balance at January 1, 2020	5,567,990,720	-	(1,266,523,478)	9,303,641,204	(5,620,730)	800,559,036	-	794,938,306	18,418,710,227	32,818,756,980
Cash dividends declared by the Parent Company								-	(75,229,720)	(75,229,720)
Restatement of previous years (Effect of PFRS15 adjustments on Genvi)								-		-
Treasury Shares			(451,186,180)					-		(451,186,180)
Other Comprehensive Income								-		-
Comprehensive income for the year								-	1,320,968,857	1,320,968,857
Balance at March 31, 2020	5,567,990,720	-	(1,717,709,658)	9,303,641,204	(5,620,730)	800,559,036	-	794,938,306	19,664,449,364	33,613,309,936
Balance at January 1, 2019	5,567,990,720	-		9,303,641,204	64,201	937,179,592		937,243,793	13,141,505,193	28,950,380,910
Cash dividends declared by the Parent Company								-	(301,315,000)	(301,315,000)
Restatement of previous years (Effect of PFRS15 adjustments on Genvi)								-		-
Treasury Shares			(1,266,523,478)					-		(1,266,523,478)
Other Comprehensive Income					(5,684,931)			(5,684,931)		(5,684,931)
Comprehensive income for the year						(136,620,556)		(136,620,556)	5,578,520,034	5,441,899,478
Balance at December 31, 2019	5,567,990,720	-	(1,266,523,478)	9,303,641,204	(5,620,730)	800,559,036	-	794,938,306	18,418,710,227	32,818,756,979
Balance at January 1, 2018										
As previously reported	5,567,990,720	-		9,303,641,204	(2,479,173)	-	-	(2,479,173)	11,832,097,031	26,701,249,782
Effect of adoption of PFRS 9						855,787,034		855,787,034	(53,451,381)	802,335,653
As restated	5,567,990,720	-		9,303,641,204	(2,479,173)	855,787,034	-	853,307,861	11,778,645,650	27,503,585,435
Cash dividends declared by the Parent Company	-	-		-			-	-	(3,336,209,896)	(3,336,209,896)
Comprehensive income for the year								-		-
Net income								-	4,674,897,835	4,674,897,835
Other comprehensive income					2,543,374	105,564,162		108,107,536		108,107,536
Transfer of fair value gain on investment securities at FVOCI	-	-		-		(24,171,604)	-	(24,171,604)	24,171,604	-
Balance at December 31, 2018	5,567,990,720	-		9,303,641,204	64,201	937,179,592	-	937,243,793	13,141,505,193	28,950,380,910

	For three months ended March 31, 2019									
	Capital Stock	Subscribed Capital Stock	Treasury Shares	Additional Paid in Capital	on Post-employment Benefit Plan	Investment Securities thorugh FVOCI	Equity Reserve	Subtotal	Retained Earnings	Total
Balance at January 1, 2019	5,567,990,720	-	-	9,303,641,204	64,201	937,179,592	-	937,243,793	13,141,505,193	28,950,380,910
Cash dividends declared by the Parent Company								-	-	-
Restatement of previous years (Effect of PFRS15 adjustments on Genvi)								-		-
Treasury Shares			(243,347,368)					-		(243,347,368)
Other Comprehensive Income								-		-
Comprehensive income for the year								-	1,177,940,666	1,177,940,666
Balance at March 31, 2019	5,567,990,720	-	(243,347,368)	9,303,641,204	64,201	937,179,592	-	937,243,793	14,319,445,859	29,884,974,208

8990 HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Consolidated Statements of Cash Flows (in Philippine Peso)

	For three months ended March 31		For years ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,352,346,493	1,223,329,859	5,859,349,850	4,677,755,407
Adjustments for:				
Interest income	(213,435,495)	(267,627,146)	(1,217,507,161)	(1,212,646,509)
Finance cost	248,624,463	292,519,112	1,596,179,807	1,181,272,643
Write-off of assets	-	-	37,137,321	-
Provision for credit and impairment losses	-	-	112,394,407	74,788,837
Depreciation and amortization	22,561,732	22,550,077	110,338,448	73,826,233
Amortization of discount on bonds payable	6,156,759	5,674,890	24,627,038	23,085,294
Loss (gain) on repossession	-	-	(125,869,859)	97,680,357
Gain on sale of AFS				
Gain on sale of building and improvements	-	-		(130,437)
Retirement Expense	-	-	1,837,185	2,185,046
Operating income before changes in working capital	1,416,253,952	1,276,446,791	6,398,487,036	4,917,816,869
Changes in operating assets and liabilities				
Decrease (increase) in:				
Trade and other receivables	(1,501,196,799)	(569,486,849)	(1,330,792,994)	2,924,002,315
Inventories	(1,633,067,073)	(3,061,957,527)	(4,966,678,832)	(2,813,358,839)
Other assets	(38,214,108)	159,814,228	(659,650,525)	(2,051,701,326)
Increase (decrease) in:				
Trade and other payables	(386,011,781)	(998,958,324)	441,091,671	1,371,747,790
Deposits from customers	(51,825,331)	4,073,267	387,217,624	76,833,397
Net cash used in operations	(2,194,061,140)	(3,190,068,415)	269,673,980	4,425,340,206
Interest received	229,011,078	267,663,997	1,169,174,348	1,196,297,372
Income tax paid	(25,134,897)	90,658,663	(259,577,808)	(329,683,420)
Net cash from (used in) operating activities	(1,990,184,959)	(2,831,745,753)	1,179,270,520	5,291,954,158
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of business			(1,360,765,328)	(566,661,963)
Cash advance to related parties	(5,079,144)	281,327,747	(404,913,621)	(931,719,419)
Loans granted to a third party			(82,947,517)	(314,005,923)
Collections of advances to related parties			109,303,950	103,418,758
Interest received from loans to a third party			48,332,813	16,195,773
Acquisitions of:				
Property and equipment		(73,320,142)	(78,241,258)	(41,820,902)
Investment properties		-	(135,337,479)	(827,457)
Proceeds from (Acquisition of) Investment properties		(250,000)	-	-
Proceeds from:				
Sale of AFS				32,031,175
Disposal of property and equipment				466,410
Net cash used in investing activities	(5,079,144)	207,757,605	(1,904,568,440)	(1,702,923,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment (retirement) of loans payable	3,158,307,403	1,958,463,532	2,577,776,988	1,376,639,344
Interest paid on loans and bonds	(248,624,463)	(292,519,112)	(1,631,734,875)	(1,080,483,953)
Decrease (increase) in the amount of due from related partie	(740,939,898)	(485,239,975)	26,792,727	217,219,312
Buyback of shares (Treasury shares)	(451,186,180)	(243,347,368)	(1,266,523,478)	
Payment of cash dividends	-	-	(301,315,000)	(3,336,209,896)
Net cash provided by financing activities	1,717,556,862	937,357,077	(595,003,638)	(2,822,835,193)
Effect of changes in foreign exchange rates on hand and in b	-	-	-	-
Net increase (decrease) in cash on hand and in banks	(277,707,242)	(1,686,631,073)	(1,320,301,558)	766,195,416
Cash of newly acquired subsidiary			30,588,215	
Cash Balance at the beginning of the year	853,902,368	2,143,615,711	2,143,615,711	1,377,420,295
Cash Balance at the end of the year	576,195,126	456,984,638	853,902,368	2,143,615,711

8990 HOLDINGS, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2019.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying reports. The estimates and assumptions used on the accompanying unaudited financial statements are based upon management's evaluation of relevant facts and circumstances which are used as indicators affecting the results as of the date of the unaudited financial statements. Actual results could differ from such estimates.

The accompanying unaudited financial statements have been prepared on a historical cost basis. Further, this has been presented in Philippine peso, the functional currency of 8990 Holdings, Inc. All values are rounded to the nearest peso except when otherwise indicated.

2. Basis of Consolidation

The unaudited consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries:

- 8990 Housing Development Corporation
- Fog Horn, Inc.
- 8990 Luzon Housing Development Corporation
- 8990 Davao Housing Development Corporation
- 8990 Mindanao Housing Development Corporation
- 8990 Leisure and Resorts Corporation

Control is achieved when the Parent Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- The contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The consolidated financial statements are prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

When there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e. controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such business combinations similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values in the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction.

The Group recorded the above difference as Equity Reserve and is presented as a separate component of equity in the consolidated statement of financial position. Comparatives shall be restated to include balances and transactions as if the entities had been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of combination.

The Group consolidated the assets, liabilities, income and expenses of the Parent Company starting May 2012, which was the date when the controlling shareholders acquired or gained control over the Parent Company.

3. Segment Information

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

Low-cost mas Mass Housing
This segment pertains to the housing market segment of the Group. It caters to the development and sale of residential lots and units.

Medium-rise Condominium Units
This segment pertains to the medium-rise condominium segment of the Group. It caters to the development and sale of condominium units.

High-rise Condominium Units
This segment pertains to the high-rise condominium segment of the Group. It caters to the development and sale of condominium units with more than four (4) storeys.

Hotel Operations
This segment pertains to the activities from hotel operations, which are considered incidental revenues while the Group has not yet sold all of the timeshares of its vacation hotel, Azalea Baguio Residences.

The hotel operation's peak season is during the holiday and summer seasons. For other supplementary businesses, there is no significant seasonality that would materially affect their operations. This information is provided to allow for a proper appreciation of the results of the Company's operations.

The Group has only one geographical business segment as all the assets and liabilities are located in the Philippines. The Group derives all of its revenues from domestic operations. Thus, geographical business segment information is not presented. No operating segments have been aggregated to form the above operating business segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss. The presentation and classification of segment revenues and expenses are consistent with the consolidated statements of comprehensive income. This segment information is presented monthly to the Parent Company' BOD who is the Chief Operating Decision Maker. Finance income consists on interest earned from installment contract receivables and deposits in banks.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the statement of financial position which is in accordance with PFRS. Capital expenditures represent acquisitions of 'Land held for future development', 'Property and equipment', and 'Investment properties'. The Group has no significant customer which contributes 10% or more of their segment revenue.

4. Cash on Hand and in Banks

This account consists of:

	31-Mar		31-Dec	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Cash on hand	22,830,182	13,360,594	22,536,313	11,036,127
Cash in banks	553,364,944	443,624,044	831,366,055	2,132,579,584
	576,195,126	456,984,638	853,902,368	2,143,615,711

5. Trade and Other Receivables

This account consists of:

	31-Mar		31-Dec	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Trade Receivables				
Installment contract receivables	2,754,718,890	1,106,787,064	2,634,787,842	1,045,810,025
Finance Lease Receivables	10,962,314		49,518,866	21,278,199
Advances to external marketing manager	60,856,698	60,856,698	60,856,698	60,856,698
Retention Receivables	1,082,668,539	652,268,932	1,150,201,828	1,037,059,685
Receivables from employees	594,886,649	436,209,667	507,462,799	495,681,725
Contract assets	65,005,815		65,005,815	
Other Receivables	349,309,743	1,665,988,223	298,920,612	841,606,497
	4,918,408,647	3,922,110,584	4,766,754,461	3,502,292,829
Less: Allowance for impairment losses	359,793,798	288,998,291	359,793,798	343,398,437
	4,558,614,849	3,633,112,293	4,406,960,663	3,158,894,392
Non current				
Trade Receivables				
Installment contract receivables	17,657,405,359	16,370,981,256	16,888,662,265	16,508,118,092
Finance Lease Receivables	1,085,269,068	-	504,469,549	446,792,704
Loans Receivable	396,953,440		396,953,440	314,005,923
Retention Receivables	-	993,204,411	-	-
	19,139,627,867	17,364,185,667	17,790,085,254	17,268,916,719
	23,698,242,716	20,997,297,959	22,197,045,917	20,427,811,111

Eighty one percent (81%) of total receivables of the Company are on long-term basis. Current portion of installment contract receivables stands at PhP2,765.7 million which pertains to portion of receivables from buyers due within one (1) year.

6. Inventories

This account consists of:

	31-Mar		31-Dec	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Real estate inventories				
Low-cost mass housing	21,865,108,601	12,655,085,305	19,543,242,901	12,795,931,788
Medium-rise condominium units	1,260,653,404	2,214,639,928	1,693,461,140	1,466,450,795
High-rise condominium units	15,332,848,311	16,767,988,029	15,688,614,504	14,868,993,234
	38,458,610,316	31,637,713,263	36,925,318,545	29,131,375,817

7. Available for Sale Securities

Azalea Resorts Residences Corporation (ALRC) acquired the building, which is the subject of the timeshare inventory of the Company. The Company in turn invested in the common shares (representing 45% ownership) and in the preferred shares of ALRC. ALRC's primary purpose is to operate, maintain and/or manage a membership club. ALRC's preferred shares represent membership rights to the club including the right to use a specific unit of the building acquired from the Group and other facilities/amenities for one day per calendar year.

8. Other Assets

This account consists of:

	31-Mar		31-Dec	
	2020 Unaudited	2019 Unaudited	2019 Audited	2018 Audited
Current				
Advances to contractors and brokers	3,747,829,291	3,343,569,415	3,555,673,047	3,470,575,004
Input tax	180,597,470	392,325,884	337,661,047	401,731,915
Advances to landowners	157,974,773	202,799,200	126,814,119	202,799,200
Creditable withholding tax	216,969,414	56,574,097	213,484,734	107,170,936
Prepaid expenses	87,320,460	129,921,348	112,056,869	84,993,113
Advances to brokers	39,969,681	37,801,628	39,969,681	37,801,628
Others	99,563,572	12,342,364	47,483,745	12,449,843
	4,530,224,660	4,175,333,937	4,433,143,242	4,317,521,638
Less: Allowance for impairment losses	55,375,203	12,991,574	55,375,203	55,375,203
	4,474,849,457	4,162,342,363	4,377,768,039	4,262,146,435
Non-current				
Deposits	253,518,777	155,339,106	160,161,205	154,914,523
Investment in joint operations			127,322,806	91,231,192
Software cost	44,782,402	1,492,522	49,364,636	1,492,522
Right of use assets - net	4,872,301		4,872,301	
Others	214,934,700	96,900,000	35,254,541	67,004,238
	518,108,179	253,731,629	376,975,490	314,642,475
Less: Allowance for impairment losses	2,511,974	1,611,284	2,511,974	2,511,974
	515,596,205	252,120,345	374,463,516	312,130,501
	4,990,445,663	4,414,462,707	4,752,231,555	4,574,276,936

9. Property and Equipment

This account consists of:

	31-Mar-20 Unaudited								
	Land	Building	Land Improvements	Leasehold Improvements	Furnitures and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Total
Cost									
Balances at beginning of year	107,405,010	610,023,700	10,458,647	31,182,531	127,932,343	115,365,420	142,711,875	27,975,413	1,173,054,939
Additions									-
Transfers/Disposals									-
Balances at end of year	**107,405,010**	**610,023,700**	**10,458,647**	**31,182,531**	**127,932,343**	**115,365,420**	**142,711,875**	**27,975,413**	**1,173,054,939**
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	65,519,356	10,458,647	18,394,817	75,785,836	79,233,865	106,226,011	-	355,618,531
Depreciation and Amortization	-	856,482		1,080,800	4,217,038	3,037,767	4,647,181		13,839,269
Transfers/Disposals	-								-
Balances at end of year	-	66,375,838	10,458,647	19,475,617	80,002,874	82,271,632	110,873,191	-	369,457,800
Accumulated Impairment Losses									
Balances at beginning of year	-	-	-	-	-	-	-	-	-
Provision for impairment loss	-	-	-	-	-	-	-	-	-
Balances at end of year	-	-	-	-	-	-	-	-	-
Net Book Value	**107,405,010**	**543,647,862**	**0**	**11,706,914**	**47,929,469**	**33,093,788**	**31,838,683**	**27,975,413**	**803,597,140**

31-Mar-19
Unaudited

	Land	Building	Land Improvements	Leasehold Improvements	Furnitures and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Total
Cost									
Balances at beginning of year	107,405,010	609,057,527	10,458,647	28,941,424	106,594,476	73,756,767	139,576,505	19,023,326	1,094,813,681
Additions	-	-			29,915,172	14,976,067	8,085,706	20,343,197	73,320,142
Transfers/Disposals	-	472,796,024							472,796,024
Balances at end of year	**107,405,010**	**1,081,853,551**	**10,458,647**	**28,941,424**	**136,509,648**	**88,732,834**	**147,662,211**	**39,366,523**	**1,640,929,847**
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	35,248,780	10,458,647	13,595,946	56,133,109	55,870,079	88,062,971	-	259,369,531
Depreciation and Amortization		1,384,081	0	914,042	9,154,827	5,043,433	4,790,566	-	21,286,950
Transfers/Disposals									-
Balances at end of year	-	36,632,861	10,458,647	14,509,988	65,287,936	60,913,512	92,853,537	-	280,656,481
					-	-	-		
Accumulated Impairment Losses									
Balances at beginning of year	8,970,000	-	-	-	-	-	-		8,970,000
Provision for impairment loss	-	-	-	-	-	-	-	-	-
Balances at end of year	8,970,000	-	-	-	-	-	-	-	8,970,000
Net Book Value	**98,435,010**	**1,045,220,691**	**(0)**	**14,431,436**	**71,221,711**	**27,819,322**	**54,808,674**	**39,366,523**	**1,351,303,367**

31-Dec-19

Unaudited

	Land	Building	Land Improvements	Leasehold Improvements	Furnitures and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Total
Cost									
Balances at beginning of year	107,405,010	609,057,527	10,458,647	28,941,424	106,594,476	73,756,767	139,576,505	19,023,326	1,094,813,681
Additions	-	966,173	-	2,241,108	21,337,867	38,008,653	6,735,370	8,952,087	78,241,258
Transfers/Disposals	-	-	-	-	-	3,600,000	(3,600,000)	-	-
Balances at end of year	**107,405,010**	**610,023,700**	**10,458,647**	**31,182,531**	**127,932,343**	**115,365,420**	**142,711,875**	**27,975,413**	**1,173,054,939**
						4,093,779.80	141,817,896	5,623,938	151,535,613
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	35,248,780	10,458,647	13,595,946	56,133,109	55,870,079	88,062,971	-	259,369,531
Depreciation and Amortization	-	30,270,576	-	4,798,871	19,652,726	23,063,786	18,463,040	-	96,249,000
Transfers/Disposals	-	-	-	-	-	300,000	(300,000)	-	-
Balances at end of year	-	65,519,356	10,458,647	18,394,817	75,785,836	79,233,865	106,226,011	-	355,618,531
Accumulated Impairment Losses									
Balances at beginning of year	8,970,000	-	-	-	-	-	-	-	8,970,000
Provision for impairment loss	-	-	-	-	-	-	-	-	-
Balances at end of year	8,970,000	-	-	-	-	-	-	-	8,970,000
Net Book Value	**98,435,010**	**544,504,344**	**0**	**12,787,715**	**52,146,507**	**36,131,555**	**36,485,864**	**27,975,413**	**808,466,409**

31-Dec-18

Unaudited

	Land	Building	Land Improvements	Leasehold Improvements	Furnitures and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Total
Cost									
Balances at beginning of year	107,405,010	57,548,576	10,458,647	20,687,019	85,982,371	66,943,489	141,847,857	26,618,286	517,491,255
Additions	-	543,075,127	-	8,254,405	20,662,551	6,813,278	6,293,948	838,864	585,938,173
Transfers/Disposals	-	8,433,824	-	-	(50,446)	-	(8,565,300)	(8,433,824)	(8,615,746)
Balances at end of year	**107,405,010**	**609,057,527**	**10,458,647**	**28,941,424**	**106,594,476**	**73,756,767**	**139,576,505**	**19,023,326**	**1,094,813,681**
						-	-	-	-
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	22,941,670	10,417,323	9,939,779	39,857,353	43,102,211	72,618,024	-	198,876,359
Depreciation and Amortization	-	12,307,110	41,324	3,656,167	16,308,546	12,767,868	23,691,931	-	68,772,945
Transfers/Disposals	-	-	-	-	(32,790)	-	(8,246,983)	-	(8,279,773)
Balances at end of year	-	35,248,780	10,458,647	13,595,946	56,133,109	55,870,079	88,062,971	-	259,369,531
Accumulated Impairment Losses									
Balances at beginning of year	8,970,000	-	-	-	-	-	-	-	8,970,000
Provision for impairment loss	-	-	-	-	-	-	-	-	-
Balances at end of year	8,970,000	-	-	-	-	-	-	-	8,970,000
Net Book Value	**98,435,010**	**573,808,748**	**0**	**15,345,478**	**50,461,366**	**17,886,688**	**51,513,534**	**19,023,326**	**826,474,150**

10. Investment Properties

This account consists of:

	31-Mar-20 Unaudited			
	Land	Building	Land Improvements	Total
Cost				
Balances at beginning of year	245,122,977	9,737,805	101,171,390	356,032,171
Additions	-			-
Transfers/Reclassification to REI				-
Balances at end of year	245,122,977	9,737,805	101,171,390	356,032,171
Accumulated Depreciation and Amortization				
Balances at beginning of year	-	4,383,233	38,552,928	42,936,161
Depreciation and Amortization		992,757	7,729,706	8,722,463
Balances at end of year	-	5,375,990	46,282,634	51,658,624
Net Book Value	**245,122,977**	**4,361,815**	**54,888,755**	**304,373,548**

	31-Mar-19 Unaudited			
	Land	Building	Land Improvements	Total
Cost				
Balances at beginning of year	119,030,686	8,832,630	92,831,377	220,694,693
Additions	-			-
Transfers/Reclassification to REI			83,037,661	83,037,661
Balances at end of year	119,030,686	8,832,630	175,869,038	303,732,354
Accumulated Depreciation and Amortization				
Balances at beginning of year	-	3,941,601	32,947,944	36,889,545
Depreciation and Amortization		110,408	1,153,174	1,263,582
Balances at end of year	-	4,052,009	34,101,118	38,153,127
Net Book Value	**119,030,686**	**4,780,621**	**141,767,921**	**265,579,227**

	31-Dec-19 Audited			
	Land	Building	Land Improvements	Total
Cost				
Balances at beginning of year	119,030,686	8,832,630	92,831,377	220,694,693
Additions	126,092,291	905,175	8,340,013	135,337,479
Transfers/Reclassification to REI		-		-
Balances at end of year	245,122,977	9,737,805	101,171,390	356,032,171
	1,767,625	5,623,938	5,705,064	
Accumulated Depreciation and Amortization				
Balances at beginning of year	-	3,941,601	32,947,944	36,889,545
Depreciation and Amortization	-	441,631	5,604,984	6,046,616
Balances at end of year	-	4,383,233	38,552,928	42,936,161
		-	383,559,019	
Net Book Value	**245,122,977**	**5,354,572**	**62,618,462**	**313,096,011**

	31-Dec-18 Audited			
	Land	Building	Land Improvements	Total
Cost				
Balances at beginning of year	226,791,891	8,832,630	92,003,920	327,628,440
Additions	-	-	827,457	827,457
Transfers/Reclassification to REI	(107,761,205)	-		(107,761,205)
Balances at end of year	119,030,686	8,832,630	92,831,377	220,694,693
	-	-	-	
Accumulated Depreciation and Amortization				
Balances at beginning of year	-	3,499,970	28,336,289	31,836,259
Depreciation and Amortization	-	441,631	4,611,654	5,053,286
Balances at end of year	-	3,941,601	32,947,944	36,889,545
		-	-	
Net Book Value	**119,030,686**	**4,891,029**	**59,883,433**	**183,805,148**

11. Trade and Other Payables

This account consists of:

	31-Mar		31-Dec	
	2020 Unaudited	2019 Unaudited	2019 Audited	2018 Audited
Current				
Trade and accounts payables	2,242,353,988	1,394,072,398	2,552,798,595	2,391,507,096
Accrued expenses	2,067,650,847	1,350,364,995	2,216,431,615	1,912,505,106
Interest Payable	69,023,651	232,273,913	181,056,192	216,611,260
Retention payables	633,946,989		461,554,626	365,376,921
Withholding tax payables	41,470,743	102,434,579	75,499,691	94,852,634
Construction bonds	75,385,068	67,658,270	77,830,455	64,252,002
Net out put tax	107,327,959	193,379,852	101,803,864	174,806,382
Lease liabilities	4,991,632		4,991,632	-
Others	810,693,471	1,494,281,820	746,606,954	483,435,480
	6,052,844,348	4,834,465,827	6,418,573,624	5,703,346,881
Non-current				
Trade and accounts payables		56,518,874	-	-
Contract liability	858,291,119		858,291,119	-
Pension Liability	10,580,053	3,580,163	10,580,053	3,440,369
Retention payables	191,006,930		191,006,930	186,735,939
Lease Liabilities	71,259	-	71,259	-
	1,059,949,361	60,099,037	1,059,949,361	190,176,308
	7,112,793,709	4,894,564,864	7,478,522,985	5,893,523,189

12. Loans Payable

This account consists of:

	31-Mar		31-Dec	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Short-term loans payable	13,952,542,851	8,188,055,914	11,828,160,185	7,242,845,485
Long-term loans payable	6,790,621,778	8,777,487,856	5,756,697,041	7,764,234,753
	20,743,164,629	16,965,543,770	17,584,857,226	15,007,080,238

13. Deposits from Customers

This account represents downpayments made by the real estate buyers for the purchase of residential housing units and timeshares. Once the residential unit is ready for occupancy, delivered and accepted by the buyer, the amount is removed from the liability account and is classified as part of sales.

14. Revenue

This account consists of:

	Three Months Ended March 31		Years Ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Real estate				
Low-cost mass housing	1,027,678,228	1,319,690,947	4,314,688,780	5,525,764,601
Medium-rise condominium ui	534,140,705	877,930,268	2,386,196,242	2,730,480,016
High-rise condominium units	1,822,442,995	706,270,770	8,172,335,789	3,421,624,666
	3,384,261,927	2,903,891,985	14,873,220,812	11,677,869,283
Rental income	1,398,870	1,292,690	16,469,214	12,508,357
Hotel operations	79,865,184	105,187,041	386,815,132	55,496,721
	3,465,525,982	3,010,371,716	15,276,505,158	11,745,874,361
Sale of Timeshares	-	-	-	-
	3,465,525,982	3,010,371,716	15,276,505,158	11,745,874,361

15. Cost of Sales and Services

This account consists of:

	Three Months Ended March 31		Years Ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Real estate				
Low-cost mass housing	568,772,728	635,003,188	2,843,321,560	2,585,974,482
Medium-rise condominium units	281,390,646	382,785,994	1,140,959,980	1,085,120,332
High-rise condominium units	642,586,767	273,274,203	2,868,882,812	1,592,774,417
	1,492,750,142	1,291,063,385	6,853,164,352	5,263,869,231
Cost of rental services	-	-	265,056	1,774,863
Cost of hotel operations	50,035,965	40,808,636	157,331,927	16,335,910
	1,542,786,107	1,331,872,020	7,010,761,335	5,281,980,004
Timeshare and Hotel Operations				
Timeshare	-	-	-	-
	1,542,786,107	1,331,872,020	7,010,761,335	5,281,980,004

16. Operating Expenses

This account consists of:

	Three Months Ended March 31		Years Ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Marketing and selling	178,429,822	148,056,419	767,070,731	518,489,233
Documentation	102,763,920	60,488,080	368,312,230	353,856,036
Taxes and licenses	88,961,528	70,572,887	264,466,040	258,771,880
Salaries and employee benefits	30,146,078	19,602,563	161,295,821	143,952,161
Advertising and promotional		26,458,667	59,663,286	78,585,404
Management and professional fees	23,614,942	14,409,270	87,077,579	60,722,448
Communication, light and water	10,679,360	11,391,680	49,846,373	35,768,137
Expected credit and impairment losses			112,394,407	83,902,837
Security, messengerial and janitorial	17,127,582	15,504,556	89,353,701	64,316,497
Depreciation and amortization	22,561,732	22,550,077	110,338,448	73,826,231
Transportation and travel	9,684,479	21,141,276	57,970,446	39,463,705
Repairs and maintenance	29,588,458	24,966,446	83,195,522	75,092,281
Entertainment, amusement and representation	12,028,001	4,802,590	43,924,598	30,751,734
Donations and contributions				-
Rent	5,315,127	6,721,131	25,330,108	23,029,643
Supplies	4,063,200	3,882,865	16,924,617	13,211,175
Insurance	646,313	2,932,554	12,585,421	11,619,838
Losses from assets wrirten off			37,137,321	-
Subscription dues and fees	5,326,045	1,991,150	9,516,593	6,009,891
Loss on repossession			-	97,680,357
Miscellaneous	16,162,983	5,241,505	117,922,935	16,574,787
	557,099,572	460,713,716	2,474,326,180	1,985,624,275

17. Finance Costs

This account consists of:

	Three Months Ended March 31		Years Ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Borrowings	103,522,362	147,417,011	1,036,121,342	620,403,033
Accretion	-	-	24,627,038	23,085,294
Bonds	145,102,101	145,102,101	560,058,465	559,872,605
Bank charges	20,714,268	306,176	930,173	997,005
Net interest expense on pension obligation			-	217,503
	269,338,731	292,825,288	1,621,737,017	1,204,575,440

18. Other Operating Income

This account consists of:

	Three Months Ended March 31		Years Ended December 31	
	2020	2019	2019	2018
	Unaudited	Unaudited	Audited	Audited
Interest Income from:				
Installment contract receivables	213,435,495	267,627,146	1,161,488,440	1,187,286,755
Cash in banks and long term investments	15,575,582	36,851	56,018,721	9,163,979
Loans receivable			54,154,064	16,195,774
Penalties	17,041,392	13,818,996	62,523,180	40,423,486
Gain on repossession of inventories	-	-	125,869,859	-
Maintenance fee	1,450,125		-	-
Reversal of credit losses			87,764,931	
Collection service fees			-	-
Loss on sale of a subsidiary				
Gain on sale of unquoted debt security classified as loans				
Miscellaneous	8,542,327	16,886,174	141,850,028	150,860,334
	256,044,922	298,369,168	1,689,669,223	1,403,930,328

Item 2. Management Discussions and Analysis

Financial Highlights and Key Performance Indicators

Table below shows comparative consolidated balance sheet financial highlights of 8990 Holdings, Inc. for three months ended March 31, 2020 and 2019, both unaudited.

Consolidated Balance Sheet	As of March 31, 2020 Unaudited	As of March 31, 2019 Unaudited	Increase Amount	%
Total Assets	72,342,412,764	61,965,721,969	10,376,690,795	16.75%
Current Assets	49,989,879,616	41,383,049,252	8,606,830,363	20.80%
Trade Receivables	23,698,242,716	20,997,297,959	2,700,944,757	12.86%
Total Liabilities	38,729,102,828	32,080,747,761	6,648,355,068	20.72%
Current Liabilities	29,417,750,961	13,931,557,564	15,486,193,397	111.16%
Loans Payable	20,743,164,629	16,965,543,770	3,777,620,859	22.27%
Stockholder's Equity	33,613,309,936	29,884,974,208	3,728,335,728	12.48%
Permitted Liens	7,234,241,276	6,196,572,197		
Loans under Permitted Liens	856,488,683	206,894,273		

Table below shows comparative consolidated statement of income financial highlights of 8990 Holdings, Inc. for three months ended March 31, 2020 and 2019, both unaudited.

Consolidated Statements of Income	As of March 31, 2020 Unaudited	As of March 31, 2019 Unaudited	Increase Amount	%
Revenue	3,465,525,982	3,010,371,716	455,154,266	15.12%
Gross Income	1,922,739,875	1,678,499,696	244,240,179	14.55%
Operating Expenses	557,099,572	460,713,716	96,385,856	20.92%
Net Operating Income	1,365,640,303	1,217,785,980	147,854,323	12.14%
EBITDA	1,644,246,957	1,538,705,224	105,541,733	6.86%
Net Income Before Tax	1,352,346,493	1,223,329,859	129,016,634	10.55%
Net Income After Tax	1,320,968,857	1,177,940,666	143,028,190	12.14%

Tables below show quarter one 2020 key performance indicators of the Company, with relevant comparative figures.

Key Performance Indicators	As of March 31, 2020 Unaudited	As of March 31, 2019 Unaudited	Bond Covenant
Current Ratio	1.70	2.97	minimum 1.0
Book Value Per Share	5.14	5.37	
Debt to Equity Ratio	1.15	1.07	
Net Debt to Equity Ratio	0.62	0.85	maximum 1.5
Asset to Equity Ratio	2.15	2.07	
Asset to Debt Ratio	1.87	1.93	
Debt Service Ratio*	4.03	5.21	minimum 1.25
Interest Coverage Ratio	13.19	8.26	

**immediately preceding 12 months of the review period*

Key Performance Indicators	As of March 31, 2020 Unaudited	As of March 31, 2019 Unaudited
Gross Margin	55.48%	55.76%
EBITDA Margin	47.45%	51.11%
Net Income Margin	38.12%	39.13%

Description of Consolidated Statements of Comprehensive Income Line Items

Revenue

8990 Holdings, Inc.'s (the Company) sales primarily comprise revenues received from its sales of low-cost mass housing units and subdivision lots and medium-rise building housing units, as well as revenues derived from its rental and hotel operations.

Cost of Sales and Services

Cost of sales and services comprises of the Company's costs of sales from its low-cost mass housing sales of housing units and subdivision lots, costs of sales from sales of medium-rise condominium units, costs of sales from sales of medium-rise condominium units, and costs of sales from rental and hotel operations.

Operating Expenses

Operating expenses generally include selling and administrative costs that are not directly attributable to the services rendered. Operating expenses of the Company comprise expenses related to marketing and selling, documentation, taxes and licenses, salaries and employment benefits, write-off of assets, provisions for impairment losses, management and professional fees, communication, light and water, provisions for probable losses, security, messengerial and janitorial services, depreciation and amortization, transportation and travel, repairs and maintenance, rent, entertainment, amusement and representation, supplies, provisions for write-down, subscription dues and fees and miscellaneous expenses (such as extraordinary documentation expenses, liquidation and donation expenses, as well as other expenses).

Finance Costs

Finance costs comprise costs associated with the Company's borrowings, accretion of interest, bank charges and net interest expense on its pension obligations.

Other Income

Other income comprises the Company's interest income from its installment contract receivables, cash in bank and long-term investments. Other income of the Company also comprises income from water supply, gain on repossession of delinquent units and associated penalties, rent income, collection service fees and other miscellaneous income (such as gain from sales cancellations, retrieval fees, association due and transfer fee). The Company also recorded other gains and losses such as a gain from the sale of unquoted debt security classified as loans, and other expenses such as a loss on the sale of a subsidiary.

Provision for Income Tax

Provision for income tax comprises the Company's provisions for regular and minimum corporate income taxes, final taxes to be paid as well as deferred income tax liabilities recognized.

Results of Operations

Three months ended March 31, 2020 compared to three months ended March 31, 2019

Revenue

For the three months ended March 31, 2020, the Company recorded consolidated revenue of PhP3,465.5 million, an increase of 15% from consolidated revenue of PhP3,010.4 million recorded for the three months ended March 31, 2019. The increase was mainly attributable to the increased sales in NCR, Bacolod and Davao.

Cost of Sales and Services

The Company's consolidated cost of sales and services for the three months ended March 31, 2020 was PhP1,542.8 million, an increase of 16% from consolidated cost of sales and services of PhP1,331.9 million recorded for the three months ended March 31, 2019. The increase was mainly attributable to increased sales recorded for the period.

Gross Income

The Company's consolidated gross income for the three months ended March 31, 2020 was PhP1,922.7 million, an increase from consolidated gross income of PhP1,678.5 million recorded for the three months ended March 31, 2019. The Company's gross income margin for the three months ended March 31, 2020 was 555%, compared to a gross income margin of 55.8% recorded for the three months ended March 31, 2019. The Company attributes its strong and maintained gross income margin to its sound internal financial planning policies with respect to land banking activities and project budgeting process.

Operating Expenses

For the three months ended March 31, 2020, the Company recorded consolidated operating expenses of PhP557.1 million, an increase of 21% from consolidated operating expenses of PhP460.7 million recorded for the three months ended March 31, 2019.

Finance Costs

The Company's consolidated finance costs for the three months ended March 31, 2020 were PhP269.3 million, a decrease from consolidated finance costs of PhP292.8 million recorded for the three months ended March 31, 2019. The decrease was mainly attributable to decreased interest charged compared to same period last year.

Other Operating Income

For the three months ended March 31, 2020, the Company recorded consolidated other income of PhP256.0 million, a decrease from the consolidated other income of PhP298.4 million recorded for the three months ended March 31, 2019. Interest income on the Company's installment contract receivables under its CTS Gold program contributes to the majority of the other income.

Income before Income Tax

The Company's consolidated income before income tax for the three months ended March 31, 2020 was PhP1,352.3 million, an increase from consolidated income before income tax of PhP1,223.3 million recorded for the three months ended March 31, 2019.

Provision for Income Tax

The Company's consolidated provision for income tax for the three months ended March 31, 2020 was PhP31.4 million, a decrease from consolidated provision for income tax of PhP45.4 million recorded for the three months ended March 31, 2019. The increase was mainly attributable to the Company's increased other income which are subject to income tax.

Net Income

As a result of the foregoing, the Company's consolidated net income for the three months ended March 31, 2020 was PhP1,321.0 million, a 12% increase from consolidated net income of PhP1,177.9 million recorded for the three months ended March 31, 2019. The Company's consolidated net income margin for the three months ended March 31, 2020 was 38.1%, compared to a consolidated net income margin of 39.1% for the three months ended March 31, 2019.

<u>Financial Position</u>

As at March 31, 2020 compared to as at March 31, 2019

Assets

Cash on Hand and in Banks

The Company's consolidated cash on hand and in banks were PhP576.2 million as at March 31, 2020, an increase from consolidated cash on hand and in banks of PhP457.0 million as at March 31, 2019.

Current portion of trade and other receivables

The Company's consolidated current portion of trade and other receivables were PhP4,558.6 million as at March 31, 2020, an increase from consolidated current portion of trade and other receivables of PhP3,633.1 million as at March 31, 2019.

Inventories

The Company's consolidated inventories were PhP38,464.2 million as at March 31, 2020, an increase of 22% from consolidated inventories of PhP31,637.7 million as at March 31, 2019. The increase is due to increased inventory for low cost mass housing projects.

Due from related parties

The Company's consolidated due from related parties were PhP1,971.6 million as at March 31, 2020, an increase from consolidated due from related parties of PhP1,492.9 million as at March 31, 2019.

Other current assets

The Company's consolidated other current assets were PhP4,424.8 million as at March 31, 2020, an increase from consolidated other current assets of PhP4,162.3 million as at March 31, 2019, primarily due to increased advances to contractors in relation to construction on the Company's development projects.

Trade and other receivables – net of current portion

The Company's consolidated trade and other receivables-net of current portion were PhP19,139.6 million as at March 31, 2020, a 10% increase from consolidated trade and other receivables - net of current portion of PhP17,364.2 million as at March 31, 2019. The increase was due to additional sales which availed of in-house financing scheme.

Property and equipment

The Company's consolidated property and equipment was PhP803.6 million as at March 31, 2020, a decrease from consolidated property and equipment of PhP1,351.3 million as at March 31, 2019.

Investment properties

The Company's consolidated investment properties were PhP304.4 million as at March 31, 2020, an increase from consolidated investment properties of PhP265.6 million as at March 31, 2019.

Other noncurrent assets

The Company's other noncurrent assets were PhP365,6 million as at March 31, 2020, an increase from other noncurrent assets of PhP252.1 million as at March 31, 2019.

Liabilities

Current portion of trade and other payables

The Company's consolidated current portion of trade and other payables were PhP6,052.8 million as at March 31, 2020, an increase from consolidated current portion of trade and other payables of PhP4,834.5 million as at March 31, 2019. The increase is mainly due to increased advances to contractors for downpayment of projects as well as increased accrued expenses for the accruals made in relation to recognition of sales.

Current portion of loans payable

The Company's consolidated current portion of loans payable were PhP13,952.5 million as at March 31, 2020, an increase from consolidated current portion of loans payable of PhP8,188.1 million as at March 31, 2019. The increase was due to increased short-term borrowing of the Company.

Deposits from customers

The Company's consolidated deposits from customers were PhP853.7 million as at March 31, 2020, an increase from consolidated deposits from customers of PhP522.4 million as at March 31, 2019. Increase were due to increased equity collections from Urban Deca Homes Ortigas project.

Due to related parties

The Company's consolidated due to related parties were PhP78.7 million as at March 31, 2020, a decrease from consolidated due to related parties of PhP338.3 million as at March 31, 2019.

Income tax payable

The Company's consolidated income tax payable was PhP88.5 million as at March 31, 2020, an increase from consolidated income tax payable of PhP48.4 million as at March 31, 2019.

Trade and other payables - net of current portion

The Company's consolidated trade and other payables - net of current portion were PhP1,059.9 million as at March 31, 2020, an increase from consolidated trade and other payables - net of current portion of PhP60.1 million as at March 31, 2019. The increase is due to recognition of contract liabilities amounting to PhP858.3 million in relation to sold but uncompleted units for Monterazzas de Cebu project by Genvi Development Corporation and Urban Deca Homes Ortigas by 8990 Housing Development Corporation.

Loans payable - net of current portion

The Company's consolidated loans payable - net of current portion was PhP6,790.6 million as at March 31, 2020, a decrease from consolidated loans payable - net of current portion of PhP8,777.5 million as at March 31, 2019.

Deferred tax liability

The Company's consolidated deferred tax liability was PhP870.0 million as at March 31, 2020, an increase from consolidated deferred tax liability of PhP354.4 million as at March 31, 2019. This deferred tax liability was attributable to uncollected revenue as most of the revenue recognition were under in-house financing scheme.

Liquidity and Capital Resources

The Company mainly relies on the following sources of liquidity: [1] cash flow from operations, [2] cash generated from the sale or transfer of receivables to private financial institutions such as banks or to government housing related institutions such as the Home Development Mutual Fund ("PAG-IBIG"), and [3] financing lines provided by banks. The Company knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Company is current on all of its loan accounts, and has not had any issues with banks to date. The Company does not anticipate having any cash flow or liquidity problems over the next twelve (12) months. The Company is not in breach or default on any loan or other form of indebtedness.

The Company expects to meet its operating assets and liabilities, capital expenditure, dividend payment and investment requirements for the next twelve (12) months primarily from its operating cash flows, borrowings and proceeds of the shares issuance. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Cash Flows

Cash flow used in operating activities

The Company's consolidated net cash from operating activities is primarily affected by the revenues generated from its operations, primarily the sale of residential housing units, subdivision lots and MRB condominium units. The Company's consolidated net cash used in operating activities were PhP1,990.2 million and for the period ended March 31, 2020 and consolidated net cash from operating activities were PhP2,831.7 million for the period ended March 31, 2019.

Cash flows used in investing activities

Consolidated net cash flow used in investing activities for the period ended March 31, 2019 were PhP5.1 million, and consolidated net cash provided by investing activities for the period ended March 31, 2019 were PhP207.8 million.

For the three months ended March 31, 2020, consolidated net cash flow used in investing activities reflected acquisitions of land for future development, investment in shares, as well as purchases of property and equipment.

Cash flow provided by financing activities

Consolidated net cash flow provided by financing activities for the period ended March 31, 2020 were PhP1,717.6 million, and consolidated net cash flow used in financing activities for the period ended March 31, 2019 were PhP937.4 million.

PART II--OTHER INFORMATION

There is no material information to be reported by the Company aside from those reported in SEC 17C.

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: 8990 Holdings, Inc.

By:

Roan B. Torregoza

ROAN BUENAVENTURA-TORREGOZA
Chief Finance Officer

Date:
AUG 03 2020