

# COVER SHEET

SEC Registration Number

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COMPANY NAME

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D	I	A	R	I	E	S																							

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number

918-8188

Mobile Number

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No. of Stockholders

5,690

Annual Meeting (Month / Day)

Second to the Last Friday  
of April

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Venus A. Mejia

Email Address

venus.mejia@filinvestg  
roup.com

Telephone Number/s

918-8188

Mobile Number

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## CONTACT PERSON'S ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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



**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-A**

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

For the calendar year ended **December 31, 2018**

SEC Identification Number **170957**

BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter **FILINVEST LAND, INC.**

**Philippines**

Province, Country or other jurisdiction of incorporation or organization

**Filinvest Bldg., #79 EDSA, Highway Hills, Mandaluyong City, Metro Mla.** **1550**  
Address of principal office Postal Code

**02-918-8188 02-588-1678**  
Registrant's telephone number, including area code

**Former Address:**

Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

<b><u>Title of Each Class</u></b>	<b><u>Number of shares of Common Stock Outstanding</u></b>	<b><u>Amount of Long-Term Debt Outstanding</u></b>
Common Stock, P 1.00 par value	24,470,708,506	P59,782,738,662

Are any or all of these securities listed on the Philippine Stock Exchange

Yes

☒

No

☐

Check whether the issuer:

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

Yes

☒

No

☐

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

Yes

☒

No

☐

State the aggregate market value of the voting stock held by non-affiliates. **P14.14 Billion**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION  
OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:**

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 of the Commission.

Yes ☐ Not Applicable No ☐

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

- a) Any annual report to security holders;
- b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- c) Any prospectus filed pursuant to SRC Rule 8.1-1

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## **Part 1 – BUSINESS AND GENERAL INFORMATION**

### **Item 1. BUSINESS**

#### **1. 1. Brief Description and Recent Developments**

Filinvest Land Inc. (“FLI” or “the Parent Company”) is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor’s operations) has over 50 years of real estate expertise and has developed over 2500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 48 cities and towns in 18 provinces in the Philippines. It is also one of the largest mid-rise building (MRB) developers in the country today and a market leader in the affordable and middle-income residential segments. It currently owns a land bank of 2,153 hectares for sustainable future growth.

FLI owns office and retail assets which generated 46% of FLI’s net income in 2018. FLI currently operates 28 office buildings and 3 retail malls with a total leaseable area of 712,000 square meters.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of FLI was incorporated to manage FLI’s BPO leasing operations in Cebu, Pasay, Quezon City and Pasig City. As of December 31, 2018, FCI had a gross leasable area of 37,567 sq. m.

On January 23, 2017, Filinvest Cyberzone Mimosa, Inc. (FCMI), a wholly-owned subsidiary of FLI was incorporated to manage FLI’s BPO leasing operations in Clark, Pampanga. As of December 31, 2018, FCMI had a gross leasable area of 8,410 sq.m.

In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.2-hectare lot in Cebu’s SRP. Thereafter, in August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer’s discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI.

Under the DSI, Cebu City undertook to comply with several covenants and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within ninety (90) days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties.

As of February 28, 2018, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City as of December 31, 2015.

In September 2015, FLI won the bid for the right to own 55% of the Joint Venture Company with the BCDA that will be tasked to develop, market, manage and lease the first phase of Clark Green City. The first phase refers to 288 hectares of land that will form part of the new mixed use metropolis rising in Northern Luzon adjoining Clark Freeport Zone and Clark International Airport.

Filinvest Mimosa, Inc. (FMI), the new company formed by the consortium of FDC and FLI, registered with the SEC on March 31, 2016, has signed the lease agreement with CDC for a term of 50 years, renewable for another 25 years. FMI's primary purpose is to engage in and undertake the general business of developing, constructing, establishing, operating, leasing except financial leasing, maintaining, rehabilitating and/or managing commercial and retail centers, residential, office buildings, mixed-use development, infrastructure, utilities and tourism related activities and other allied activities. FMI is 47.5% owned by FLI and 95.0% effectively owned by the Group as of December 31, 2018.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects. FLI is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

## 1.2. Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2018, FDC owns 59% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange. The ultimate parent company of FLI is A. L. Gotianun, Inc.

## 1.3. Subsidiaries

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2018, 2017 and 2016 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2018	2017	2016
Filinvest All Philippines, Inc. (FAP)	Real estate developer	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) <sup>1</sup>	Real estate developer	55%	55%	55%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	—	—
Cyberzone Properties, Inc. (CPI)	Leasing	100%	100%	100%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	100%	100%	—
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	—
Pro-Excel Property Managers, Inc. (Pro-Excel) <sup>2</sup>	Property management	74%	74%	—
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	—
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) <sup>3</sup>	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%

Subsidiaries	Nature of Business	2018	2017	2016
Timberland Sports and Nature Club, Inc. (TSNC) <sup>4</sup>	Recreational Sports and Natures Club	98%	97%	92%
Dreambuilders Pro, Inc. (DPI)	Construction	100%	100%	—
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	—
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	—
Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	—

1. FBCI is owned indirectly through FCGCC.

2. The effective ownership interest of the Parent Company includes portion owned indirectly through CPI, FCI and FAL. The acquisition of Pro-Excel in 2017 was accounted for as a business combination under common control using the pooling of interest method.

3. FSM Cinemas is owned indirectly through FSI.

4. In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of P16.09 million and P138.85 million, respectively.

Detailed discussion of each subsidiary follows:

- Property Maximizer Professional Corp. (Promax) incorporated on October 3, 1997.
- Homepro Realty Marketing, Inc. (Homepro) incorporated on March 25, 1997 and started commercial operations on January 1, 2004.
- Leisurepro, Inc. (Leisurepro) incorporated on April 21, 2004 and started commercial operations on January 1, 2006.
- Property Specialists Resources, Inc. (Prosper) incorporated on June 10, 2002 and started commercial operations on January 01, 2004.

Promax, Homepro and Leisurepro are engaged in real estate marketing business and handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI while Prosper is engaged in the purchase, lease and management of hotel and resort properties. Homepro is now also engaged in real estate development as it acquired rawland in Taguig in 2015. Prosper is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of the Parent Company. Prior to Prosper's condotel and hotel management business, Prosper was engaged in the business of real estate marketing. Philippine Securities and Exchange Commission (SEC) approved the amendment of the primary purpose of Prosper on February 20, 2012.

CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of payment of national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located in a 10-hectare parcel of land within Filinvest City. Its day-to-day operations are handled by FAL. CPI also leases a parcel of land measuring 2,831 sq. m. located in EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq. m.

FAPL was incorporated on September 25, 2006 to develop the TSNC and Phase 2 of Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club, which was designed to be a world-class family country club in a mountain resort setting. Timberland Heights is situated at an elevation of 320 meters above sea level and provides panoramic views of the north of Metro Manila. The master plan for Timberland Heights includes Banyan Ridge, a middle-income subdivision; Mandala Farm Estates; The Ranch and Banyan Crest, a high-end subdivision. The Glades, also a middle-income subdivision, The Leaf, a four-building 3-storey condotel development; and, a 50-hectare linear greenway that straddles the entire development which will provide a large outdoor open space for residents.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

FLI has 60% interest in Filinvest Asia Corporation (FAC) which made it a majority owned subsidiary. FAC is now accounted for as a subsidiary due to adoption of PFRS 10, *Consolidated Financial Statements*.

- FAC was incorporated on January 22, 1997 and as of the date of this report is 60%-owned by FLI and 40%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the 52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Streets in the Makati City Central Business District. FAC owns 36,000 sq. m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is registered as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 30%, income tax holidays and vat exemption in certain cases.

Leases at the PBCom Tower are typically for periods ranging from three to five years, with the lease agreements generally requiring tenants to make a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

On April 15, 2015, FLI and Engie Services Philippines (ENGIE) entered into a joint venture agreement to establish Philippine DCS Development Corporation (PDDC). On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operating a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is 60% owned by FLI and 40% owned by ENGIE. The incorporation of PDDC resulted to additional investment from noncontrolling interest amounting to P100.0 million in 2015.

On December 28, 2015, the Parent Company and Filinvest Alabang, Inc. (FAI), an associate of the Parent Company, entered into a Deed of Assignment of Shares, wherein FAI agreed to sell its rights, title and interests in the 249,995 common shares of Festival Supermall, Inc. (FSI), with par value of P1.0 per share and equivalent to 100% ownership interest, to FLI for and in total consideration of P0.50 million. FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns 60% equity interest in FSM Cinemas, Inc. which is engaged in theater operations. The transaction was accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts.

On February 11, 2016, FCGC Corporation (FCGCC) was incorporated to undertake the development of the Clark Green City Project under the Joint Venture Agreement with Bases Conversion and Development Authority (BCDA). On March 16, 2016, Filinvest BCDA Clark, Inc. (FBCI), a joint venture company with BCDA, was incorporated to handle the development of the Clark Green City



Project. FBCI is 55%-owned by FCGCC and 45%-owned by BCDA. As of December 31, 2016, FCGCC and FBCI have not started commercial operations.

On March 31, 2016, Filinvest Mimosa, Inc. (FMI) was incorporated to enter into an agreement with Clark Development Corporation (CDC) for the lease of the Mimosa Leisure Estate. As of December 31, 2018, FMI is 47.5% owned by FLI, 47.5% owned by FDC and 5% by CDC. FMI started its commercial operations in June 2016.

On July 26, 2016, the SEC approved Whiluc Realty & Mgt., Inc.'s (Whiluc) application for increase in its authorized capital stock. Likewise, FLI subscribed and paid P124.69 million to Whiluc. On the same date, the SEC also approved the amendments of its corporate name and principal business address. Whiluc's new corporate name is Filinvest Lifemalls Corporation (FLC). Its primary purpose is to invest in, purchase, hold, use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, of any corporation.

In 2016, the PIC issued Q&A No. 2016-02 to clarify the accounting treatment of club shares held by an entity. FLI has evaluated the accounting treatment of its club shares following the guidance under the above PIC Q&A and has concluded that it exercises control over TSNC. Accordingly, TSNC was consolidated as of December 31, 2016 and 2015. TSNC was registered with the SEC on May 12, 2004 to operate as a not-for-profit corporation.

On January 11, 2017, Dreambuilders Pro, Inc. (DPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to engage in and carry on a general construction business. DPI started its commercial operations in February 2017.

On January 23, 2017, Filinvest Cyberzone Mimosa, Inc. (FCMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. During the first quarter of 2017, FCMI started the construction of its first Business Process Outsourcing (BPO) Office, the Filinvest Cyberzone Mimosa Building 1. FCMI started its commercial operations in May 2018.

On January 23, 2017, Filinvest Lifemalls Mimosa, Inc. (FLMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature and purpose and/or any interest or right therein. FLMI has not started its commercial operations as of December 31, 2018.

On February 7, 2017, Property Leaders International Limited (PLIL), a company limited by shares, was registered at the territory of the British Virgin Islands. PLIL has not started its commercial operations as of December 31, 2018.

On March 29, 2017, Proleads Philippines, Inc. (PPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to provide management, organizational, and other administrative services and training. PPI started its commercial operations in November 2017.

On May 18, 2017, the Parent Company, and Cyberzone Properties, Inc. (CPI) and Filinvest Cyberparks, Inc. (FCI), subsidiaries of the Parent Company, subscribed to 53.0 million common shares of Pro-Excel Property Managers, Inc. (Pro-Excel). The resulting ownership interest of FLI, CPI and FCI in Pro-Excel after subscription is 32.94%, 16.97% and 16.97%, respectively (see Note 2). Prior to the Group's subscription, Pro-Excel is 100% owned by Filinvest Alabang, Inc. (FAI), an associate of the Parent Company. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On August 3, 2017, Realpros Philippines, Inc. (RPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI has started its commercial operations in November 2017.

On November 20, 2017, Filinvest Lifemalls Tagaytay, Inc. (FLTI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds in order to develop, conduct, operation, lease, and maintenance of retail and commercial space for rent, restaurants, function halls, amusement centers, movie or cinema theaters within the compound to premises of the shopping centers. FLTI has started its commercial operations in March 2018.

On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of Gintong Parisukat Realty and Development Inc. (GPRDI) for a total consideration of P1.71 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract of otherwise acquire any and all real and personal properties. GPRDI has not started its commercial operations as of December 31, 2018.

On July 18, 2018, the SEC approved Timberland Sports and Nature Club, Inc.'s (TSNC) application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility.

#### **1.4. Equity Investments in FAI and FMI.**

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20% equity interest in FAI. FAI's current project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers south of Makati, the central business district in Manila and 10 kilometers from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

FMI was incorporated on March 31, 2016 and started commercial operations in June 2016. FLI has a 47.5% equity interest in FMI. FMI entered into a long-term lease of the Mimosa Leisure Estate after it bagged the rights to lease, develop and operate the 202 hectare estate development. There was an operating hotel with 303 rooms and 34 villas together with a 36-hole golf course.

#### **1.5. Business Groups, Product Categories, Target Markets and Revenue Contribution**

As a result of the recent business developments, FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

##### **1.5.1 Real Estate Sales Segment**

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots; in certain cases, provision of financing for unit sales.



## **Residential Projects**

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing:* These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for P160,000 or less per lot and housing units typically sell for P450,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated PAGIBIG Fund. Maximum sale prices for the Company's specialized housing products do not exceed the Government-mandated ceiling of P450,000 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.
- *Affordable housing:* These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above P160,000 to P750,000 and housing units from above P450,000 to P1,500,000. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to place an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities and provinces such as Tarlac, Cebu, Davao, Palawan, Bacolod and Koronadal. Construction of a house in this sector is usually completed approximately six months from the completion of the required down payment.
- *Middle-income housing:* These developments are marketed and sold under FLI's Aspire brand and consist of projects where lots are typically sold at prices ranging from above P750,000 to P1,200,000 and housing units from above P1,500,000 to P4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao, and Zamboanga.
- *High-end housing:* Marketed under Filinvest Prestige brand, these developments consist of projects where lots are sold at prices above P1,200,000 and housing units for above P4,000,000. FLI's high-end projects are located both within Metro Manila and in areas immediately outside Metro Manila.

## **Other Real Estate Projects**

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

### **a. Townships**

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices.

### **Filinvest at New Clark City**

This 288-hectare property will be transformed into a vibrant business metropolis that is in harmony with its natural setting. The Bases Conversion Development Authority (BCDA), FLI's partner in the development, is fast-tracking the construction of access roads that will connect the project to SCTEX and to Clark Freeport Zone. New Clark City will be built around four pillars: world center, multi-gen metropolis, eco-efficient capital and strategic base – a cohesive fusion that creates a globally-competitive city. It will be shaped around the existing terrain, with meandering waterways and a Loop Park to connect the pedestrian-friendly districts. Green pathwalks, bike lanes, e-transport systems and

other innovative features are expected to set the benchmark for future planning in the Philippines. The development will have 100 hectares of industrial space, 30 hectares of residential communities, 80 hectares of open spaces and the balance will be mixed commercial establishments.

#### Filinvest Mimosa+ Leisure City

As the winning bidder in the privatization of the Mimosa estate in Pampanga, Filinvest is currently developing the 201-hectare property under Filinvest Mimosa, Inc., a new company formed by the consortium of FLI and Filinvest Development Corporation (FDC). FLI will handle the retail, office and residential components while FDC will undertake the hospitality, leisure and gaming segments. Envisioned to be a top-of-mind, year-round business and leisure destination, the sprawling Filinvest Mimosa+ Leisure City is being transformed into a vibrant and green central township that is home to various industries such as BPO, hospitality, retail, real estate, golf and gaming. Its location in Clark Freeport Zone allows FLI to take advantage of the growing interest of tourists and investors in the progressing Clark City. In addition to the renowned golf course, its components include a lifestyle and retail strip, a pavilion and grounds for events and an office campus called Workplus. This business hub will be composed of eight mid-rise buildings with fiber-optic facilities, podium parking and ground retail area. Also part of the design is a lovely promenade that will connect all buildings and serve as a place for employees to enjoy the serene outdoor environment of Mimosa+. To complement the business and commercial district, the Quest Hotel and Conference Center Clark will be joined by a residential area of mid- to high-rise buildings for investment or end-use. The existing green resort environment will be further enhanced with parks, walking paths and bike trails to encourage wellness through nature and outdoor activities

#### Ciudad de Calamba

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is anchored by the Filinvest Technology Park-Calamba which is a PEZA-registered special economic zone. Ciudad de Calamba provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. The Parent Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project.

#### Havila

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level.

#### Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City.

#### City di Mare

Inspired by the world's best-loved coastal cities, City di Mare, or "City by the Sea", spans across 50.6 hectares at Cebu's South Road Properties.

It is a master-planned development composed of different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6 hectare waterfront lifestyle strip; the 40-hectare residential clusters; and The Piazza, nestled at the heart of the residential enclaves puts lifestyle essentials such as school, church, shops, and restaurants within the neighborhood. City di Mare is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

The 10.6-hectare retail development known as Il Corso shall have a gross leasable area of approximately 32,000 square meters. City di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, City di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

#### b. Leisure projects

FLI's leisure projects consist of its residential farm estate developments, private membership club and residential resort development.

##### *1. Residential farm estates*

FLI's residential farm estate projects serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool.
- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle.
- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono.

##### *2. Residential resort development*

*Kembali Coast* on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach line that offers unobstructed view of the sea.

*Laeuna de Taal ("Laeuna")* is located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten minute drive from the popular tourist destination of Tagaytay. Laeuna is an Asian Tropical-inspired community which offers three (3) residential enclaves (Arista, Bahia and Orilla) with a range of property choices for every family. Located on the water front is the Lake Club, a lakeside amenity designed for wellness, recreation and celebration.

#### c. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. FLI currently has 26 ongoing MRB projects in Luzon, Visayas and Mindanao

#### d. High Rise Buildings and Mixed-Use Development

##### *The Linear*

*The Linear*, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24-storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals.

##### *Studio City*

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park.

Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18-storeys per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor. Studio Tower 5 has just been launched.

##### *The Levels*

Located at one of the highest points of Filinvest City at around 23 meters above sea level, The Levels is a one-block, four-tower residential condominium development that features laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with four towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens. The second tower has just been launched.

##### *Vinia Residences*

Vinia is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to yuppies and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

##### *Studio Zen*

Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities makes it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

##### *Studio A*

Studio A is a single tower 34-storey hi-rise residential condominium located in Loyola Heights in Quezon City. A community conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

##### *100 West*

100 West is a single tower 38-storey high-rise commercial and residential condominium with office spaces located in Gen. Gil Puyat Avenue corner Washington St. in Makati City. 100 West is in the Makati Business District and accessible to both north and south of Metro Manila.

##### *Studio 7*

Studio 7 is a mixed-use development that will have office and residential towers complemented with retail outlets, located in Quezon City along EDSA very close to the GMA-Kamuning MRT station. Studio 7 will have studios as well as one-bedroom residential units.

### Activa

Activa is a mixed use development with residential, office, retail and hotel components. It is entrenched in the heart of Quezon City's busiest and liveliest district, Cubao. Situated at the crossroads of two of the metro's most vital thoroughfares. Activa connects to the north and south via EDSA, and to the east and west via Aurora Boulevard. It also has direct access to the MRT and LRT lines, and accessible by various modes of transportation like buses and jeepneys.

### **Analysis of Real Estate Sales**

The table below shows a comparative breakdown of FLI's journalized real estate sales by product categories for the years ended December 31, 2018 and 2017 (in Thousands).

Category	Years ended December 31			
	2018		2017	
	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	P274,178	1.90%	P174,477	1.27%
Affordable	4,770,513	33.12%	4,894,125	35.60%
Middle Income	7,847,275	54.48%	6,685,273	48.62%
High-end & Others	1,249,249	8.67%	1,761,632	12.81%
Industrial Lots	48,278	0.34%	21,545	0.16%
Residential Farm Lots	156,380	1.09%	149,884	1.09%
Leisure	58,328	0.40%	61,487	0.45%
Total	P14,404,201	100.00%	P13,748,423	100.00%

### **Analysis of Cost of Sales**

The table below shows a comparative breakdown of FLI's journalized cost of sales into various categories for the years ended December 31, 2018 and 2017 (in thousands):

	2018	2017
Land acquisition cost	P1,926,515	P1,852,330
Land development and construction cost	6,412,693	6,199,106
Cost of club share	—	468
	P8,339,208	P8,051,904

### **1.5.2. Leasing Segment**

FLI's investment properties are categorized as retail and office segments.

#### *Festival Alabang*

The landmark project, Festival Alabang, carries on its position as the prime destination for recreation and retail in southern Metro Manila. With more 'firsts' on its offerings and a better shopping ambience, the mall has altered the retail experience in the south.

As the existing mall continued to have major improvements undertaken for its facilities, architectural works that gave the mall a refreshed look and modernized ambience complementing the opening of its expansion. One of Festival's most recent large tenants include Decathlon, a French sporting goods retailer with approximately more than 3,500 sq. m of leasable space, which added to the roster of anchors pulling in a drove of shoppers from catchments all over Luzon.

Simultaneously, the tenants of the mall expansion with over 46,000 sq. m of gross leasable area, have gradually opened in 2017 bringing in a mix of fashion and food concepts such as Powermac, Cole Haan, Anello, Cotton On, Keds, Geox, Boarding Gate among others.

The introduction of new and unique food establishments has made Festival a gastronomic destination having brands such as Mary Grace, Cinnabon, Petit Bistro, Café Seolhwa, Gustav Café, Tenya, Tori



Ichi, All for U, NY Café, and Mesa to name a few, ushering in new markets and strengthening traffic of its core target market. Festival Mall Expansion's new supermarket and department store partner anchor, Landmark, occupying around 50,000 sq. m of floor area further made the mall and Filinvest City's traffic more dynamic. Festival patrons are also enjoying the Water Garden, a distinctly refreshing outdoor amenity and convergence zone.

In 2017, two new additional malls, Fora in Tagaytay and Main Square in Bacoor, have opened which contributed more than 50,000 sq. m of leasable space.

#### *Fora Mall*

Conveniently located right by the city's landmark, Tagaytay Rotunda is Fora Mall, the first regional mall in the area fronting a mixed-use leisure development consisting of a condotel and residential buildings. This prime retail destination provides about 31,000 sq.m of leasable space amidst nature, open spaces, and a beautifully-landscaped amphitheater, primarily serving the strengthening local market and burgeoning tourist influx from the city and neighboring towns. It has partnered with brands such as Uniqlo, Giordano, Levi's, Mujosh, Vision Express, Penshoppe, Regatta, ForMe, Oxygen, Memo, etc for its fashion offerings. A number of local and popular food concepts, coupled with national brands, have initially opened. A strong wellness category is also in place and junior anchors such as Ace Hardware, Abenson and La Sedia. Super Metro, its anchor, is the first hypermarket operating for 24 hours. The four digital cinemas launched is now the locals' go to place for recreation.

#### *Main Square*

With a smaller format of over 18,000 sq.m leasable area, Main Square is the first and only mall along Bacoor Blvd, close to Bacoor City Hall and fronting Princeton Heights. Positioned as the reliable one-stop hub for neighboring gated villages of Bacoor, it provides basic shopping, wellness, service and convenience offerings from partner brands such as Anytime Fitness, Watson's, Ace Hardware, Western Appliances, Japan Home, and DIY. The mall's supermarket anchor for this development is Robinsons Supermarket which has become the most convenient basic shopping destination in the area.

A summary of the Group's completed office developments as of December 31, 2018 are set forth in the following table:

<b>Location</b>	<b>Number of Buildings</b>	<b>Gross Leaseable Area</b>	<b>Percentage Awarded</b>
Northgate Cyberzone, Filinvest City	18	288,213 sqm.	97%
Metro Manila outside of Filinvest City	5	114,015 sqm.	100%
Outside Metro Manila	5	68,957 sqm.	93%



### *Pipeline Projects*

FLI has several projects under construction, including the following:

Filinvest Axis Tower 2 in Northgate Cyberzone is currently under construction, and is expected to add a GLA of 39,340 sq.m. in office space within 2019. Filinvest Axis Towers 3 and 4 are also under construction and expected to be completed within 2 years.

Filinvest IT Park Cebu is comprised of three office towers, one hotel, and a retail mall and will rise along Cebu City's Banilad Avenue portion across the Cebu Country Club. The office and mall portions are pre-certified LEED Gold rating. The development is expected to be completed in 2020, and is expected to add a GLA of 24,872 sq.m. in office space and GLA of 5,672 sq.m. in retail space.

Mimosa Workplus is an office village that is comprised of eight buildings set amidst the lush natural environment of the Filinvest Mimosa+ Leisure City. 1 Workplus and 2 Workplus are already completed, while 4 Workplus and 7 Workplus are presently under construction. The other four buildings are scheduled to be completed between 2020 to 2023. 4 Workplus and 7 Workplus are expected to be completed in 2019 and are expected to add a GLA of 25,200 sq.m. in office space. The four remaining buildings are expected to be completed by 2022, and are expected to add a GLA of 80,000 sq.m. in office space.

Studio 7 is a two-tower mixed use complex comprising of residential and office buildings on a retail podium. Located along major thoroughfare EDSA in Quezon City, it is poised to take advantage of the proximity to the GMA Kamuning Metro Rail Transit 3 Station for the targeted BPO office locators and employees. The office tower is pre-certified with LEED Silver rating. The development is expected to be completed in 2019, and is expected to add a GLA of 36,594 sq.m. in office space and GLA of 4,315sq.m. in retail space.

Activa is a 1.3 hectare mixed use development at the corner of EDSA and Aurora Boulevard and lies in close proximity to the Cubao LRT and Cubao MRT Stations. The development will have the following: BPO office tower, a traditional office tower, residential tower, hotel and a retail mall. The BPO office and mall portions are pre-certified with LEED Gold rating. The development is expected to be completed in 2021 and is expected to add a GLA of 52,000 sq.m. in office space and GLA of 19,000 sq.m. in retail space.

One Filinvest Ortigas will be a 34 storey office tower which can accommodate both traditional and BPO offices with its 40,000 sqm GLA. The tower will likewise feature a retail arcade and a rooftop dining deck. It is expected to be completed in 2020.

The table below shows a breakdown of FLI's recorded gross leasing related revenues for the year ended December 31, 2018 & 2017 (amounts in Thousands of Pesos, except percentages).

	Years ended December 31			
	2018		2017	
	Amount	% to total	Amount	% to total
Office	P3,858,191	68.79%	P2,838,640	64.30%
Retail/Commercial	1,750,067	31.21%	1,576,025	35.70%
Total	P5,608,258	100.00%	P4,414,665	100.00%

## **1.6. Marketing and Sales**

### **1.6.1 Real Estate Sales Segment**

FLI develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Parent Company has a real estate marketing team, a network of sales offices located in the Philippines and tie-ups with independent brokers in Europe, Hongkong, the Middle East, Japan, and Singapore. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

FLI conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

FLI also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Parent Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Parent Company's marketing and promotion agents in these territories to promote the Parent Company and its products.

The Parent Company also sponsors road shows to promote its projects, including road shows in Europe and the United States of America, targeting the OFW and Filipino expatriate markets. FLI also markets its properties using the Internet.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

### **1.6.2 Leasing Segment**

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle and Colliers) are accredited to find tenants for its office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house leasing team to market its office & commercial spaces.

## **1.7. Customer Financing for Real Estate Projects**

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

### ***In-house financing***

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the property sold. The loans are then repaid through equal monthly installments over periods ranging from 5 to 10 years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the term of the loan.

### ***PAG-IBIG Fund***

A substantial number of buyers of the Parent Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or PAGIBIG Fund. To provide a liquidity mechanism to private developers, the PAGIBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases of receivables from housing loans of its members.

### ***Mortgage loans***

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). To assist prospective buyers obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

### ***Deferred cash purchases***

In recent years, in addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Parent Company which can be annotated on the title to the property.

## **1.8. Real Estate Development**

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. FLI also provides, in certain cases, financial guarantees of payment to FLI-specified suppliers for purchases of construction materials. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

## **1.9. Competition**

### **1.9.1. Real Estate Sales Segment**

Real estate development and selling is very competitive. FLI believes it is strongly positioned in the affordable housing income to middle-income residential subdivision market and in the farm estates. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth.

The Parent Company believes that its name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

FLI directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land, SMDC and DMCI.

The Parent Company faces significant competition in the Philippine property development market. In particular, the Parent Company competes with other developers in locating and acquiring, or entering into joint venture arrangements to develop, parcels of land of suitable size in locations and at attractive prices. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

FLI's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Parent Company's current development plans, the Parent Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Parent Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

### 1.9.2. Leasing Segment

With regard to the Parent Company's assets dedicated to office space leasing and shopping mall operations, the Parent Company competes with property companies such as Ayala Land Inc., Robinsons Land Corp. and SM Prime Holdings in retail space leasing. In office space leasing, particularly to call centers and other BPO operators, the Parent Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc., Eton Corporation, SM Prime, and Megaworld Corporation.

### 1.10. Related-Party Transactions

The Parent Company is a member of the Filinvest Group. The Parent Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Parent Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The Parent Company's major related-party transactions include:

Interest and non-interest bearing cash advances made to and received from FDC, FAPI, and other affiliates in order to meet liquidity and working capital requirements. Interest rates on these cash advances are determined on an arm's-length basis and are based on market rates.

Sharing jointly with other members of the Filinvest Group, expenses relating to common facilities and services used by each member of the Filinvest Group, such as payroll services, supplies and utilities.

A 50-year lease agreement with FAI for the 10-hectare property on which the Festival Supermall and its related structures are located.

FAC and CPI's management contracts with FAI pursuant to which FAI provides accounting, business development and other management services to FAC and CPI.

The Parent Company's contract with FSI, which provides services relating to the operation of the Festival Supermall and other commercial center being built. Under the terms of the contract, FSI is entitled to receive monthly management fees.

Savings and current accounts and time deposits with East West Bank ("EWB"), a member of the Filinvest Group.

Lease agreement between EWB and the Parent Company, and with FAC; covering an office space for the bank's branches in Grand Cenia Hotel and Residences building in Cebu, and in PBCOM Tower in Makati City.

A development agreement with GCK Realty Corp. ("GCK"), in which members of the Gotianun family has shareholdings, for the development by FLI of Grand Cenia Hotel and Residences building on certain parcels of land owned by GCK in Brgy. Camputhaw, Cebu City.

A development agreement with Fernandez Hermanos, Inc., which is owned and managed by an officer and stockholder, Mr. Luis T. Fernandez, and his siblings, for the subdivision development of parcels of land owned by the latter company in Brgy. Matanos, Kaputian, Samal Island in the province of Davao.



### 1.11. Intellectual Property

The “Filinvest” trademark was registered with the Intellectual Property Office (“IPO”) on September 15, 2011. “Filinvest” is the brand FLI uses and by which it is known to the public.

Below are FLI service marks registered with the IPO:

TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
One Oasis	10 Dec 2009	Meridian Place	08 Sept 2016
One Oasis Ortigas	10 Dec 2009	Alta Spatial	30 Sept 2016
One Oasis Ortigas & Design	10 Dec 2009	Kembali Coast	30 Sept 2016
We Build the Filipino Dream (Slogan)	10 Dec 2009	The Tropics	30 Sept 2016
The Linear Makati & Design	12 Aug 2010	Maui Oasis	20 Oct 2016
Filinvest (New Logo)	15 Sept 2011	Ashton Fields	03 Nov 2016
Studio A	20 Dec 2012	Sandia Homes	24 Nov 2016
The Signature	17 Apr 2014	Valle Alegre	24 Nov 2016
Fortune Hill	22 May 2014	Valle Dulce	24 Nov 2016
Fora Rotunda Tagaytay	14 Aug 2014	Havila	08 Dec 2016
The Leaf	20 Nov 2014	Princeton Heights	08 Dec 2016
Vinia	20 Nov 2014	Asenso Village	29 Dec 2016
Citi di Mare	25 Dec 2014	Hampton Orchards	29 Dec 2016
One Binondo	12 Feb 2015	Tierra Vista	29 Dec 2016
I-Go	20 Feb 2015	Blue Isle	19 Jan 2017
Bali Oasis	26 Feb 2015	Palmridge	19 Jan 2017
Bali Oasis 2	26 Feb 2015	Cyberzone Properties,	16 Feb 2017
Citi di Mare (Logo and Tagline)	26 Feb 2015	Spring Heights	27 April 2017
Kembali	26 Feb 2015	The Enclave at Filinvest	27 Apr 2017
One Spatial	26 Feb 2015	Filinvest International	04 May 2017
Serulyan Mactan	26 Feb 2015	The Filinvest IT Zone	11 May 2017
Capri Oasis	05 Mar 2015	8 Spatial	22 June 2017
Timberland Heights (Horizontal Orientation)	14 May 2015	Ciudad de Calamba	06 July 2017
Timberland Heights (Stacked Orientation)	14 May 2015	Verde Spatial	06 July 2017
Kembali (Reversed Logo)	25 June 2015	One Filinvest	14 July 2017
The Glades	09 July 2015	Marina Town	30 July 2017
100 West	23 July 2015	The Levels	30 July 2017
Activa	13 Aug 2015	Marina Spatial	10 Aug 2017
The Veranda	27 Aug 2015	Grand Cenia Residences	17 Aug 2017
Studio 7	12 Nov 2015	Sanremo Oasis	17 Aug 2017
Uni Garden Suites	11 Feb 2016	East Spatial	24 Aug 2017
The Enclave Alabang	11 Feb 2016	Phuket Oasis	24 Aug 2017
Filinvest (Reversed Logo)	24 Mar 2016	Sorrento Oasis	24 Aug 2017
Filinvest Premiere	24 Mar 2016	Studio Zen	24 Aug 2017
Futura	24 Mar 2016	Austine Homes	14 Sept 2017
The Ranch	12 May 2016	Palm Estates	14 Sept 2017
The Prominence	26 May 2016	Park Spring	02 Nov 2017
Aldea Real	07 July 2016	Aspire by Filinvest	07 Dec 2017
Filinvest Technology Park	07 July 2016	Filinvest Aspire	07 Dec 2017
La Brisa Townhomes	07 July 2016	Filinvest Futura	07 Dec 2017
Montebello	07 July 2016	Filinvest Prestige	07 Dec 2017
Punta Altezza	07 July 2016	Futura by Filinvest	07 Dec 2017
Springfield View	07 July 2016	Prestige by Filinvest	07 Dec 2017
The Glens	07 July 2016	Brentville International	17 Dec 2017

(Forward)



TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
Vista Hills	07 July 2016	New Leaf	04 Jan 2018
Woodville	07 July 2016	The Wood Estates	18 Jan 2018
Panglao Oasis	14 July 2016	Asiana Oasis	15 Feb 2018
Amare Homes	04 Aug 2016	Ventura Real	29 Mar 2018
Nusa Dua	04 Aug 2016	Nature Grove	19 Apr 2018
Pine View	04 Aug 2016	Belize Aspire	19 Apr 2018
Santoso Villas	04 Aug 2016	Southwind	12 July 2018
Blue Palm Estate	11 Aug 2016	Centro Spatial	02 Sept 2018
Bluegrass County	11 Aug 2016	Futura East	02 Sept 2018
Pueblo Solana	11 Aug 2016	Futura Tierra	02 Sept 2018
Summerbreeze	11 Aug 2016	Manna East by Filinvest	04 Oct 2018
Savannah Fields	01 Sept 2016		

The Company has pending applications with the IPO for the following trademarks:

Eastbay Palawan
Studio City
Laeuna de Taal
Amalfi
Filinvest Cyberzone
Futura Vinta
Belize Oasis

The Company has likewise filed an application with the World Intellectual Property Office (WIPO) for the international registration of the “Filinvest” trademark under the Madrid Protocol. Accordingly, “Filinvest” is now registered in the following countries:

COUNTRY	DATE REGISTERED
Malaysia	04 Mar 2015
United States of America	08 Mar 2016
Qatar	15 May 2016
Kuwait	04 Sept 2016
United Arab Emirates	22 Mar 2017
Thailand	May 22, 2017
Singapore	24 August 2017
Japan	22 June 2018
Taiwan	01 July 2018
Hong Kong	24 Aug 2018
Korea	19 Nov 2018

Statements of Grant of Protection of the “Filinvest” trademark have also been issued by the following countries:

COUNTRY	DATE
United Kingdom	14 April 2015
Australia	01 July 2015
Denmark	14 Sept 2015
Norway	16 Sept 2015
Switzerland	11 Dec 2015
Austria	16 Aug 2018
Benelux	20 Aug 2018
Sweden	14 Nov 2018

## **1.12. Government and Environmental Regulations**

The real estate business in the Philippines is subject to significant Government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI's existing landbank is subject to the DAR conversion process.

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. Approvals must be obtained at both the national and local levels. Evidently, the Parent Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The Parent Company is also subject to the application of the Maceda Law, which gives purchasers of real property purchased on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI's opinion, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

## **1.13. Employees and Labor**

As of December 31, 2018, FLI had a total of 1,206 employees that includes 242 permanent full-time managerial employees, 957 support employees and 7 consultants. Management believes that FLI's current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI's employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI anticipates that there will be no significant change in the number of its employees in 2019.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

## **1.14. Major Risk Factors**

There are major risk factors that may affect the Parent Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units 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 and the amount of remittances received from overseas Filipino workers ("OFWs"). Demand for the Parent Company's housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Parent Company's projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Parent Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Parent Company's cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Parent Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Parent Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Parent Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Parent Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Parent Company's real estate sales.

The Parent Company is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the Parent Company's leasing segment, could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. FLI's ability to provide adequate maintenance and insurance.

## Item 2. PROPERTIES

### 2.1. Land Bank

Since its incorporation, the Parent Company has invested in properties situated in what the Parent Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Parent Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Parent Company has also adopted a strategy of entering into joint venture arrangements with landowners for the development of raw land into future project sites for housing and land development projects. This allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Parent Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Parent Company identifies land acquisitions and joint venture opportunities through active search and referrals.

As of December 31, 2018, the Parent Company had a land bank of approximately 2,153 hectares of raw land for the development of its various projects, including approximately 228 hectares of land under joint venture agreements, which the Parent Company's management believes is sufficient to sustain several years of development and sales.

Details of the Parent Company's raw land inventory as of December 31, 2018 are set out in the table below:

FLI Land Bank as of December 31, 2018				
Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Luzon				
Metro Manila	47.27	—	47.27	1.89%
Rizal	725.65	8.88	734.53	29.34%
Bulacan	266.80	—	266.80	10.66%
Bataan	12.27	—	12.27	0.49%
Pampanga	45.82	52.61	98.43	3.93%
Pangasinan	7.78	—	7.78	0.31%
Cavite	400.61	58.83	459.44	18.35%
Laguna	393.69	0.71	394.40	15.75%
Batangas	152.56	42.07	194.63	7.77%
Sub-total	2,052.45	163.10	2,215.55	88.49%
Visayas				
Cebu	21.87	35.90	57.77	2.31%
Negros Oriental	35.65	—	35.65	1.42%
Negro Occidental	51.04	—	51.04	2.04%
Sub-total	108.56	35.90	144.46	5.77%

(Forward)

FLI Land Bank as of December 31, 2018				
Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Mindanao				
Davao	1.21	29.52	30.73	1.23%
Zamboanga del Sur	12.29	—	12.29	0.49%
South Cotabato	100.56	—	100.56	4.02%
Sub-total	114.06	29.52	143.58	5.73%
Total	2,275.07	228.52	2,503.59	100.00%

## 2.2. Current Development Projects

The following are the most recently launched projects and projects with new phases and buildings:

PROJECT	TYPE	LOCATION
Amarilyo Crest	Horizontal	Rizal
Pineview	Horizontal	Cavite
Sandia	Horizontal	Batangas
Tierra Vista	Horizontal	Bulacan
The Grove	Horizontal	Rizal
Savannah Place	Horizontal	Cavite
Futura Homes Palm Estates	Horizontal	Bacolod
Futura Homes Mactan	Horizontal	Cebu
Futura Homes Iloilo	Horizontal	Iloilo
Futura Homes Koronadal	Horizontal	South Cotabato
Anila Park Residences	Horizontal	Rizal
Aria at Serra Monte	Horizontal	Rizal
The Prominence	Horizontal	Quezon City
Futura Homes Davao	Horizontal	Davao
New Fields at Manna	Horizontal	Rizal
Meridian Place	Horizontal	Cavite
Valle Dulce	Horizontal	Laguna
Ventura Real	Horizontal	Rizal
Claremont Expansion	Horizontal	Pampanga
Southwinds	Horizontal	Laguna
Futura Zamboanga	Horizontal	Zamboanga
Enclave	MRB	Muntinlupa
One Oasis Cebu	MRB	Cebu
One Oasis Cagayan de Oro	MRB	Cagayan de Oro
Panglao Oasis	MRB	Taguig
One Spatial	MRB	Pasig
San Remo	MRB	Cebu
Centro Spatial	MRB	Davao
One Spatial Iloilo	MRB	Iloilo
Marina Spatial	MRB	Dumaguete
8 Spatial	MRB	Davao
Maui Oasis	MRB	Manila

(Forward)



PROJECT	TYPE	LOCATION
Alta Spatial	MRB	Valenzuela City
Bali Oasis	MRB	Pasig
Maldives Oasis	MRB	Davao
Sorrento Oasis	MRB	Pasig
Veranda	MRB	Davao
Activa	HRB	Quezon City
Levels	HRB	Alabang
Studio City	HRB	Alabang

On-going developments of the abovementioned projects are expected to require additional funds but FLI believes that it will have sufficient financial resources for these anticipated requirements, both from debt financing and generation from operations.

### 2.3. Investment Properties

FLI has the following operating strategic investment properties: Festival Supermall, Fora Mall, Main Square Molino, PBCOM Tower, Northgate Cyberzone, EDSA Transcom Building, Cebu Cyberzone, Pasay Cyberzone and Clark Mimosa Cyberzone.

FLI has currently several projects under development that will be rental assets when completed. Please refer to Section 1.5.2 for a detailed discussion of these properties.

### 2.4. Property and Equipment

FLI's corporate headquarters is located along EDSA, Mandaluyong City. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on a month-to-month basis or upon the option of both parties, a new contract is drawn. The Parent Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

## Item 3. LEGAL PROCEEDINGS

The Company is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, the Company does not believe that any such lawsuits or legal actions will have a significant impact on its financial position or the results of its operations. Noteworthy are the following cases involving the Company:

a. *FLI vs. Abdul Bucky Ngilay, et. al.*

G.R. No. 174715  
Supreme Court

This is a civil action for the declaration of nullity of deeds of conditional and absolute sale of certain real properties located in Tambler, General Santos City covered by free patents and executed between FLI and the plaintiff's patriarch, Hadji Gulam Ngilay. The Regional Trial Court ("RTC") of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of the properties. On appeal, the Court of Appeals rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI filed a petition for review on certiorari to question that portion of the decision declaring as void the deeds of sale of properties covered by patents issued in 1991. The Supreme Court affirmed the decision of the Court of Appeals but declared with finality that FLI's purchase of sales patents



issued in 1991 was void and ordered the Ngilays to return P14,000,000.00 to FLI. The Regional Trial Court issued a Writ of Execution dated February 16, 2015. To satisfy the monetary judgment in favor of FLI, four parcels of land owned by the Ngilays and covered by Transfer Certificates of Title (“TCT”) Nos. P-6886, 147-2014005034, 147-2014000465, and 147-2014000468, were levied on execution and sold at public auction to FLI as highest bidder. The Sheriff’s Certificate of Sale over the properties was registered with the Registry of Deeds of General Santos City. FLI filed a motion for the surrender of the certificates of titles of the Ngilays so that FLI’s affidavit of consolidation of ownership can be annotated on the titles and new certificates of title will be issued in FLI’s name. This motion was partially granted; 3 titles, namely Transfer Certificates of Title (“TCT”) Nos. 147-2014005034, 147-2014000465, and 147-2014000468, are surrendered to the Register of Deeds of General Santos City but Transfer Certificate of Title (“TCT”) No. P-6886 was declared sale by the Sheriff invalid because the owner’s title was not one of the titles declared by the Supreme Court as invalid. The Sheriff was to look for another property of Ngilay for execution.

*b. Republic of the Philippines vs. Rolando Pascual, et.al.*

SC- G.R. NO. 222949  
Supreme Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual, and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being forest land. The case was dismissed by the RTC of General Santos City (Branch 36) on November 16, 2007 for lack of merit. On appeal, the Court of Appeals reversed the Decision of the RTC and ordered the case to be remanded for a full-blown trial on the merits. FLI filed a Motion for Partial Reconsideration, which was denied by the CA. On April 4, 2016, FLI filed its Petition for Review with the Supreme Court, but the SC also affirmed the Decision of the CA remanding the case for reversion filed by the Republic of the Philippines to the RTC of General Santos City for further proceedings. In an Order dated September 18, 2018, the hearing was reset to March 19, 2019.

*c. Antonio E. Cenon and Filinvest Land, Inc. vs. San Mateo Landfill, Mayor Rafael Diaz, Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources*

Civil Case No. 2273-09  
Branch 75, Regional Trial Court, San Mateo, Rizal  
CA-G.R. CV No. 107682  
Court of Appeals, Manila

On February 9, 2009, FLI and its First Vice President, Engr. Antonio E. Cenon (“Plaintiffs”) filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. Plaintiffs sought preliminary and permanent injunctive reliefs and damages and the complete and permanent closure of the dump site. After presenting evidence, plaintiffs rested their case. Defendant San Mateo Sanitary Landfill and defendant Mayor separately filed a Demurrer to Evidence. In an Order dated August 22, 2016, the Court granted both Demurrers to Evidence and dismissed the case for insufficiency of evidence. Plaintiffs filed a Notice of Appeal which was granted by the Regional Trial Court in an Order dated September 23, 2016. The Court of Appeals issued a Notice to File Brief dated November 3, 2016 which required Plaintiffs to file their Appellants’ Brief. On February 15, 2017, plaintiffs filed their Appellants’ Brief. San Mateo Sanitary Landfill filed its Brief dated April 7, 2017. Plaintiffs filed their Reply Brief on June 5, 2017. San Mateo Sanitary Landfill filed an Omnibus Motion for Leave to File Rejoinder and to Admit Rejoinder dated June 27, 2017. Pursuant to the October 20, 2017 Resolution of the Court of Appeals, plaintiffs filed their Comment on the Omnibus Motion on December 18, 2017. Meanwhile, the parties underwent mediation but the case was not settled. In an Order dated August 1, 2018, the Court of Appeals noted the Mediator’s Report that the

parties were not able to reach settlement, noted the Omnibus Motion, and submitted the appeal for decision.

*d. Manila Paper Mills International, Inc. vs. Filinvest Land, Inc., et al.*

Civil Case No. DC-721-17

Regional Trial Court

Branch 90, Dasmariñas City, Cavite

In its Complaint dated July 14, 2017, Manila Paper Mills International, Inc. (“MPMII”) claims it owns three parcels of land in Dasmariñas City, Cavite covered by TCT Nos. T-636128, T-636130 and T-636131 with the following respective areas: 79,999 square meters, 40,000 square meters, and 104,340 square meters, or a total area of 224,339 square meters. These areas allegedly overlap with FLI’s lots which now form part of FLI’s project, The Glens located in San Pedro Laguna. According to MPMII, plotting for The Glens conducted by a Licensed Geodetic Engineer through Google Maps revealed that portions of the project encroached on said MPMII properties for a total of 208,256 square meters. The Complaint prays for the cancellation of FLI’s certificates of title that overlap with MPMII’s as well as the payment of damages. MPMII also prayed for the issuance of a temporary restraining order or preliminary injunction to enjoin FLI from possessing, altering, transferring ownership, or disposing of the subject properties. MPMII subsequently amended its complaint to address issues raised by FLI in its first Motion to Dismiss. The main subject of the amendment was the change in the plaintiff from MPMII to “Trustees and Shareholders of MPMII.”

In response to the amended complaint, FLI filed its second Motion to Dismiss, where FLI argued, among others, that: (a) the court has no jurisdiction over the amended complaint’s prayer for injunctive relief; (b) the amended complaint should be dismissed because the original complaint lacks cause of action (because MPMII’s corporate personality has ceased in 2004) and may not therefore be subject to amendment; (c) the correct filing fees were not paid and in view of its impropriety, the amendment circumvents the need for separate filing and payment of new docket fees.

During the proceedings, the court allowed MPMII to present evidence on its prayer for injunction even before the resolution of FLI’s motions to dismiss which raised serious grounds. The Presiding Judge proceeded with the hearing of the latter’s evidence without the presence and participation of FLI’s counsel. Thus, FLI filed a Motion to Recuse which the Presiding Judge granted. In the meantime, the proceedings are suspended by the assignment of the case to another judge.

The case was then assigned to an Acting Presiding Judge and a hearing was set on January 23, 2019 for the cross-examination of MPMII’s witnesses. FLI filed an Omnibus Motion to nullify the proceedings where MPMII presented the above-said evidence/witnesses, to resolve pending motions and to suspend further proceedings. An Order was issued which cancelled the hearing on January 23, 2019 and submitted the Motion to Dismiss for resolution.

#### **Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There was no matter which was submitted to a vote of security holders in 2018.

## Part II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The shares were listed on the Philippine Stock Exchange (PSE) in 1993. The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE:

Period		Share Prices		
		High	Low	End
2018	4th Quarter	1.51	1.40	1.41
	3rd Quarter	1.55	1.40	1.43
	2 <sup>nd</sup> Quarter	1.79	1.40	1.40
	1st Quarter	1.93	1.62	1.65
2017	4th Quarter	2.11	1.75	1.88
	3rd Quarter	2.25	1.67	2.03
	2 <sup>nd</sup> Quarter	1.79	1.60	1.67
	1st Quarter	1.82	1.53	1.64

On December 31, 2018, FLI's shares closed at the price of ₱1.41 per share. The number of shareholders of record as of said date was 5,690. Common shares outstanding as of December 31, 2018 is 24,470,708,506.

Top 20 Stockholders (common shares) as of December 31, 2018:

<u>NAME</u>	<u>NO. OF SHARES</u>	<u>% OF TOTAL</u>
1. Filinvest Development Corporation	14,409,926,733	59.42%
2. PCD Nominee Corporation (Non-Filipino)	6,797,602,293	27.47%
3. PCD Nominee Corporation (Filipino)	2,734,267,421	11.84%
4. Phil. International Life Insurance	50,000,000	00.21%
5. Phil. International Life Insurance Co., Inc.	20,000,000	00.08%
6. Michael Gotianun	11,235,913	00.05%
7. Lucio W. Yan &/or Clara Y. Yan	10,687,500	00.04%
8. Joseph M. Yap &/or Josephine G. Yap	7,694,843	00.03%
9. Berck Y. Cheng	7,000,000	00.03%
10. Joseph M. Yap	6,444,115	00.03%
11. Executive Optical, Inc.	5,040,647	00.02%
12. R Magdalena Bosch	4,877,928	00.02%
13. Luis Rodrigo P. Fernandez	4,064,940	00.02%
14. Luis L. Fernandez Or Veronica P. Fernandez ITF Carlo	4,064,940	00.02%
15. Luis L. Fernandez	4,064,940	00.02%
16. Veronica P. Fernandez	4,064,940	00.02%
17. Luis L. Fernandez or Veronica P. Fernandez ITF Marco	4,064,940	00.02%
18. Enrique P. Fernandez	4,064,940	00.02%
19. Team Gladiola	3,828,000	00.02%
20. Emily Benedicto	3,468,750	00.01%

The Parent Company's entire preferred shares of 8 billion shares were all issued to FDC.

No securities were sold within the past three years which were not registered under the Revised Securities Act and/or Securities Regulation Code.

#### **Dividends**

On April 22, 2016 the BOD approved the declaration and payment of cash dividend of P0.061 per share or a total of P1.48 billion for all shareholders of record as of May 22, 2016.

On April 21, 2017 the BOD approved the declaration and payment of cash dividend of P0.0613 per share or a total of P1.49 billion for all shareholders of record as of May 21, 2017.

On April 20, 2018 the BOD approved the declaration and payment of cash dividend of P0.0618 per share or total of P1.50 billion for all shareholders of record as of May 20, 2018.

The declaration of dividends is contingent upon FLI's earnings, cash flow, financial condition, capital investment requirements and other factors (including certain restrictions on dividend declaration imposed by the terms of agreements to which FLI is a party).

Pursuant to the loan agreements entered into by the Company and certain financial institutions, the Company needs the lenders' prior consent in cases of cash dividend declaration.

#### **Item 6. BOND ISSUANCES**

On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of P6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2018 and 2017, the Group is not in breach of any of these debt covenants.

#### **Item 7. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION**

##### Plan of Operations for 2019

FLI's business strategy has placed emphasis on the development and sale of residential lots and housing units to lower and middle-income markets throughout the Philippines.

FLI expects to remain focused on core residential real estate development business which includes medium-rise buildings (MRB) and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market. The Parent Company is also expanding its retail and office-building portfolio to generate recurring revenues.

In 2019, FLI intends to retain its dominant position as the leader in MRB projects by launching 3 new projects nationwide and 9 additional buildings of existing projects. This will bring FLI's total MRB projects to 35. These new MRB projects are part of the total P30.0 billion estimated sales value of new projects slated for launch by FLI in 2019.

Aside from the MRBs, FLI has pipelined 15 horizontal residential projects and one high-rise building (HRB).

## **Results of Operations for 2018**

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

For the year ended December 31, 2017, FLI's operating regular net income registered a year on year growth of 4.14% or P241.69 million from P5,834.18 million in 2017 to P6,075.87 million in 2018.

### **Revenues and other income**

Total consolidated revenues went up by P1,935.53 million or 9.55% from P20,269.65 million in 2017 to P22,205.19 million in 2018. Increase in revenue is attributable to increase in rental and related services of 27.04% or P1,193.59 million, from P4,414.67 million in 2017 to P5,608.26 million in 2018. Filinvest Axis Tower 1, located in Northgate Cyberzone Alabang, Filinvest Cyberzone Cebu Tower 2, located in Salinas, Cebu, and Filinvest Cyberzone Mimosa Building 1; located in Mimosa Clark, have been completed adding 76,046 square meters of GLA to the office portfolio. FLI now operates 28 buildings totaling 471,185 square meters of GLA. For retail, FLI now has 242,226 square meters GLA to the retail portfolio.

Real estate sales increased by P655.77 million or by 4.77% from P13,748.42 million in 2017 to P14,404.20 million in 2018. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 70% (inclusive of MRB and HRB); Affordable 18%; High-End 7%; Farm Estate 1%; Socialized and others 4%.

Interest income increased by P41.99 million or by 4.49% from P935.30 million in 2017 to P977.29 million in 2018. The increase was due to higher interest income derived from cash and cash equivalents and contracts receivable.

Other income decreased by P142.63 million or by 17.37% from P821.05 million in 2017 to P678.42 million in 2018. The decrease was due to lower income generated from forfeited reservations and collections.

### **Costs and Expenses**

Cost of real estate sales increased by P287.30 million or by 3.57% from P8,051.90 million in 2017 to P8,339.21 million in 2018. The increase was mainly due to increase in the amount of real estate sales booked during the current period. Cost of rental services on the other hand, increased by P131.45 million or 13.16% from P999.06 million in 2017 to P1,130.51 million in 2018 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to P3,764.65 million in 2018 from P2,860.83 million in 2017.

General and administrative expenses increased by P442.93 million or by 23.57% to P2,322.06 million in 2018 from P1,879.14 million in 2017. The increase was due to operating expenses related to opening of new malls and BPO buildings for lease. Likewise, business permits and real property taxes increased as a result of higher revenues and completion of more buildings during the year. Also contributed to the increase was the higher salaries, wages and other benefits due to the full operation of DPI and recognition of service fees for the service rendered by Engie O&M to PDDC. Selling and marketing expenses increased by P460.90 million or by 46.95% from P981.69 million in 2017 to P1,442.59 million in 2018 mainly due to higher broker's commission released during the year and managed advertising costs.

### **Provision for Income Tax**

Total provision for income tax increased by 16.53% from P1,460.98 million in 2017 to P1,702.51 million in 2018. Provision for current income tax increased to P1,029.49 million in 2018 from P705.04 million in 2017 or an increase of P324.46 million or by 46.02% due to higher taxable income as a result of increased revenues

Provision for deferred income tax decreased by P82.92 million or by 10.97% from P755.94 million in 2017 to P673.02 million in 2018 due to temporary differences between financial and taxable income.



## **Financial Condition**

As of December 31, 2018, FLI's total consolidated assets stood at P158.86 billion, higher by 9.47% or by P13.74 billion than the P145.12 billion total consolidated assets (as restated) as of December 31, 2017. The following are the material changes in account balances:

### ***15.27% Decrease in Cash and cash equivalents***

Net outflows of cash mainly came from acquisition of Gintong Parisukat Realty & Dev't, Inc. (GPRDI) amounting to P1.9 billion and P1.3 billion as initial down payment for the acquisition of Cleon properties. Although the FLI's operations yielded a consolidated total of P11.27 billion during the year and new loan availments were made amounting to P5.5 billion, these were used mostly to fund new investments and construction projects amounting to P13.0 billion and dividend paid amounting to P1.5 billion.

### ***37.05% Decrease in Contracts receivable***

Contracts receivable decreased due to strong collections during the period. Majority of collections came from middle-income projects.

### ***24.75% Increase in Other receivables***

Increase is mainly due to higher receivables amounting P0.18 billion from CPI with the newly awarded contract of lease to new tenants for Filinvest 3, Vector 3, Axis T1, Cebu T1 & T2. On the other hand, FCI recorded an increase of P0.23 billion for new tenants of Filinvest Cyberzone Bay City Tower A & D opened in 2018. An increase of occupancy rate of FSI Malls and Expansion was also noted amounting to P0.09 billion from tenants and P0.05 billion receivable from newly operated rental/ commercial spaces of FCMI and FLTI.

### ***29.74% Increase in Real estate inventories***

Inventories increased due to rawland acquisitions including acquisition of land in Mandaluyong amounting to P4.74 billion and P1.9 billion of GPRDI. Moreover, real estate inventories accelerated spending on saleable real estate project costs.

### ***15.53% Decrease in Other current assets***

The decrease is mainly due to the adoption of PFRS 15, a new accounting standards effective in the current fiscal year resulting to transition adjustment to commission expense from prepaid commission amounting to P0.41 billion.

### ***3.36% Decrease in Investment in Associates***

The decrease in investment is due to receipt of dividends amounting to P0.68 billion reduced by the share in net income from FAI and FMI amounting to P0.54 billion.

### ***12.43% Increase in Investment property***

The increase was mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease with a consolidated total of P6.1 billion before depreciation recorded for the year amounting to P0.63 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

***12.46% Increase in Property, plant and equipment***

The increase was primarily due to the P0.18 billion additional improvement made for DCS plant (District Cooling System) which supplies the chilled water for the Northgate Cyberzone buildings as well as the P0.34 billion for the acquisition of new field machineries and construction equipment for Dreambuilders Pro, Inc. .

***76.71% Increase in Deferred tax assets***

The increase was primarily due to additional advance rentals made amounting to P0.03 billion for new office leases opened in Alabang and Clark during the year.

***2.76% Increase in Other noncurrent assets***

The increase is mainly attributed to the construction costs of the Filinvest Cebu Cyberzone, classified under non-current other assets pursuant to BTO agreement with the Government of Cebu amounting to P0.06 billion, net of depreciation.

***2.42% Increase in Accounts payable and accrued expenses***

The increase is mainly due to P0.20 billion increase in payables to contractors and suppliers for the construction activities.

***220.66% Increase in Other Non-current liabilities***

The increase in this account was mainly due to the accrual for the purchase of land amounting to P3.5 billion, additional reserve accounts due to P2.0 billion net increase in additional budget set-up for the year.

***7.04% Increase in Loans payable***

The increase in mainly due to the P5.5 billion newly availed loans offset by P3.87 billion repayments.

***0.17% Increase in Bonds payable***

The increase was due to bond issuance of P6.0 billion during the year by CPI, a 100% subsidiary of FLI.

***9.05% Decrease in Due to related parties***

The decrease was due to payments of the liability to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

***15.54 % Increase in Retirement liabilities***

The increase was due to the accrual of current service cost and interest cost on the retirement fund for the year.

***13.46% Increase in Deferred Income Tax Liabilities***

The increase was mainly due to the additional capitalized borrowing cost on long-term loans amounting to P0.46 billion and other temporary differences between financial and taxable income.

### **Performance Indicators**

<i>Financial Ratios</i>	<i>Particulars</i>	<b>2018</b>	<b>2017</b>
<i>Earnings per Share</i>	<i>Basic<sup>1</sup></i>	0.24	0.23
<i>Earnings per Share</i>	<i>Diluted<sup>2</sup></i>	0.24	0.23
<i>Debt to Equity Ratio</i>	<i><u>Notes Payable + Long-term Debt</u></i> <i>Total Stockholder's Equity</i>	0.89	0.91
<i>Net Debt to Equity Ratio</i>	<i><u>Notes Payable + Long-term Debt – Cash</u></i> <i>Total Stockholder's Equity</i>	0.79	0.80
<i>Debt Ratio</i>	<i><u>Total Liabilities</u></i> <i>Total Assets</i>	0.58	0.56
<i>EBITDA to Total Interest Expense</i>	<i><u>EBITDA</u></i> <i>Total Interest Expense</i>	3.22	3.07
<i>Price Earnings Ratio</i>	<i><u>Closing Price of Share</u></i> <i>Earnings Per share</i>	5.80	8.02

<sup>1</sup>Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

<sup>2</sup>Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### **Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

## **Results of Operations for 2017**

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

For the year ended December 31, 2017, FLI's operating regular net income registered a year on year growth of 9.03% or P483.39 million from P5,350.79 million in 2016 to P5,834.18 million in 2017.

### **Revenues and other income**

Total consolidated revenues went up by P769.06 million or 3.94% from P19,500.59 million in 2016 to P20,269.65 million in 2017. Increase in revenue is attributable to 30.45% or P1,030.49 million increase in rental and other related services revenue from P3,384.18 million in 2016 to P4,414.67 million in 2017. Vector Three, located in Northgate Cyberzone Alabang has been completed and turned over, adding 36,000 square meters of GLA to the office portfolio. FLI now operates 22 buildings totaling 348,000 square meters of GLA. For retail, Fora Mall in Tagaytay and Main Square Mall in Bacoor were completed adding 50,000 square meters GLA to the retail portfolio.

Real estate sales slightly decreased by P507.50 million or by 3.56% from P14,255.92 million in 2016 to P13,748.42 million in 2017. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 69% (inclusive of MRB and HRB); Affordable 20%; High-End 9%; Farm Estate 1%; Socialized and others 1%.

Interest income increased by P63.33 million or by 7.26% from P871.97 million in 2016 to P935.30 million in 2017. The increase was due to higher interest income derived from cash and cash equivalents and contracts receivable.

### **Costs and Expenses**

Cost of real estate sales decreased by P270.37 million or by 3.25% from P8,322.27 million in 2016 to P8,051.90 million in 2017. The decrease was mainly due to decline in the amount of real estate sales booked during the current period. Cost of rental services on the other hand, increased by P256.57 million or 34.56% from P742.49 million in 2016 to P999.06 million in 2017 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to P2,860.83 million in 2017 from P2,508.76 million in 2016. General and administrative expenses increased by P575.19 million or by 44.11% to P1,879.14 million in 2017 from P1,303.95 million in 2016. The increase was due to operating expenses related to opening of new malls and BPO buildings for lease. Likewise, business permits and real property taxes increased as a result of higher revenues and completion of more buildings during the year. Selling and marketing expenses decreased by P223.11 million or by 18.52% from P1,204.80 million in 2016 to P 981.69 million in 2017 mainly due to lower broker's commission released during the year and managed advertising costs.

### **Provision for Income Tax**

Total provision for income tax decreased by 2.84% from P1,503.62 million in 2016 to P1,460.98 million in 2017. Provision for current income tax increased to P705.04 million in 2017 from P385.79 million in 2016 or an increase of P319.25 million or by 82.75% due to higher taxable income generated from increased revenues

Provision for deferred income tax decreased by P361.88 million or by 32.37% from P1,117.82 million in 2016 to P755.94 million in 2017 due to temporary differences between financial and taxable income.

## **Financial Condition**

As of December 31, 2017, FLI's total consolidated assets stood at P145.12 billion, higher by 12.13% or by P15.70 billion than the P129.43 billion total consolidated assets as of December 31, 2016. The following are the material changes in account balances:

***55.47% Increase in Cash and cash equivalents***

Inflows of cash mainly came from proceeds of loans and bonds during the year together with strong collection of receivables offset by expenditures on projects and acquisitions of land and property investments and debt repayments.

***20.93% Decrease in Contracts receivable***

Contracts receivable decreased due to strong collections during the period. Majority of collections came from middle-income projects.

***31.97% Increase in Other receivables***

Increase is mainly due to higher receivables from tenants due to new leasable areas, escalations of rents etc.

***29.14% Increase in Real estate inventories***

Inventories increased due to rawland acquisitions and accelerated spending on saleable real estate project costs.

***16.67% Increase in Other current assets***

Other current assets increased due to higher prepaid expenses and CWTs during the year.

***16.74% Increase in Investment property***

The increase was mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

***28.85% Increase in Property, plant and equipment***

The increase was primarily due to the completion of the DCS plant (District Cooling System) which supplies the chilled water for the Northgate Cyberzone buildings.

***2.88% Increase in Other noncurrent assets***

The increase in this account was mainly construction costs of the Filinvest Cebu Cyberzone, classified under non-current other assets pursuant to BTO agreement with the Government of Cebu.

***51.87% Increase in Accounts payable and accrued expenses***

The increase in this account was mainly due to the accrual for the purchase of rawland and payables to contractors and suppliers for project constructions.

***4.69% Decrease in Loans payable***

The increase in mainly due to the P3.23 billion newly availed loans offset by P4.37 billion repayments

***20.77% Increase in Bonds payable***

The increase was due to bond issuance of P6.0 billion during the year by CPI, a 100% subsidiary of FLI.

***18.23% Decrease in Due to related parties***

The decrease was due to payments of the liability to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

***15.74 % Increase in Retirement liabilities***

The increase was due to the accrual of the current service cost and interest cost to the retirement fund for the year.

***17.33% Increase in Deferred Income Tax Liabilities***

The increase was mainly due to the additional capitalized borrowing cost on long-term loans and other temporary differences between financial and taxable income.



### **Performance Indicators**

<i>Financial Ratios</i>	<i>Particulars</i>	<b>2017</b>	<b>2016</b>
<i>Earnings per Share</i>	<i>Basic<sup>1</sup></i>	0.23	0.22
<i>Earnings per Share</i>	<i>Diluted<sup>2</sup></i>	0.23	0.22
<i>Debt to Equity Ratio</i>	<i>Notes Payable &amp; Long-term Debt</i> <i>Total Stockholder's Equity</i>	0.91	0.90
<i>Debt Ratio</i>	<i>Total Liabilities</i> <i>Total Assets</i>	0.56	0.54
<i>EBITDA to Total Interest Expense</i>	<i>EBITDA</i> <i>Total Interest Expense</i>	3.07	3.16
<i>Price Earnings Ratio</i>	<i>Closing Price of Share</i> <i>Earnings Per share</i>	8.02	6.95

<sup>1</sup>Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

<sup>2</sup>Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### **Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

## **Results of Operations for 2016**

### **Year ended December 31, 2016 compared to year ended December 31, 2015**

For the year ended December 31, 2016, FLI's operating regular net income registered a year on year growth of 4.95% or P252.22 million from P5,098.56 million in 2015 to P5,350.79 million in 2016.

#### **Revenues and other income**

Total consolidated revenues went up by P1,197.73 million or 6.54% from P18,302.85 million in 2015 to P19,500.59 million in 2016. Increase in revenue is attributable to 14.61% or P431.42 million increase in rental and other related services revenue from P2,952.76 million in 2015 to P3,384.18 million in 2016. FLI completed three new buildings in the last quarter of 2015 and these have started to generate revenues in 2016. FLI now operates 21 buildings totaling 312,000 square meters of gross leasable area (GLA). Likewise, real estate sales increased by P205.21 million or by 1.46% from P14,050.71 million in 2015 to P14,255.92 million in 2016. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 72% (inclusive of Medium-Rise Buildings and High-Rise Buildings); Affordable 19%; High-End 3%; Farm Estate 1%; Socialized and others 5%.

Interest income increased by P63.59 million or by 7.87% from P808.38 million in 2015 to P871.97 million in 2016. The increase was due to higher interest income derived from cash and cash equivalents. Other income increased by 156.09% or by P490.96 million from P314.53 million in 2015 to P805.49 million in 2016 mainly due to a P450.00 income from liquidated damages qualified to be recognized as income as of December 31, 2016.

#### **Costs and Expenses**

Cost of real estate sales increased by P190.12 million or by 2.34% from P8,132.15 million in 2015 to P8,322.27 million in 2016. The increase was mainly due to movement in the amount of sales booked during the current period. Cost of rental services likewise increased by 8.14% from P686.58 million in 2015 to P742.49 million in 2016 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to P2,508.76 million in 2016 from P2,226.73 million in 2015.

General and administrative expenses increased by P165.93 million or by 14.58% to P1,303.95 million in 2016 from P1,138.02 million in 2015. The increase was due to some repairs expensed out in 2016, and increases in outside temporary services, rent and utilities expenses for the current period.

Selling and marketing expenses increased by P116.10 million or by 10.66% to P1,204.80 million in 2016 from P1,088.71 million in 2015 mainly due to increase in broker's commission.

Interest and other financial charges increased by P188.91 million or by 21.38% to P1,072.66 million in 2016 from P883.76 million in 2015. This was due to interest expense of the newly availed loans in 2016.

#### **Provision for Income Tax**

Provision for income tax increased by 17.92% from P1,275.07 million in 2015 to P1,503.62 million in 2016. Provision for current income tax decreased to P385.79 million in 2016 from P407.15 million in 2015 or a decrease of P21.36 million or by 5.25% due to lower taxable income brought about by tax incentives and nontaxable financial revenues.

Provision for deferred income tax increased by P249.90 million or by 28.79% from P867.92 million in 2015 to P1,117.82 million in 2016 due to temporary differences of financial and taxable income.

## **Financial Condition**

As of December 31, 2016, FLI's total consolidated assets stood at P129,425.23 million, higher by 6.79% or by P8,230.06 million than the P121,195.17 million total consolidated assets (as restated) as of December 31, 2015. The following are the material changes in account balances:

### ***26.13% Decrease in Cash and cash equivalents***

Funds were used for the development of existing and new projects and for the construction of new buildings (investment properties) and for raw land acquisitions, coupled with bond and loan payments.

### ***11.98% Increase in Contracts receivable***

Contracts receivable increased due to additional sales booked during the period. Several attractive financing schemes are being offered by the Group to its real estate buyers to further increase sales.

### ***15.20% Decrease in Other receivables***

Decrease is mainly due to recoupment of advances from contractors and suppliers.

### ***16.05% Decrease in Financial assets at fair value through other comprehensive income***

This account decreased due to management's reassessment of control over TSNC. TSNC is now treated as a subsidiary with the investment in Club shares eliminated at consolidation.

### ***18.71% Increase in Investment property***

The increase was mainly due to the additional construction costs of new buildings in Northgate Cyberzone and Filinvest Cebu Cyberzone. Moreover, additional costs were incurred for the construction of buildings for commercial lease.

### ***33.60% Increase in Property, plant and equipment***

The increase was mainly due to consolidation of TSNC which has a material cost of Club classified as property, plant and equipment.

### ***87.06% Increase in Deferred income tax assets***

The increase in deferred income tax assets is basically due additional advance rental payments for the year.

### ***21.50% Increase in Other assets***

The increase in this account was mainly construction costs of the non-current assets acquired in relation to BTO agreement with the Government of Cebu.

### ***16.03% Decrease in Accounts payable and accrued expenses***

The decrease in this account was mainly due to the settlement of payables to contractors and suppliers with the completion of project constructions.

### ***53.36% Increase in Loans payable***

The increase in mainly due to the P10.48 billion newly availed loans by the Group offset by the P1.93 billion repayments.

### ***9.30% Decrease in Bonds payable***

The decrease was due to repayment of the P3 billion fixed-rate bonds.

### ***44.68% Increase in Income tax payable***

The increase in income tax payable was attributable to increased taxable income due to increased revenues.

### ***28.92% Decrease in Due to Related Parties***

The decrease was due to pay offs of the liability to affiliates for the Group's share in expenses in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the first quarter of the following year.

### **38.99 % Increase in Retirement Liabilities**

The increase was due to the accrual of the liability to the retirement fund for the year based on the latest actuarial valuation, net of cash contributions to the fund.

### **32.71% Increase in Deferred Income Tax Liabilities**

The increase was mainly due to the additional capitalized borrowing cost on long-term loans and other temporary differences of financial and taxable income.

### **Performance Indicators**

<i>Financial Ratios</i>	<i>Particulars</i>	<b>2016</b>	2015
<i>Earnings per Share</i>	<i>Basic<sup>1</sup></i>	<b>0.22</b>	0.21
<i>Earnings per Share</i>	<i>Diluted<sup>2</sup></i>	<b>0.22</b>	0.21
<i>Debt to Equity Ratio</i>	<i>Notes Payable &amp; Long-term Debt</i> <i>Total Stockholder's Equity</i>	<b>0.90</b>	0.85
<i>Debt Ratio</i>	<i>Total Liabilities</i> <i>Total Assets</i>	<b>0.54</b>	0.54
<i>EBITDA to Total Interest Expense</i>	<i>EBITDA</i> <i>Total Interest Expense</i>	<b>3.16</b>	3.09
<i>Price Earnings Ratio</i>	<i>Closing Price of Share</i> <i>Earnings Per share</i>	<b>6.95</b>	8.62

<sup>1</sup>Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

<sup>2</sup>Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### **Other Disclosures**

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the Parent Company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

#### **Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE**

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV has been recommended for election as external auditor for the year 2018. FLI, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors, has designated Mr. Michael C. Sabado as its engagement partner starting CY 2018. Thus, Mr. Sabado is qualified to act as such until year 2023. The representatives of SGV are expected to be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.



## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

<b>Jonathan T. Gotianun</b> <i>Chairperson of the Board</i>	Mr. Gotianun, 65, Filipino, was first elected as a Director of FLI on 17 June 1994. He also serves as the Chairperson of the Board of Directors of FDC and East West Banking Corporation (“EWBC”), both publicly-listed companies. He is also the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and the Chairperson of the Board of Directors of FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. He served as Director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master’s Degree in Business Administration from Northwestern University in 1976.
<b>Lourdes Josephine Gotianun-Yap</b> <i>President and Chief Executive Officer</i>	Mrs. Yap, 63, Filipino, was first elected as a Director of FLI on 24 November 1989. Mrs. Yap, who was elected as the President and CEO of FLI on 31 October 2012, is also a Director and the President and CEO of FDC, a publicly-listed company, and a Director in FDCUI, Filinvest Alabang, Inc. (“FAI”), Cyberzone Properties, Inc. (“CPI”) and EWBC, a publicly-listed company. She obtained her Master’s Degree in Business Administration from the University of Chicago in 1977.
<b>Mercedes T. Gotianun</b> <i>Director</i>	Mrs. Gotianun, 90, Filipino, was a Director of FLI from 1991 to 2010 and its Chief Executive Officer from 1997 to 2007. She was first elected as a Director of FLI on 24 November 1989. She serves as a Director of EWBC and FDC, both publicly-listed companies, and also as a Director of FAI, Pacific Sugar Holdings Corporation (“PSHC”) and FDCUI. She was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the bank from 1978 to 1984. She obtained her university degree from the University of the Philippines.
<b>Andrew T. Gotianun, Jr.</b> <i>Director</i>	Mr. Gotianun, 66, Filipino, was first elected as a Director of FLI on 24 November 1989. He is also a Director of FDC, a publicly-listed company, and a Director in FAI and FDCUI. He was elected Chairperson of the Board of Timberland Sports and Nature Club, Inc. (“TSNC”) in 2017. He served as a director of Family Bank and Trust Co. from 1980 to 1984. He obtained his Bachelor of Science (Major in Accounting) degree from Republican College in 1981.
<b>Michael Edward T. Gotianun</b> <i>Director</i>	Mr. Gotianun, 61, Filipino, was first elected as a Director of FLI on 08 May 2015. He is also a Director of FDC, a publicly-listed company, FAI and Festival Supermall, Inc. He served as the general manager of Filinvest Technical Industries from 1987 to 1990 and as loans officer at Family Bank from 1979 to 1984. He obtained his Bachelor’s Degree in Business Management from the University of San Francisco in 1979.
<b>Efren C. Gutierrez</b> <i>Director</i>	Mr. Gutierrez, 83, Filipino, was a Director of FLI from 1994 to 2001, and was re-elected to FLI’s Board in 2006. He was first elected as a Director of FLI on 17 June 1994. He served as the President of FAI from 1999 to 2005. He is currently the Chairperson of the Board of The Palms Country Club, Inc. (“TPCCT”) He is not a Director of any other publicly-listed company. He obtained his Bachelor of Laws degree from the University of the Philippines.
<b>Francis C. Nathaniel Gotianun</b> <i>Director</i>	Mr. Gotianun, 35, Filipino, was first elected as a director of FLI on 22 April 2016. He is the Vice President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of Filinvest Mimoso, Inc. and as the President and CEO of TPCCL. He is not a Director of any other publicly-listed company. He obtained his Bachelor’s Degree in Commerce from the University of Virginia in 2005 and his Master’s in Business Administration degree in IESE Business School – University of Navarra in 2010.
<b>Lamberto U. Ocampo</b> <i>Independent Director</i>	Mr. Ocampo, 93, Filipino, was an independent director of FLI from 2002 to 2008, having been first elected as an independent director of FLI on 30 May 2002. He is also an independent director of CPI. In 2012, Mr. Ocampo was re-elected as an independent director of FLI. He is a Civil Engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to April 2001, as its Chairperson of the Board from 1993 to 1995, and President from 1970 to 1992. He is not a Director of any other publicly-listed company. He obtained his Master’s Degree in Engineering from the University of California-Berkeley.

<b>Val Antonio B. Suarez</b> <i>Independent Director</i>	Mr. Suarez, 60, Filipino, was first elected as an independent director of FLI on 08 May 2015. He is also an independent director of FDC and Lepanto Consolidated Mining Company, both publicly-listed companies. He is also an independent director of CPI. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange. Mr. Suarez is a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University School of Law and a Master of Laws degree from Georgetown University Law Center.
<b>Nelson M. Bona</b> <i>Chief Financial Officer and Compliance Officer</i>	Mr. Bona, 68, Filipino, was appointed as FLI's Chief Financial Officer in January 2007 and as its Compliance Officer in May 2018. He is also the Treasurer and Chief Financial Officer of FDC. He was formerly an Executive Vice President of EWBC and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.
<b>Ana Venus A. Mejia</b> <i>Treasurer, Deputy Chief Financial Officer, and Chief Risk Officer</i>	Ms. Mejia, 53, Filipino, has been with the Filinvest Group for 23 years. She started in January 1996 as Assistant Controller of FDC and has served the Group in various capacities. She was appointed as Treasurer of FLI in 2012. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master of Business Administration degree from Kellogg School of Management and Hong Kong University of Science and Technology.
<b>Sharon P. Pagaling-Refuerzo</b> <i>Assistant Corporate Secretary and Corporate Information Officer</i>	Atty. Pagaling-Refuerzo, 39, Filipino is concurrently Senior Assistant Vice President of the Corporate Advisory Services of the Legal Department of FLI. She is also the Corporate Secretary of FDC, CPI, TPCCI and Timberland Sports and Nature Club, Inc., as well as Corporate Secretary in various companies of the Group. Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree, cum laude, from the University of the Philippines and a law degree from San Beda College.

The members of the Nomination Committee of FLI are Efren C. Gutierrez (Chair), Mercedes T. Gotianun, Lourdes Josephine Gotianun Yap, Lamberto U. Ocampo (Independent Director) and Rizal Angela L. Reyes. Ms. Reyes sits in the committee in an ex-officio capacity as the head of FLI's Human Resources Department.

The Audit and Risk Management Oversight Committee of FLI is composed of Val Antonio B. Suarez (Chair/Independent Director), Jonathan T. Gotianun and Efren C. Gutierrez.

The directors of FLI are elected at the annual stockholders' meeting to hold office for one (1) year and until their respective successors have been duly appointed or elected and qualified. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

There is no person who is not an executive officer of the Parent Company who is expected to make a significant contribution to the business. The Parent Company, however, engages the regular services of consultants. At December 31, 2018, the Parent Company had 7 consultants in the area of business development, marketing, planning and design and construction management.

Except as discussed in section 1.10, there are no transactions or any proposed transactions during the last two years, to which the Parent Company was or is to be a party, in which any director or officer, any nominee for election as a director, any security holder or any member of the immediate family or any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

#### ***Involvement in Certain Legal Proceedings of Directors and Executive Officers***

Except for the following cases, none of the members of FLI's Board nor its executive officers are involved in any major criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2018, nor have they been found by judgment or decree to have violated securities or commodities laws and enjoined from engaging in any business, securities,

commodities or banking activities: (a) criminal cases filed in 2007 before the DOJ in I.S. Nos. 2007-001 and 2007-011 and which were dismissed by the DOJ on 26 March 2009 and 07 April 2009, respectively; (b) criminal complaints in the Prosecutor's Office (filed against certain FLI officers) arising from alleged unlawful collection and application of subdivision dues and other charges being collected by a homeowners' association which was dismissed on 23 January 2012, and (c) the complaint for estafa filed by Manila Paper Mills International, Inc. ("MPMII") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and an officer of FLI, which was dismissed, although MPMII filed a Petition for Review before the Secretary of Justice

## Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

Name & Principal Position	Estimated 2019			2018			2017		
	Salaries	Bonus	Total	Salaries	Bonus	Total	Salaries	Bonus	Total
L. Josephine G. Yap <i>President/Chief Exec. Officer</i>									
Nelson M. Bona <i>CFO/Senior Vice President</i>									
Venus A. Mejia <i>(Deputy Chief Financial Officer/Treasurer/ Senior Vice President)</i>									
Francis V. Ceballos <i>Senior Vice President</i>									
Liang-Ta Chien <i>(Senior Vice President)</i>									
CEO and top four (4) highest compensated officers	₱25.45	₱7.37	₱32.82	25.44	₱7.10	₱32.54	₱24.23	₱6.77	₱31.00
All officers and directors as a group unnamed	₱48.22	₱13.54	₱61.76	₱47.21	₱12.73	₱59.94	₱44.97	₱12.12	₱57.09

Except for a per diem of P50,000 being paid to each director for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

There is no action to be taken at the annual meeting of the stockholders on April 22, 2019 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of FLI will participate. Neither is there any proposed grant or extension to any such person of any option, warrant or right to purchase any securities of FLI.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2018:

<i>Title of Class of Securities</i>	<i>Name/ Address of Record Owner and Relationship with FLI</i>	<i>Name of Beneficial Owner/Relationship with Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares Held</i>	<i>% of Ownership</i>
Preferred	Filinvest Development Corporation <i>The Beaufort, BGC, Taguig City, MM</i>	Same as the record owner	Filipino	8,000,000,000 ( R )	100%
Common	Filinvest Development Corporation <i>The Beaufort, BGC, Taguig City, MM</i>	N.A.	Filipino	14,409,926,733 ( R )	59.42%
Common	PCD Nominee Corporation (Non-Filipino) <i>G/F, Philippine Stock Exchange Tower, Ayala Ave., Makati City</i>	Invesco Hong Kong Limited (more than 5%)	Non-Filipino	6,889,853,354 ( R )	28.41%
Common	PCD Nominee Corporation (Filipino) <i>G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City</i>	(No single shareholder owns at least 5% of total shares)	Filipino	2,641,837,350 ( R )	10.89%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

Ms. Josephine G. Yap is usually appointed by Filinvest Development Corporation (“FDC”) as its representative with authority to vote FDC’s shares in stockholders’ meetings of FLI.

### 11.2. Security Ownership of Management as of December 31, 2018

<b>Title of Class of Securities</b>	<b>Name and Office Address/Residence</b>	<b>Amount and Nature of Ownership</b>	<b>Citizenship</b>	<b>Percentage of Ownership</b>
Common	Mercedes T. Gotianun The Beaufort, 5 <sup>th</sup> Avenue corner 23 <sup>rd</sup> Street, Bonifacio Global City, Taguig City 1634, Metro Manila	76 (D) 37,493,662(I)**	Filipino	0.00% (D) 0.0090% (I)
Common	Andrew T. Gotianun, Jr. Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	406,571(D) 1,916 (I)*	Filipino	0.0017% (D) 0.00% (I)
Common	Lourdes Josephine Gotianun Yap Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	7,694,919(D)*** 39,585,690(I)****	Filipino	0.0317% 0.12%
Common	Jonathan T. Gotianun The Beaufort, 5 <sup>th</sup> Avenue corner 23 <sup>rd</sup> Street, Bonifacio Global City, Taguig City 1634, Metro Manila	61(D) 323,534 (I) *****	Filipino	0.00% 0.00%
Common	Michael Edward T. Gotianun Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City	11,235,913(D) 47,131,422(I)*	Filipino	0.05% (D) 0.00% (I)
Common	Efren C. Gutierrez Ayala Alabang Village, Muntinlupa City	13,083(D) 802 (I)*	Filipino	0.0001% (D) 0.00% (I)
Common	Francis Nathaniel C. Gotianun Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City	32,518(D) 0 (I)	Filipino	0.0001% (D) 0.00% (I)

(Forward)

Title of Class of Securities	Name and Office Address/Residence	Amount and Nature of Ownership	Citizenship	Percentage of Ownership
Common	Val Antonio B. Suarez Unit 2111 BSA Suites, 103 Carlos Palanca St. Legaspi Village Makati City	1(D) 1(I) *	Filipino	0.00%
Common	Lamberto U. Ocampo Magallanes Village, Makati City	1(D) 0 (I)	Filipino	0.00%
Common	Luis L. Fernandez Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	4,064,940 (D) 369,960 (I)*	Filipino	0.0168% (D) 0.00% (I)
N.A.	Nelson M. Bona Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0 (D) 24,664 (I)*	Filipino	0.00%
N.A.	Ana Venus A. Mejia Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	N.A.
N.A.	Francis V. Ceballos Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	N.A.
Common	Antonio E. Cenon Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	81,297 (D) 0 (I)	Filipino	0.0003%
Common	Winnifred H. Lim Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0 (D) 1,026,563 (I)	Filipino	0.00% 0.0042%
N.A.	Tristanail D. Las Marias Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	N.A.
N.A.	Vince Lawrence Abejo Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	N.A.
N.A.	Reynaldo Juanito S. Nieva II Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	N.A.

\* Shares of stock in Filinvest Development Corporation

\*\* Includes shares of stock in Filinvest Land, Inc. under the name Joseph &/or Josephine Yap

\*\*\* Includes shares of stock in Filinvest Development Corporation under the name Joseph &/or Josephine Yap

\*\*\*\* Includes shares of stock in Filinvest Development Corporation

Total ownership of all directors and officers as a group as of 28 February 2019 is 0.20% of the total issued and outstanding common shares of stock.

No person holds more than 5% of the common stock under a voting trust or similar agreement. There has been no change in control of FLI since the beginning of last year. There were no matters submitted to a vote of the security holders during the fourth quarter of the calendar year covered by this report.

### 11.3. Voting Trust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

### 11.4. Changes in Control

There are no arrangements that may result in change in control of the Parent Company.



## **Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Parent Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Parent Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.10, respectively.

## **PART IV – COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

### **Item 13. CORPORATE GOVERNANCE**

FLI is in full compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) FLI's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by FLI.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Revised Manual on Corporate Governance.

Per SEC Memorandum Circular No. 15, Series of 2017, the Integrated Annual Corporate Governance Report for 2018 shall be submitted to the SEC on or before May 30, 2019 and is no longer required to be attached to the Annual Report.

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. EXHIBITS AND REPORTS ON SEC Form 17-C**

#### **a) Exhibits**

Exhibits as indicated in the Index to Exhibits are either not applicable to the Parent Company or require no answer.

#### **b) Reports on SEC Form 17-C**

The following reports on SEC Form 17-C were filed during the last six months of 2018:

Report Date	Items Reported
November 12, 2018	Press Release on 9-month results
November 6, 2018	Notice of Analysts'/Investors' Briefing on November 23, 2018
August 10, 2018	Press Release on 1 <sup>st</sup> Half Results
July 18, 2018	Result of Board of Directors meeting regarding approval of the re-appointment of the independent external auditor of FLI
July 4, 2018	Notice of Analysts'/Investors' Briefing on August 10, 2018

## **INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

### **Form 17 A, Item 7**

#### **Consolidated Financial Statements**

Statement of Management's Responsibility for Financial Statements  
Certificate on the Compilation Services for the Preparation of the Financial Statements and Notes to the Financial Statements  
Report of Independent Public Accountant  
Consolidated Balance Sheets as of December 31, 2018 and 2017  
Consolidated Statements of Income and Retained Earnings for the years ended December 31, 2018, 2017, and 2016  
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016  
Notes to Consolidated Financial Statements

#### **Supplementary Schedules**


Report of Independent Auditors on Supplementary Schedules  
Group Supplementary Information and Disclosures Required by SRC Rule 38, As Amended (2011)  
Schedule of All Effective Standards and Interpretations under PFRS as of December 31, 2018  
Schedule of Bond Issuances – Securities Offered to the Public  
Group Unappropriated Retained Earnings Available for Dividend Distribution  
Financial Soundness Indicators  
Group Structure

## SIGNATURES

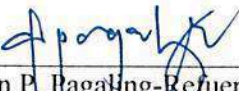
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila on March 25, 2019.

By:

  
Jonathan T. Gotianun  
Chairman

  
L. Josephine Gotianun-Yap  
President and CEO

  
Nelson M. Bona  
Chief Financial Officer

  
Sharon P. Pagaling-Refuerzo  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this **APR 12 2019** day of \_\_\_\_\_ affiants exhibiting to me their Competent evidence of identity as follows:

Name	Competent evidence of Identity	Issue Date	Expiry Date	Place issued
Jonathan T. Gotianun	Passport no. EB9194744	20-Sept-13	19-Sept-20	DFA/Manila
L. Josephine G. Yap	Passport no. P1463447A	7-Jan-17	6-Jan-22	DFA/NCR East
Nelson M. Bona	Driver's License N11-70-029982	27-July-2016	27-July-19	LTO NCR
Sharon P. Pagaling-Refuerzo	Passport no. EC3510951	22-Feb-15	22-Feb-20	DFA/NCR East

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Series of 2019

**JOVEN G. SEVILLANO**  
NOTARY PUBLIC FOR CITY OF MANDALUYONG  
COMMISSION NO. 0285-19 UNTIL DECEMBER 31 2020  
ROLL NO. 58870  
IBP LIFETIME NO. 011302; 12-28-12; RIZAL  
PTR NO. 3806782; 1-3-19; MANDALUYONG  
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022  
METRO MART COMPLEX, MANDALUYONG CITY