ANNEX C

FINANCIAL INFORMATION

PART I

Overview

The Club was organized as a stock, non-profit corporation and was duly registered with the Securities and Exchange Commission (SEC) on 9 July 2014. The Club has no predecessors. To date, the Club has no subsidiaries. Commercial operations of the Club commenced on March 28, 2019.

The Club is not involved in any bankruptcy, receivership or similar proceedings. Neither is the Club involved in any material reclassification, merger consolidation or purchase or sale of significant amount of assets not in the ordinary course of business.

Item 1. Financial Statements

Please refer to the attached financial statements as of 31 December 2018, 31 December 2019, 31 March 2020, 30 June 2020 and 30 September 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Plan of Operation

The Club commenced its commercial operations on March 28, 2019 and had its official Grand Launch on July 31, 2019. Members are obliged to pay monthly dues, fees and assessments as determined by the Board of Directors. Any increase in dues will be reported to the SEC within thirty (30) days from the approval of the Board of Directors. The Members will be notified of such increase. Notices on the dues will also be posted on bulletin boards located in conspicuous areas for the benefit of secondary markets. Current monthly dues are discussed on Item 21 of E. Other Matters.

Revenues are mainly derived from monthly dues and fees, and from the sale of food and beverages. Since the Club operates on a non-profit basis, no part of its net income will inure to the benefit of its shareholders. Assessments, fees and dues collected from Members shall be for the sole purpose of meeting the operational and maintenance expenses of the Club.

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Emergency throughout the Philippines for a period of six (6) months and imposing an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020. This was subsequently extended to May 15, 2020.

The Inter-Agency Task Force (IATF) for the management of emerging infectious diseases released Resolution No. 37 on May 15, 2020, which placed the Province of Pampanga under a state of modified enhanced community quarantine (MECQ) until May 31, 2020. The Province of Pampanga was placed under general community quarantine (GCQ) starting June 1, 2020 pursuant to Resolution No. 40 of the IATF which was issued on May 27, 2020, easing restrictions over the measures to contain the outbreak, subject to reassessment depending on the rise or decline of cases in the province and other affected areas.

On June 15, 2020, the IATF issued Resolution No 46-A which placed the Province of Pampanga under modified general community quarantine (MGCQ) until June 30, 2020. At present, the province is still under MGCQ together with most provinces in the country.

The impact of COVID-19 and the government's response thereto on the Club's business and operations continue to evolve. The club closed on March 17,2020 in compliance with government issuances on restrictions on social mobility to curb the spread of the COVID-19 pandemic. During the club closure, Management ensured the upkeep and maintenance of the Club. The Club partially re-opened on July 8,2020 and had to adjust its operations to optimize resources and expense control and revise revenue projection.

The Club has established and implemented stringent COVID-19 prevention protocols for the members and their guests, and employees as well, such as:

1. Duly accomplished Health Declaration Form through online submission via QR Code or online registration for the members and their guests
2. Members' online registration and check out
3. Thermal body scanning
4. Mandatory facemask
5. Hand sanitizer made available in all areas
6. Disinfection of footbath
7. Social and table/seating distancing
8. Directional and reminder signage to remind members and guest
9. Employees are required to wear facemasks and face shields

As mentioned, the Club only partially opened due to the quarantine guidelines issued by both the national and local governments. Operational modifications have been implemented such as:

- Shortening of the Club operations from 6:00 am - 10:00 pm to 6:00 am – 8:00 pm
- Closure of the Club's Galo Bar due to the early closure of the Club and the on-going curfew restrictions imposed by the local government
- Closure of children's play areas (including the kiddie playroom and kiddie pool), movie room, and spa
- Non-group, contact sports are allowed, such as tennis and badminton
- Group contact sports are not allowed, such as basketball and volleyball

Cash Requirement

While on its early operational stage, funding requirements of the Club will be sourced through revenue generating activities (dues and fees from members and food and beverage), and advances from Nuevocentro, Inc., if deemed necessary.

Capital Expenditure

The Club currently has no plans of conducting any product research and development. It also does not expect to purchase or sell any plant and significant equipment.

Manpower Resource

The Club currently has in its employ 12 full-time employees and 59 contractual workers to handle the Club's operations since its re-opening on July 8,2020 in light of the COVID-19 pandemic.

Management's Discussion and Analysis

<u>Financial Condition</u>

The Club has not availed of any long-term debt financing from its related parties or external sources. Accordingly, the Club has no existing contingencies, material commitments for capital expenditures, guarantees and other off-balance sheet transactions as of the date of the report.

Pre-operating financial support was provided by NCI to the Club. Operating requirements of the Club will be sourced from revenue generating activities and advances from NCI, if deemed necessary.

There are no known trends, events, seasonal aspects or uncertainties which are reasonably expected to have a material impact on the Club's revenues, income and liquidity during its pre-operating stage. All items presented on profit or loss were incurred as part of the Club's pre-operations and operations. Losses from operations are expected to be incurred until the Club reaches its breakeven for commercial operations. Incurrence of loss is monitored regularly to ensure that it will not materially impact the Club's financial capacity.

Liquidity Risk

Liquidity risk is defined by the Club as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Club that make it difficult for the Club to raise the necessary funds or that forces the Club to raise funds at significantly higher interest rates than usual.

The Club manages liquidity risk by maintaining a balance between continuity of funding and flexibility. The Club maintains a level of cash deemed sufficient to finance its operations. As part of its liquidity risk management, the Club regularly evaluates its projected and actual cash flows.

As of September 30, 2020, the Club's financial liabilities have a maturity of less than one year, except for those considered to be due and demandable.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The investment of the Club's cash resources is managed so as to minimize risk while seeking to enhance yield. The Club's holding of cash in bank exposes the Club to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Club consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing.

Bank limits are established on the basis of liquidity, capital adequacy and financial stability. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

Trade receivable generally pertains to membership dues and club charges. The Club bills and collects from members on a monthly basis. It is the Club's policy to impose surcharge fees on members for any delinquency in payment. Once an account is tagged as delinquent, appropriate actions are taken by the Club such as prohibition of the use of Club's facilities and services. The Club assesses long-outstanding member's receivable account periodically as to future collectability. Club shares of members with long-outstanding balances are placed to public auction for bidding at the management's own terms and minimum pricing to ensure that outstanding balances are delinquent members are recovered.

The Club's maximum exposure to credit risk is equal to the carrying value of its financial assets. These financial assets are considered as high grade and are classified as neither past due nor impaired. The rating is based on the nature of the counterparty.

A. <u>Review of operations 3Q 2020 vs 3Q 2019</u>

The Club incurred a net loss after tax of ₱35.64 million in the third quarter of 2020, with a 155% increase from ₱14.00 million net loss during the third quarter of 2019. The significant increase is mainly driven by the longer period comparison in 2020 against the six-month period of the Club's commercial operations in 2019.

As of September 30, 2020, the Club's accounts and other payables are due within one year.

Business segment

The Club will serve its members through its amenities. Food and Banquet, memberships and other amenities related to leisure are being offered. The Club commenced its commercial operations on March 28, 2019.

Expenses

Total expenses amounted to ₱48.26 million during the third quarter of 2020, 157% higher than the ₱ 18.76 million posted in the same period last year.

Project and Capital Expenditure

The Club spent a total of ₱816.29 million for project and capital expenditures of the Club since inception. All of the capital expenditures were spent on construction and fit-out of the Country Club.

Financial Condition

Cash stood at ₱2.83 million, resulting to a Current Ratio of 1.70:1. Since the Club is on its start-up year of operations, funds were sourced from revenue generating activities and advances from NCI to support the Club's operating requirements. As of September 30, 2020, advances provided by the Parent Company amounted to ₱54.70 million.

Causes of any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> – September 30, 2020 versus September 30, 2019

166% increase in Revenues and 158% increase in cost of sales and services
Material changes in the income statement is mainly attributable to the longer covered period for 2020 (9 months) against the six-month period of commercial operations in 2019. Other causes of the material movements are as follows:

- *349% increase in revenues from membership fees*
  Other than the longer period covered, the increase is directly attributable to the increase in activated members at 410 members as of September 2020 from 277 members in 2019.
- *75% increase is revenues from sale of goods and services*
  With the longer period covered, the Club's restaurants and café were able to service 16,256 seat covers in 2020 with a 462% increase against 2,891 seat covers from 2019. This increase was offset by the decrease in average price charged per seat cover due to the change in the Club's sales mix after the quarantine period (closing of Galo Sports Bar and introduction meal delivery).
- *158% increase in cost of sales and services*
  In compliance with Presidential Proclamation No. 929, the Club ceased its operations for approximately 4 months from March 16, 2020 to July 7, 2020. With this, spoilage of perishable inventories of the Club materially increased by 1981% in comparison with 2019.

165% increase in Direct Operating Expenses
Main drivers of the increase in Direct Operating Expenses are as follows:

1502% increase in Depreciation
Material depreciation expense presented under Direct Operating Expenses pertains to the building's depreciation. Building was officially transferred last July 1, 2019, depreciating the asset for only three months in 2019.

94% decrease in Representation
Representation expenses were heavily incurred in 2019 to boost the public's awareness of the Club's newly commenced operations. Most representation expenses are for complimentary food and beverages, amenity visit, and material distribution to prospected members.

13% decrease in Contracted Services
Temporary closing of the Club for four months caused the reduction in manpower support from contracted agencies. The Club only retained skeletal workforce during the four-month period lockdown to maintain its amenities.

Other material increases in Direct Operating Expenses
Other material movements for the third quarter of 2020 include 78% increase in utilities, 6% increase in supplies, 48% increase in transportation, 316% increase in repairs in maintenance, 100% increase in marketing expenses and communication, and 343% increase in other expenses. These expenditures are directly attributable to the full nine-month operations of the Club in 2020 in comparison with the three-month soft-opening operations and full three-month operations in 2019.

142% increase in General and Administrative Expenses
148% increase in Salaries and Employee Benefits
Prior to the commencement of commercial operations, general and administrative functions were provided by NCI at no cost to the Club. The Club only employed its own manpower on March 2019. This resulted to the material increase in salaries and employee benefits in 2020 in which full manpower complement was in place for the full nine-month period.

63% increase in Taxes and Licenses
Increase in taxes and licenses in 2020 refers to the real property tax paid by the Club during the period.

99% decrease in Other Expenses
Other expenses in 2019 pertain to one-off legal fees paid to the Club's legal counsel for transactions with the Commission in which they represented the Club.

Other material increases in General and Administrative Expenses
Other material movements for the third quarter of 2020 include 581% increase in professional fees. These expenditures are directly attributable to the full nine-month operations of the Club in 2020 in comparison with the three-month soft-opening operations in 2019.

176% decrease in Provision for Income Tax
Increase in provision for income tax is directly attributable to the increase in the provisioning for MCIT for taxable gross income of the Club during the third quarter of 2020.

Balance Sheet items – September 30, 2020 versus December 31, 2019

75% decrease in Cash
Significant cash disbursements were made during the quarter for operating activities. Kindly refer to the Statements of Cash Flow for details.

24% increase in Accounts and Other Receivables
Increase in accounts and other receivables pertains to generated sales on account for the period. These are collectible and billed to members within one month from consumption and usage.

78% decrease in Inventories
Given the impact of the four-month temporary closing of the Club and uncertainty in future community quarantine protocols, operations maintained inventory at optimal levels in order to avoid significant spoilage.

27% decrease in Noncurrent Input Value Added Tax (VAT)
Decrease for the period pertains to the amortization of deferred input VAT for capital goods.
16% increase in Accounts and Other Payables
Additional advances received from the Parent Company amounting to ₱15.51 million during the nine-month period ended September 30, 2020 contributed to the material increase in Accounts and Other Payables.

B. <u>Review of operations 2Q 2020 vs 2Q 2019</u>

The Club incurred a net loss after tax of ₱21.28 million in the second quarter of 2020, with a 179% increase from ₱7.64 million net loss during the second quarter of 2020. The significant increase is mainly driven by the commencement of Club's commercial operations.

As of June 30, 2020, the Club's accounts and other payables are due within one year.

Business segment

The Club will serve its members through its amenities. Food and Banquet, memberships and other amenities related to leisure are being offered. The Club commenced its commercial operations on March 28, 2019.

Expenses

Total expenses amounted to ₱29.74 million during the second quarter of 2020, 280% higher than the ₱7.84 million posted in the same period last year.

Project and Capital Expenditure

The Club spent a total of ₱816.29 million for project and capital expenditures of the Club since inception. All of the capital expenditures were spent on construction and fit-out of the Country Club.

Financial Condition

Cash stood at ₱398,086, resulting to a Current Ratio of 1.88:1. Since the Club is on its start-up year of operations, funds were sourced from revenue generating activities and advances from NCI to support the Club's operating requirements. As of June 30, 2020, advances provided by the Parent Company amounted to ₱45.81 million.

Causes of any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> – June 30, 2020 versus June 30, 2019

3,348% increase in Revenues and 100% increase in cost of sales and services
Material changes in the income statement is mainly attributable to the commencement of commercial operations. Gross profit was generated from the ff. outlets:

- Specialty restaurant and café
- Events/banquets
- Sports facilities and courts
- Leisure and recreational facilities (spa, game rooms, theater)
- Membership dues

Revenue for the second quarter of 2019 solely pertains to interest income earned from cash in bank.

392% increase in Direct Operating Expenses
286% increase in Contracted Services
In 2020, the Club contracted manpower agencies for supplemental human resource mainly assigned for the maintenance, outlets' facilitation, and security services.

100% increase in Depreciation
Depreciation expense presented under Direct Operating Expenses pertains to the building's depreciation. Building was officially transferred last July 1, 2019.
Other material increases in Direct Operating Expenses
Other material movements for the second quarter of 2020 include 85% increase in utilities, 150% increase in supplies, 216% increase in transportation, 4,927% increase in repairs in maintenance, 100% increase in marketing expenses and communication. These expenditures are directly attributable to the full six-month operations of the Club in 2020 in comparison with the three-month soft-opening operations in 2019.

92% increase in General and Administrative Expenses
60% increase in Salaries and Employee Benefits
Prior to the commencement of commercial operations, general and administrative functions were provided by NCI at no cost to the Club. The Club only employed its own manpower on March 2019. This resulted to the material increase in salaries and employee benefits in 2020 in which full manpower complement was in place for the full six-month period.

370% increase in Depreciation
Depreciation expense presented under General and Administrative Expenses pertains to the Club's office and transportation equipment and furniture and fixtures. Increase is due to additions made from the third quarter of 2019 to June 30, 2020 amounting to ₱7.92 million.

903% increase in Taxes and Licenses
Increase in taxes and licenses in 2020 refers to the real property tax paid by the Club during the period.

Other material increases in General and Administrative Expenses
Other material movements for the second quarter of 2020 include 185% increase in professional fees and 74% increase in contracted services. These expenditures are directly attributable to the full six-month operations of the Club in 2020 in comparison with the three-month soft-opening operations in 2019.

37% decrease in Provision for Income Tax
Decrease in provision for income tax is directly attributable to the decrease in the average daily cash balance of the Club's cash in bank during the second quarter of 2020, net of provisioning for MCIT.

<u>Balance Sheet items</u> – June 30, 2020 versus December 31, 2019

97% decrease in Cash
Significant cash disbursements were made during the quarter for operating activities.

70% increase in Accounts and Other Receivables
Increase in accounts and other receivables pertains to generated sales on account for the period. These are collectible and billed to members within one month from consumption and usage.

55% increase in Inventories
Increase for the six-month period pertains to the additional purchases made net of cost of sales.

21% decrease in Noncurrent Input Value Added Tax (VAT)
Decrease for the period pertains to the amortization of deferred input VAT for capital goods.

8% increase in Accounts and Other Payables
Additional advances received from the Parent Company amounting to ₱6.58 million during the six-month period ended June 30, 2020 contributed to the material increase in Accounts and Other Payables.

C. Review of operations 1Q 2020 vs 1Q 2019

The Club incurred a net loss after tax of ₱10.77 million in the first quarter of 2020, with a 1658% increase from ₱612,415 net loss during the first quarter of 2019. The significant increase is mainly driven by the commencement of Club's commercial operations.

As of March 31, 2020, the Club's accounts and other payables are due within one year.

Business segment

The Club will serve its members through its amenities. Food and Banquet, memberships and other amenities related to leisure are being offered. The Club commenced its commercial operations on March 28, 2019.

Expenses

Total expenses amounted to ₱15.68 million during the first quarter of 2020, 2032% higher than the ₱ 735,261 posted in the same period last year.

Project and Capital Expenditure

The Club spent a total of ₱816.29 million for project and capital expenditures of the Club since inception. All of the capital expenditures were spent on construction and fit-out of the Country Club.

Financial Condition

Cash stood at ₱899,353, resulting in a Current Ratio of 2.03:1. Since the Club is on its first year of operations, funds were sourced from revenue generating activities and advances from NCI to support the Club's operating requirements. As of March 31, 2020, advances provided by the Parent Company amounted to ₱40.53 million.

Causes of any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> – March 31, 2020 versus March 31, 2019

100% increase in Gross Profit and 8046% increase in other expenses
Material changes in the income statement is mainly attributable to the commencement of commercial operations. Gross profit was generated from the ff. outlets:

- Specialty restaurant and café
- Events/banquets
- Sports facilities and courts

- Leisure and recreational facilities (spa, game rooms, theater)
- Membership dues

Other expenses incurred in the normal commercial operations of the Club refers to employee meals, rentals, postal and communication expenses.

313% increase in Salaries and Employee Benefits
Prior to the commencement of commercial operations, general and administrative functions were provided by NCI at no cost to the Club. The Club only employed its own manpower on March 2019. This resulted to the material increase in salaries and employee benefits in 2020 in which full manpower complement was in place.

903% increase in Taxes and Licenses
Increase in taxes and licenses in 2020 refers to the real property tax paid by the Club during the period.

95% decrease in Provision for Income Tax
Provision for the first quarter of 2020 and 2019 only refers to final tax on interest income earned.

100% increase in Other Income Statement accounts
Increase in other income statement accounts during the first quarter of 2020 is due to the commencement of commercial operations.

Balance Sheet items – March 31, 20120 versus December 31, 2019

92% decrease in Cash
Significant cash disbursements were made during the quarter for operating activities.

51% increase in Accounts and Other Receivables
Increase in accounts and other receivables pertains to the remaining uncollected charge sales for the period. These are collectible and billed to members within one month from consumption and usage.

53% increase in Inventories
Increase for the three-month period pertains to the additional purchases made net of cost of sales.

D. Review of operations 2019 vs. 2018

The Club incurred a net loss after tax of ₱43.12 million for the year 2019, 982% higher than the reported net loss after tax of ₱3.98 million in 2018. The significant increase is mainly driven by the commencement of the Club's commercial operations.

Revenue
As the Club started it normal commercial operations, it generated revenue amounted to ₱12.86 million which mainly pertains to monthly dues, sale of food and beverage and usage of sports facilities and equipment.

Expenses
Total expenses in 2019 amounted to ₱53.14 million, 1213% higher than the ₱4.05 million expenses incurred in 2018. Details of movements in expenses are discussed below under "Material changes in the Financial Statements".

Capital Expenditure
The Club spent a total of ₱816.29 million for project and capital expenditures of the Club since inception. All of the capital expenditures were spent on construction and fit-out of the Country Club.

Accrued expenses and other payables
Accrued expenses and other payables amounted to ₱59.84 million and ₱520.14 million as of December 31, 2019 and 2018, respectively, breakdown of which are provided in Notes 9 and 12 of the financial statements, as attached.

<u>Income Statement items</u> – 2019 versus 2018

100% increase in Gross Profit and 950% increase in other expenses
Material changes in the income statement is mainly attributable to the commencement of commercial operations. Gross profit was generated from the ff. outlets:

- *Specialty restaurant and café*
- *Events/banquets*
- *Sports facilities and courts*
- *Leisure and recreational facilities (spa, game rooms, theater)*
- *Membership dues*

Other expenses incurred in the normal commercial operations of the Club refers to employee meals, rentals, postal and communication expenses.

258% increase in interest income
Interest income increased significantly due to higher average cash balance on bank deposits. Collection of subscription receivable from NCI resulted to a higher available cash in bank balance.

100% increase in Salaries and Employee Benefits
Prior to the commencement of commercial operations, general and administrative functions were provided by NCI at no cost to the Club. The Club only employed its own manpower on March 2019. This resulted to the material increase in salaries and employee benefits in 2019 in which full manpower complement was in place.

89% decrease in taxes and licenses
Decrease in taxes and licenses is mainly due to documentary stamp taxes paid in 2018 from the conversion of NCI's advances to equity.

43% decrease in professional fees
Aside from audit services rendered to the Club for 2019 and 2018, legal fees were incurred from services rendered by an external legal counsel to the Club in 2019.

100% decrease in marketing expenses
Marketing expenses decreased significantly in 2019 due to the performance of the Club's events along with NCI's marketing activities for a more cost-efficient marketing strategy.

695% increase in Provision for Income Tax
Gross profit generated by the Club for the year was subjected to 2% Minimum Corporate Income Tax (MCIT). Provision for 2018 only refers to final tax on interest income earned.

100% increase in Other Income Statement accounts
Increase in other income statement accounts in 2019 is due to the commencement of commercial operations.

<u>Balance Sheet items</u> – 2019 versus 2018

93% decrease in cash
Significant cash disbursements were made in 2019 for operating activities.

414% increase in Accounts and Other Receivables
Increase in accounts and other receivables pertains to the remaining uncollected charge sales for the period. These are collectible and billed to members within one month from consumption and usage.

100% increase in inventories
With the commencement of operations, inventories were purchased in 2019 to accommodate the operations of the Club's restaurant and café.

100% increase in property and equipment
With the commencement of operations, the Club purchased various furniture and fixtures, service equipment and office equipment. The Club capitalized construction cost and development cost amounted to ₱816.29 million in 2019 were reclassified as property and equipment upon commencement of the normal operation.

40% increase in input value-added-taxes
Increase in input value-added taxes is related to continuous incurrence of development costs and purchases of equipment, supplies and materials used for the Club's operations.

87% decrease in advances to contractors
The decrease pertains to the recouped portion of the Club's down payment for every progress billing received in 2019.

88% decrease in accrued and other payables
The significant decrease pertains to payment to NCI for its advances made to the Club and to MDC for the construction of Club facilities.

65% decrease in retention payable
decrease in retention payable is directly attributable to the completion of the Club's construction in progress.

97% increase in capital stock
Increase in capital stock pertains to the full collection of subscription receivable from NCI amounting to ₱470.06 million.

265% increase in deficit
Increase is due to additional operating expenses incurred during the commencement of operation on 2019 as discussed in "Income Statement items – 2019 versus 2018"

E. <u>Review of operations 2018 vs. 2017</u>

In its preoperating stage, the Club posted a net loss after tax of ₱3.98 million for the year 2018, 314% higher than the reported net loss after tax of ₱0.96 million in 2017. The Club's revenues, which pertains solely to interest income received from cash in bank, amounted to ₱77,294, 83% higher year-on-year. The increase in revenue is mainly due to higher average cash balance in 2018.

Expenses
Total expenses in 2018 amounted to ₱4.03 million, 306% higher than the ₱0.99 million expenses incurred in 2017. Expenses mainly drove the increase in the reported net loss after tax of the Club. Details of movements in expenses are discussed below under "Material changes in the Financial Statements".

Capital Expenditure
The Club capitalized a total of ₱271.83 million for project and capital expenditure in 2018, higher than the ₱250.74 million capitalized in 2017. Construction in Progress amounted to ₱752.43 million and ₱ 480.60 million as of December 31, 2018 and 2017, respectively, details of which are provided in Notes 5 and 9 of the financial statements, as attached.

Accrued expenses and other payables
Accrued expenses and other payables amounted to ₱519.64 million and ₱430.57 million as of December 31, 2018 and 2017, respectively, breakdown of which are provided in Notes 6 and 9 of the financial statements, as attached.

<u>Income Statement items</u> – 2018 versus 2017

83% increase in interest income
Interest income increased significantly due to higher average cash balance on bank deposits. The additional advances and subscription made by NCI resulted to a higher available cash in bank balance.

3,367% increase in taxes and licenses
Increase in taxes and licenses is mainly due to documentary stamp taxes paid for the additional advances received from NCI and the conversion of NCI's advances to equity.

286% increase in professional fees
Aside from audit services rendered to the Club for 2018 and 2017, legal fees were incurred from services rendered by an external legal counsel to the Club in 2018.

56% decrease in marketing expenses
Marketing expenses, 57% of the Club's 2017 expenses, decreased significantly in 2018 due to the performance of the Club's events along with NCI's marketing activities for a more cost-efficient marketing strategy.

100% decrease in representation expenses and transportation expenses
The decrease in representation and transportation expenses is correlated to the decrease in marketing expenses, where the Club opted to conduct its marketing and promotions along with NCI.

299% increase in other expenses
Other expenses incurred in 2018 is relatively higher than those incurred in 2017 due to fees paid for SEC reportorial requirements.

<u>Balance Sheet items</u> – 2018 versus 2017

94% increase in cash
Increase in cash is due primarily to advances made by NCI in 2018 amounting to ₱221.00 million and additional investment in shares amounting to ₱156.69.

36% increase in construction in progress
Capitalized construction in progress amounted to ₱271.83 million and ₱250.74 million for the year ended December 31, 2018 and 2017, respectively. Total construction in progress as of December 31, 2018 and 2017 amounted to ₱752.43 million and ₱480.60 million, respectively.

41% increase in input value-added-taxes
Increase in input value-added taxes is directly related to increase in construction in progress.

30% decrease in advances to contractors
With the ongoing construction of the Club, advances to contractors amounting to ₱4.12 million was recouped in 2018, resulting to a net outstanding advances to contractors amounting to ₱13.65 million.

100% increase in other noncurrent assets
Increase in other noncurrent assets is due to bill deposits made to PELCO in 2018.

17% increase in accrued and other payables
In order to finance the Club's ongoing construction, NCI extended advances to the Club amounting to ₱221.0 million. Increase is also attributable to construction services rendered to the Club which has not been settled as of year-end.

39% increase in retention payable
Increase is directly attributable to the continuous construction and development of the Club.

86% increase in capital stock

Increase in capital stock is attributable to additional investment made by NCI through the ff. modes:

- Conversion of advances amounting to ₱196.99 million in exchange of 2,592 Class A shares
- Subscription to the remaining authorized capital stock comprising of 83 Class A shares, 1,950 Class B shares, 225 Class C shares and 200 Class D shares at an issue price of ₱ 254,985 per share

24% increase in deficit

Increase is due to additional pre-operating expenses incurred in 2018 as discussed in "Income Statement items – 2018 versus 2017".

<u>Key Financial Performance Indicators</u>

The table below sets forth the comparative performance indicators of the Club:

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Current ratio[1]	1.70:1	1.88:1	2.04:1	0.32:1	0.31:1	0.02:1
Debt to Equity ratio[2]	0.09:1	0.08:1	0.08:1	0.08:1	1.17:1	3.71:1
Asset to Equity ratio[3]	1.09:1	1.08:1	1.08:1	1.08:1	2.17:1	4.71:1
Return on Assets[4]	(3.79%)	(2.24%)	(1.13%)	(4.46%)	(0.39%)	(0.17%)
Return on Equity[5]	(4.14%)	(2.43%)	(1.21%)	(4.80%)	(0.85%)	(0.80%)

[1] *Current assets / current liabilities*
[2] *Total debt / Total stockholders' equity*
[3] *Total assets/ Total stockholders' equity*
[4] *Net loss/ Total assets*
[5] *Net loss/ Total stockholders' equity*

Ratios for Solvency and Interest Coverage are not applicable to the Club since it has no outstanding debt and interest expense as of the and for the periods disclosed above.

The Management of the Club is not aware of any material events/and uncertainties that would address the past and would have impact on future operations of the following:

1. Any trends, demands, commitments, events or uncertainties that will have a material impact of the Club's liquidity;
2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
3. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with other entities/persons created during the reporting period;
4. Any trends, demands, commitments, events or uncertainties that will have a material impact of the Club's revenue generation and sales;
5. Any significant elements of income or loss that did not arise from the Club's continuing operations; and
6. Any seasonal aspects that had a material effect on the Club's financials.

PART II – MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

(a) Market Information

The Club's shares are not publicly traded and there is no organized trading market for the purchase and sale of such shares as to date.

(b) Holders

The following are the registered holders of the Corporation's securities:

Class A Shares

Nuevocentro, Inc. is the top registered holder of Class A shares of the Corporation as of 30 September 2020. The remainder of Class A shareholders own 1 share each.

	Stockholder Name	No. of Class A shares	Percentage of Class A shares
1.	Nuevocentro, Inc.	3,689	99.70%

Class B Shares

Nuevocentro, Inc. is the top registered holder of Class B shares of the Corporation as of 30 September 2020. The remainder of Class B shareholders own 1 share each.

	Stockholder Name	No. of Class B shares	Percentage of Class B shares
1.	Nuevocentro, Inc.	2,493	95.88%

Class C Shares

Nuevocentro, Inc. is the top registered holder of Class C shares of the Corporation as of 30 September 2020. The remainder of Class C shareholders own 1 share each.

	Stockholder Name	No. of Class C shares	Percentage of Class C shares
1.	Nuevocentro, Inc.	294	98.00%

Class D Shares

Nuevocentro, Inc. is the only registered holder of Class D shares of the Corporation as of 30 September 2020.

	Stockholder Name	No. of Class D shares	Percentage of Class D shares
1.	Nuevocentro, Inc.	200	100.00%

(c) Dividends

Being a non-profit organization, no profit shall inure to the exclusive benefit of any of its shareholders; hence, no dividends shall be declared in their favor. However, upon the dissolution or liquidation of the Club, shareholders shall be entitled to a pro-rata share of the assets of the Club at the time of its dissolution or liquidation.

(d) Recent Sale of Unregistered Securities

All of the Club's outstanding shares were subscribed to by the incorporating shareholders. The Club has not sold any unregistered or exempt securities. Neither has it reacquired any securities, issued new securities, issued securities in exchange for property, services, or other securities, or issued new securities resulting from the modification of outstanding securities.

(e) Corporate Governance

The machinery for corporate governance of the Club is principally contained in the Articles of Incorporation and Amended By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation.

The Club has adopted a Manual of Corporate Governance in the form accordance with the Securities Regulation Code. The function of the Manual of Corporate Governance is to supplement and complement the Club's Articles of Incorporation and By-Laws by setting forth principles of good and transparent governance.

By resolution of its Board of Directors on 26 June 2020, the Club approved the amendments to its Manual of Corporate Governance in compliance with SEC Memorandum Circular No. 24, series of 2019. These amendments include the following:

1. Additional qualification for independent directors;
2. Limitations on the holding of directorships by non-executive directors in other public companies and registered issuers;
3. Adoption by the Board of Directors of a Code of Business Conduct and Ethics, policies on related party transactions, and related party transactions, and retirement policies for key directors and officials;
4. Additional requirement for the Compliance Officer to not be a member of the Board of Directors and not the Corporate Secretary;
5. Establishing other mechanisms to strengthen the corporate governance best practices of the Club in accordance with the said SEC memorandum circular.

The Board of Directors, Management, officers and employees of the Club commit themselves to the principles and best practices of governance contained in the Manual of Corporate Governance as a guide in the attainment of its corporate goals. The Club shall make a continuing effort to create awareness of good corporate governance within the organization.

New initiatives are regularly pursued to develop and adopt corporate governance best practices and to build the right corporate culture across the organization. The Corporation faithfully observes and implements the corporate governance policies of the Securities and Exchange Commission. Management continues to evaluate existing company policies and procedures in light of the recently amended Manual of Corporate Governance to ensure the Corporation's conformity thereto.

There has been no significant deviation from the Club's Manual of Corporate Governance.

Upon the written request of the stockholder, the Corporation undertakes to furnish said stockholder with a copy of the SEC Form 17-A, free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to:

Alviera Country Club, Inc.
31/F Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City, 1226 Philippines

Attention: Ms. Ma. Luisa D. Chiong
Comptroller, Chief Finance Officer & Compliance Officer