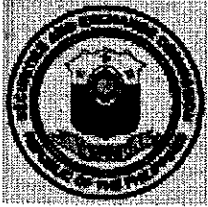


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## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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### Company Information

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SEC Registration No. CS200511816  
Company Name 8990 HOLDINGS, INC.  
Industry Classification Wholesale On A Free Or Contract Basis  
Company Type Stock Corporation

### Document Information

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Document ID 110302014001215  
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C E N T E R , I N C .

(Company's Full Name)

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C O S T A , S A L C E D O V I L L A G E , M A K A T I

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

Teresa C. Secuya  
Compliance Officer  
Contact Person/s

(632) 4789659/5333915/5333917

Company Telephone Number

0 9

Month

3 0

Day

Calendar Year

SEC Form 17-Q  
September 30, 2014  
FORM TYPE

0 7

Month

2 8

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

22

Total No. of Stockholders

21

Domestic

1

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2014

2. Commission identification number CS 2005 11 816

3. BIR Tax Identification No 239-508-223-000

4. Exact name of issuer as specified in its charter

8990 HOLDINGS, INC. (formerly IP CONVERGE DATA CENTER, INC.)

5. Province, country or other jurisdiction of incorporation or organization Metro Manila, Philippines

6. Industry Classification Code: XXXXXXXXXX (SEC Use Only)

7. Address of issuer's principal office Postal Code

11F Liberty Center, 104 HV Dela Costa, Salcedo Village, Makati City, 1200 Philippines

8. Issuer's telephone number, including area code (632) 4789659/5333915/5333917

9. Former name, former address and former fiscal year, if changed since last report N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>5,517,990,720</b>

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

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

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

12. Indicate by check mark whether the registrant:

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

Yes,  No

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

Yes  No

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**8990 HOLDINGS, INC. (formerly IP Converge Data Center, Inc.) AND SUBSIDIARIES**  
**Unaudited Consolidated Statements of Financial Position (in Philippine Peso)**

	30-Sep			31-Dec	
	2014	2013	2013	2012	2011
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	Unaudited
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash on hand and in banks (Note 4)	374,004,626	285,806,529	249,040,092	180,301,128	250,702,522
Current portion of trade and other receivables (Note 5)	1,074,509,745	865,850,258	537,057,908	537,242,552	177,653,141
Inventories (Note 6)	2,647,860,558	2,081,143,259	2,243,559,834	2,040,532,596	2,176,633,174
Due from related parties (Note 20)	220,902,601	601,129,271	517,490,590	147,400,252	436,251,603
Current portion of long-term investments	-	-	-	3,021,720	110,113,573
Other current assets (Note 7)	1,129,572,120	185,714,979	342,105,863	137,141,546	89,762,177
<b>Total Current Assets</b>	<b>5,446,849,650</b>	<b>4,019,644,296</b>	<b>3,889,254,287</b>	<b>3,045,639,794</b>	<b>3,241,116,190</b>
<b>Noncurrent Assets</b>					
Trade and other receivables - net of current portion (Note 8)	12,146,100,975	7,603,302,372	9,473,832,351	4,421,033,597	1,558,332,536
Land held for future development (Note 8)	4,817,993,586	3,605,811,050	3,784,727,576	1,010,474,241	692,971,776
Property and equipment (Note 9)	230,017,274	151,139,810	208,870,467	146,849,977	121,591,178
Investment properties (Note 10)	138,402,209	140,860,631	141,928,584	142,365,067	139,207,608
Long term investments, net of current portion	-	-	-	-	3,021,720
Investment in shares	2,379,083,131	-	-	-	-
Other noncurrent assets (Note 7)	90,397,244	106,676,054	117,010,245	81,582,994	76,906,243
<b>Total Noncurrent Assets</b>	<b>19,801,994,419</b>	<b>11,607,789,917</b>	<b>13,726,369,223</b>	<b>5,802,305,876</b>	<b>2,592,031,061</b>
	<b>25,248,844,069</b>	<b>15,627,434,213</b>	<b>17,615,623,510</b>	<b>8,847,945,670</b>	<b>5,833,147,251</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Current portion of trade and other payables (Note 11)	1,934,798,202	3,033,015,716	2,937,730,783	617,715,984	517,376,695
Current portion of loans payable (Note 13)	1,769,393,688	2,156,327,847	3,332,250,211	1,257,747,508	499,128,411
Deposits from customers (Note 12)	209,843,694	155,506,518	47,746,763	104,887,729	165,941,947
Due to related parties (Note 20)	9,567,220	19,336,293	172,808,746	57,176,899	1,786,773,265
Income tax payable	246,500,171	52,078,645	31,209,903	13,899,640	3,568,445
<b>Total Current Liabilities</b>	<b>4,170,102,975</b>	<b>5,416,265,019</b>	<b>6,521,746,406</b>	<b>2,051,427,760</b>	<b>2,972,788,763</b>
<b>Noncurrent Liabilities</b>					
Trade and other payables - net of current portion (Note 11)	434,811,208	307,520,413	263,089,121	499,874,001	615,699,670
Loans payable - net of current portion (Note 13)	5,699,680,319	3,733,718,653	3,980,588,104	2,316,847,888	970,784,608
Deferred tax liability	254,352,695	120,827,033	254,352,695	31,781,000	5,833,385
<b>Total Noncurrent Liabilities</b>	<b>6,388,844,222</b>	<b>4,162,066,099</b>	<b>4,498,029,920</b>	<b>2,848,502,889</b>	<b>1,592,317,663</b>
<b>Total Liabilities</b>	<b>10,558,947,197</b>	<b>9,578,331,118</b>	<b>11,019,776,326</b>	<b>4,899,930,649</b>	<b>4,565,106,426</b>
<b>Equity</b>					
Capital Stock (Note 14)	5,517,990,720	221,866,669	4,655,804,670	221,866,669	181,866,669
Subscribed Capital Stock	-	-	-	-	25,000,000
Additional paid-in capital	4,400,126,855	190,748,328	-	190,748,328	129,948,328
Equity reserve	-	3,444,273,168	-	3,024,273,168	306,935,003
Remeasurement loss on pension plan	(1,432,534)	-	(1,432,534)	-	-
Retained earnings	4,773,211,831	2,192,214,930	1,941,475,048	511,126,856	624,290,825
<b>Total Equity</b>	<b>14,689,896,872</b>	<b>6,049,103,095</b>	<b>6,595,847,184</b>	<b>3,948,015,021</b>	<b>1,268,040,825</b>
	<b>25,248,844,069</b>	<b>15,627,434,213</b>	<b>17,615,623,510</b>	<b>8,847,945,670</b>	<b>5,833,147,251</b>

**8990 HOLDINGS, INC. (formerly IP Converge Data Center, Inc.) AND SUBSIDIARIES**  
**Unaudited Consolidated Statements of Comprehensive Income (in Philippine Peso)**

	For nine months ended September 30		For the three months ended September 30	
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
Sales (Note 15)	6,328,509,846	4,367,429,533	2,232,776,197	1,230,344,186
Cost of Sales (Note 16)	2,522,144,265	1,646,420,393	939,362,316	459,426,327
Gross Income	3,806,365,581	2,721,009,140	1,293,413,880	770,917,859
Operating Expenses (Note 17)	1,020,797,460	663,411,648	317,565,496	167,060,159
Net Operating Income	2,785,568,120	2,057,597,492	975,848,384	603,857,700
Finance Costs (Note 18)	(311,951,367)	(281,679,963)	(89,204,949)	(104,755,178)
Other Income (Note 19)	592,061,427	468,011,881	223,128,965	191,784,238
Income Before Income Tax	3,065,678,181	2,243,929,410	1,109,772,400	690,886,760
Provision for Income Tax	233,941,398	142,841,336	86,553,445	101,924,212
Net Income	2,831,736,783	2,101,088,074	1,023,218,955	588,962,548
Other Comprehensive Loss	-	-	-	-
Total Comprehensive Income	2,831,736,783	2,101,088,074	1,023,218,955	588,962,548

**90 HOLDINGS, INC. (formerly IP Converge Data Center, Inc.) AND SUBSIDIARIES**  
**audited Consolidated Statements of Changes in Equity (in Philippine Peso)**

For nine months ended September 30, 2014

	Capital Stock	Subscribed Capital Stock	Additional Paid in Capital	Equity Reserve	Other Comprehensive Loss		Retained Earnings	Total
					Loss	Earnings		
Balance at January 1, 2014	4,655,804,670	-	-	-	(1,432,534)	1,941,475,048	6,595,847,184	
Issuance of shares through follow on offering	862,186,050	-	4,400,126,855	-	-	-	5,262,312,905	
Total comprehensive income (loss)	-	-	-	-	-	2,831,736,783	2,831,736,783	
<b>Balance at September 30, 2014</b>	<b>5,517,990,720</b>	<b>-</b>	<b>4,400,126,855</b>	<b>-</b>	<b>(1,432,534)</b>	<b>4,773,211,831</b>	<b>14,689,896,871</b>	
Balance at January 1, 2013	221,866,669	-	190,748,328	3,024,273,168	-	511,126,856	3,948,015,021	
Stock dividends issued by a subsidiary	-	-	-	420,000,000	-	(420,000,000)	-	
Issuance of shares through Shares Swap	3,968,357,534	-	(190,748,328)	(3,444,273,168)	-	(333,336,038)	-	
Issuance of shares by Parent Company	465,580,467	-	-	-	-	-	465,580,467	
Total comprehensive income (loss)	-	-	-	-	(1,432,534)	2,183,684,230	2,182,251,696	
<b>Balance at December 31, 2013</b>	<b>4,655,804,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,432,534)</b>	<b>1,941,475,048</b>	<b>6,595,847,184</b>	
Balance at January 1, 2012	181,866,669	25,000,000	129,948,328	306,935,003	-	624,290,825	1,268,040,825	
Issuance of shares by Parent Company	40,000,000	(25,000,000)	60,800,000	(75,800,000)	-	-	-	
Effect of acquisition of net assets of accounting acquiree (Parent Company)	-	-	-	(12,011,835)	-	-	(12,011,835)	
Stock dividends declared by a subsidiary	-	-	-	-	-	(400,000,000)	(400,000,000)	
Stock dividends issued by a subsidiary	-	-	-	1,417,650,000	-	(1,417,650,000)	-	
Issuance of shares by a Subsidiary	-	-	-	1,387,500,000	-	-	1,387,500,000	
Total comprehensive income (loss)	-	-	-	-	-	1,704,486,031	1,704,486,031	
<b>Balance at December 31, 2012</b>	<b>221,866,669</b>	<b>-</b>	<b>190,748,328</b>	<b>3,024,273,168</b>	<b>-</b>	<b>511,126,856</b>	<b>3,948,015,021</b>	

For nine months ended September 30, 2013

	Capital Stock	Subscribed Capital Stock	Additional Paid in Capital	Equity Reserve	Other Comprehensive Loss		Retained Earnings	Total
					Loss	Earnings		
Balance at January 1, 2013	221,866,669	-	190,748,328	3,024,273,168	-	511,126,856	3,948,015,021	
Stock dividends issued by a subsidiary	-	-	-	420,000,000	-	(420,000,000)	-	
Total comprehensive income (loss)	-	-	-	-	-	2,101,088,074	2,101,088,074	
<b>Balance at September 30, 2013</b>	<b>221,866,669</b>	<b>-</b>	<b>190,748,328</b>	<b>3,444,273,168</b>	<b>-</b>	<b>2,192,214,930</b>	<b>6,049,103,095</b>	

**8990 HOLDINGS, INC. (formerly IP Converge Data Center, Inc.) AND SUBSIDIARIES**  
**Unaudited Consolidated Statements of Cash Flows (in Philippine Peso)**

For nine months ended

	September 30		For years ended December 31	
	2014 Unaudited	2013 Unaudited	2013 Audited	2012 Audited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	3,065,678,181	2,243,929,410	2,441,529,813	1,753,654,890
Adjustments for:				
Interest income	(655,541,718)	(385,997,012)	(533,181,127)	(227,218,396)
Finance cost	311,626,713	281,679,963	404,614,757	215,560,446
Write-off of assets	-	-	64,945,573	-
Provision for impairment losses	-	3,646,000	58,414,812	2,076,561
Provision for probable losses	-	4,683,167	26,340,946	10,680,718
Depreciation and amortization	24,749,523	18,156,004	22,566,268	15,138,560
Provision for inventory write-down	-	-	3,646,000	-
Loss (gain) on repossession	-	-	(1,122,087)	1,256,353
Retirement Expense	-	417,551	442,531	444,200
Loss on sale of a subsidiary	-	-	-	11,165,026
Gain on sale of unquoted debt security classified as loan:	-	-	-	(7,767,942)
Operating income before changes in working capital	2,746,512,699	2,166,515,083	2,488,197,486	1,774,990,416
Changes in operating assets and liabilities				
Decrease (increase) in:				
Trade and other receivables	(3,209,720,461)	(3,510,876,481)	(4,275,829,919)	(3,412,201,469)
Inventories	(404,300,724)	243,499,924	(69,059,536)	200,226,383
Other assets	(760,853,255)	(75,352,737)	(404,424,065)	(77,168,052)
Increase (decrease) in:				
Trade and other payables	(831,210,493)	445,381,608	177,998,680	17,715,084
Deposits from customers	162,096,931	50,618,789	(57,140,966)	(56,337,659)
Net cash used in operations	(2,297,475,303)	(680,213,814)	(2,140,258,320)	(1,552,775,297)
Interest received:	655,467,951	385,997,012	533,181,127	227,218,396
Interest paid	(311,626,713)	(251,616,145)	(364,210,661)	(174,133,174)
Income tax paid	(18,577,365)	(13,930,054)	(13,949,694)	(4,986,990)
Net cash used in operating activities	(1,972,211,430)	(559,763,001)	(1,985,237,548)	(1,504,677,065)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Land held for future development	(1,033,266,010)	(1,140,693,396)	(1,185,093,610)	(396,892,465)
Property and equipment	(42,289,745)	(18,790,730)	(81,948,759)	(37,494,702)
Investment properties	(80,210)	(2,150,671)	(2,201,516)	(6,293,155)
Investment in shares	(2,379,083,131)	-	-	-
Proceeds from:				
Maturities/termination of long term investments	-	3,021,720	3,021,720	110,113,573
Sale of unquoted debt securities classified as loans	-	-	-	14,325,544
Disposal of property and equipment	-	-	-	-
Net cash outflow from disposal of investment in a subsidiary	-	-	-	(61,680,350)
Net cash inflow from acquisition of net assets of acquiree	-	-	-	100,000
Net cash used in investing activities	(3,454,719,096)	(1,158,613,077)	(1,266,222,165)	(377,821,555)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Availment (retirement) of loans payable	156,235,692	2,315,451,104	3,136,887,266	2,124,116,933
Issuance of shares by the Parent Company	5,262,312,905	-	465,580,467	-
Issuance of shares by subsidiaries	-	-	-	1,387,500,000
Decrease (increase) in the amount of due from related parties	296,587,989	(453,729,019)	(370,090,338)	393,750,716
Increase (decrease) in the amount of due to related parties	(163,241,526)	(37,840,606)	87,821,282	(1,693,270,423)
Payment of cash dividends	-	-	-	(400,000,000)
Net cash provided by financing activities	5,551,895,060	1,823,881,479	3,320,198,677	1,812,097,226
Net increase (decrease) in cash on hand and in banks	124,964,534	105,505,401	68,738,964	(70,401,394)
Cash Balance at the beginning of the year	249,040,092	180,301,128	180,301,128	250,702,522
Cash Balance at the end of the year	374,004,626	285,806,529	249,040,092	180,301,128



**8990 HOLDINGS, INC. (formerly IP Converge Data Center, Inc.) AND SUBSIDIARIES**  
**Notes to Unaudited Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies**

**Basis of Preparation**

The accompanying unaudited financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2013.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying reports. The estimates and assumptions used on the accompanying unaudited financial statements are based upon management's evaluation of relevant facts and circumstances which are used as indicators affecting the results as of the date of the unaudited financial statements. Actual results could differ from such estimates.

The accompanying unaudited financial statements have been prepared on a historical cost basis. Further, this has been presented in Philippine peso, the functional currency of Fog Horn, Inc. All values are rounded to the nearest peso except when otherwise indicated.

**Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the unaudited financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013.

The following standards and interpretations were adopted beginning January 1, 2013, but do not have significant impact on the financial position or performance of the Company.

- PFRS 7, *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments)*
- PFRS 10, *Consolidated Financial Statements*
- PFRS 11, *Joint Arrangements*
- PFRS 12, *Disclosure of Interests in Other Entities*
- PFRS 13, *Fair Value Measurement*
- PAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
- PAS 1, *Presentation of Financial Statements – Clarification of the requirements for comparative information*
- PAS 27, *Separate Financial Statements (as revised in 2011)*
- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*

- PAS 16, *Property, Plant and Equipment – Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments*
- PAS 19, *Employee Benefits (Revised)*
- PAS 34, *Interim Financial Reporting – Interim financial reporting and segment information for assets and liabilities*

The following standard and interpretation was adopted beginning January 1, 2014, but does not have significant impact on the financial position or performance of the Company.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)*

The amendments clarify the meaning of “currently has a legally enforceable right to set off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company’s financial position or performance.

The following standards and interpretations will be effective on January 1, 2015.

- PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at a fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets, to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The adoption of the first phase of PFRS 9 will have no impact on the classification and measurement of financial assets and liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The accompanying unaudited consolidated financial statements have been prepared on a historical cost basis. Further, this has been presented in Philippine peso, the functional currency of 8990 Holdings, Inc. and its subsidiaries. All values are rounded to the nearest peso except when otherwise indicated.

## 2. **Basis of Consolidation**

The unaudited consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries:

- 8990 Housing Development Corporation
- Fog Horn, Inc.
- 8990 Luzon Housing Development Corporation
- 8990 Davao Housing Development Corporation
- 8990 Mindanao Housing Development Corporation
- 8990 Leisure and Resorts Corporation

Control is achieved when the Parent Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- The contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests

having a deficit balance. The consolidated financial statements are prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

When there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e. controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such business combinations similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values in the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction.

The Group recorded the above difference as Equity Reserve and is presented as a separate component of equity in the consolidated statement of financial position. Comparatives shall be restated to include balances and transactions as if the entities had been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of combination.

The Group consolidated the assets, liabilities, income and expenses of the Parent Company starting May 2012, which was the date when the controlling shareholders acquired or gained control over the Parent Company.

### 3. Segment Information

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four reportable operating segments as follows:

#### *Low-cost mas Mass Housing*

This segment pertains to the housing market segment of the Group. It caters to the development and sale of residential lots and units.

#### *Medium-rise Condominium Units*

This segment pertains to the medium-rise condominium segment of the Group. It caters to the development and sale of condominium units.

#### *Timeshare*

This segment pertains to sale of non-proprietary timeshares wherein the purchaser has a perpetual right to occupy one unit of the Group's vacation hotel for a specific number of days in a year.

#### *Hotel Operations*

This segment pertains to the activities from hotel operations, which are considered incidental revenues while the Group has not yet sold all of the timeshares of its vacation hotel, Azalea Baguio Residences.

The hotel operation's peak season is during the holiday and summer seasons. For other supplementary businesses, there is no significant seasonality that would materially affect their operations. This information is provided to allow for a proper appreciation of the results of the Company's operations.

The Group has only one geographical business segment as all the assets and liabilities are located in the Philippines. The Group derives all of its revenues from domestic operations. Thus, geographical business segment information is not presented. No operating segments have been aggregated to form the above operating business segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss. The presentation and classification of segment revenues and expenses are consistent with the consolidated statements of comprehensive income. This segment information is presented monthly to the Parent Company' BOD who is the Chief Operating Decision Maker.

Finance income consists on interest earned from installment contract receivables and deposits in banks.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the statement of financial position which is in accordance with PFRS. Capital expenditures represent acquisitions of 'Land held for

**4. Cash on Hand and in Banks**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Cash on hand	1,093,208	672,130	689,925	475,130
Cash in banks	372,911,418	285,134,399	248,350,167	179,825,998
	374,004,626	285,806,529	249,040,092	180,301,128

**5. Trade and Other Receivables**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Current</b>				
Trade Receivables				
Installment contract receivables	723,781,851	563,748,720	306,046,028	266,090,280
Others	32,120,165	7,751,632	3,895,790	8,484,481
Advances to external marketing managers	89,529,642	181,536,330	47,812,508	157,085,699
Retention Receivables	113,091,115	59,411,003	52,318,996	100,239,272
Receivables from employees	15,217,297	31,329,072	35,171,413	3,666,609
Other Receivables	103,564,781	22,073,501	94,608,279	1,676,211
	1,077,304,851	865,850,258	539,853,014	537,242,552
Less: Allowance for impairment losses	2,795,106	-	2,795,106	-
	1,074,509,745	865,850,258	537,057,908	537,242,552
<b>Non current</b>				
Trade Receivables				
Installment contract receivables	12,146,100,975	7,601,451,270	9,471,874,962	4,406,018,917
Retention Receivables	-	1,851,102	1,957,389	15,014,680
	12,146,100,975	7,603,302,372	9,473,832,351	4,421,033,597
	13,220,610,720	8,469,152,630	10,010,890,259	4,958,276,149

Ninety two percent (92%) of total receivables of the Company are on long term basis. Current portion of installment contract receivables stands at PhP724 million which pertains to portion of receivables from buyers due within one (1) year.

**6. Inventories**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Real estate inventories				
Low-cost mass housing	1,990,240,048	1,547,856,727	1,735,597,099	1,452,941,504
Medium-rise condominium units	105,951,585	138,431,212	115,535,085	189,099,680
	2,096,191,633	1,686,287,939	1,851,132,184	1,642,041,184
Timeshares	552,549,374	394,855,320	392,427,650	398,491,412
	2,648,741,007	2,081,143,259	2,243,559,834	2,040,532,596

**7. Other Assets**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Current</b>				
Advances to contractors	1,028,913,217	133,539,785	295,972,057	87,758,629
Input tax	64,561,370	37,557,839	44,306,675	37,607,319
Advances to landowners	32,500,000	-	32,500,000	-
Creditable withholding tax	30,310,150	1,797,831	10,390,648	124,444
Prepaid expenses	5,069,139	6,818,128	4,604,870	3,507,124
Hotel inventories	15,368,937	3,408,526	3,419,922	1,839,338
Others	8,033,599	2,592,870	6,095,984	8,381,253
	1,184,756,413	185,714,979	397,290,156	139,218,107
Less: Allowance for impairment losses	55,184,293	-	55,184,293	2,076,561
	1,129,572,120	185,714,979	342,105,863	137,141,546
<b>Non-current</b>				
Deposits	91,015,243	77,930,554	89,284,197	75,949,494
Software cost	1,492,522	-	1,492,522	-
Others	401,453	28,745,500	28,745,500	5,633,500
	92,909,218	106,676,054	119,522,219	81,582,994
Less: Allowance for impairment losses	2,511,974	-	2,511,974	-
	90,397,244	106,676,054	117,010,245	81,582,994
	1,219,969,363	292,391,033	459,116,108	218,724,540

**8. Land Held for Future Development**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Balance at beginning of year	3,784,727,576	1,010,474,241	1,010,474,241	692,971,776
Land acquired during the year	1,033,266,010	2,883,093,396	3,062,009,922	317,502,465
Land transferred to inventories	-	(284,110,587)	(284,110,587)	-
Provision for write down	-	(3,646,000)	(3,646,000)	-
<b>Balance at end of year</b>	<b>4,817,993,586</b>	<b>3,605,811,050</b>	<b>3,784,727,576</b>	<b>1,010,474,241</b>

9. **Property and Equipment**  
This account consists of:

		30-Sep-14 (Unaudited)								
		Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machinery and Equipment	Transportation Vehicles	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year		107,405,010	52,716,704	10,458,647	7,112,051	21,254,001	13,116,335	58,526,501	1,176,127	271,765,376
Additions		-	354,963	-	2,984,385	3,572,752	29,591,947	5,785,797	-	42,289,745
Balances at end of year		107,405,010	53,071,667	10,458,647	10,096,436	24,826,753	42,708,182	64,312,298	1,176,127	314,055,121
<b>Accumulated Depreciation and Amortization</b>										
Balances at beginning of year		-	9,495,048	3,422,013	4,140,404	11,432,376	4,479,529	29,925,539	-	62,894,909
Depreciation and Amortization		-	1,581,617	1,568,797	2,395,075	2,655,179	5,916,802	7,025,467	-	21,142,938
Balances at end of year		-	11,076,665	4,990,810	6,535,479	14,087,555	10,396,331	36,951,006	-	84,037,847
<b>Net Book Value</b>		<b>107,405,010</b>	<b>41,995,002</b>	<b>5,467,837</b>	<b>3,560,957</b>	<b>10,739,198</b>	<b>32,311,850</b>	<b>27,361,292</b>	<b>1,176,127</b>	<b>230,017,274</b>

		30-Sep-13 (Unaudited)								
		Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machinery and Equipment	Transportation Vehicles	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year		53,585,010	49,919,320	9,652,150	6,044,734	14,802,820	4,551,483	51,261,100	-	189,816,617
Additions		-	-	806,497	1,067,317	3,852,393	5,553,816	6,363,601	1,147,106	18,790,730
Balances at end of year		53,585,010	49,919,320	10,458,647	7,112,051	18,655,213	10,105,299	57,624,701	1,147,106	208,607,347
<b>Accumulated Depreciation and Amortization</b>										
Balances at beginning of year		-	7,005,824	1,371,608	1,620,682	8,811,354	2,824,811	21,332,361	-	42,966,640
Depreciation and Amortization		-	1,766,328	1,673,026	1,680,627	2,016,823	1,080,899	6,283,194	-	14,500,897
Balances at end of year		-	8,772,152	3,044,634	3,301,309	10,828,177	3,905,710	27,615,555	-	57,467,537



31-Dec-13  
(Audited)

	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Total
<b>Cost</b>									
Balances at beginning of year	53,585,010	49,919,320	9,652,150	6,044,734	14,802,820	4,551,483	51,261,100	-	189,816,617
Additions	53,820,000	2,797,384	806,497	1,067,317	6,451,181	8,564,852	7,265,401	1,176,127	81,948,759
Balances at end of year	107,405,010	52,716,704	10,458,647	7,112,051	21,254,001	13,116,335	58,526,501	1,176,127	271,765,376
<b>Accumulated Depreciation and Amortization</b>									
Balances at beginning of year	-	7,005,824	1,371,608	1,620,682	8,811,354	2,824,811	21,332,361	-	42,966,640
Depreciation and Amortization	-	2,489,224	2,050,405	2,519,722	2,621,022	1,654,718	8,593,178	-	19,928,269
Balances at end of year	-	9,495,048	3,422,013	4,140,404	11,432,376	4,479,529	29,925,539	-	62,894,909
<b>Net Book Value</b>	<b>107,405,010</b>	<b>43,221,656</b>	<b>7,036,634</b>	<b>2,971,647</b>	<b>9,821,625</b>	<b>8,636,806</b>	<b>28,600,962</b>	<b>1,176,127</b>	<b>208,870,467</b>

31-Dec-12  
(Audited)

	Land	Building	Land Improvements	Leasehold Improvements	Furniture and Fixtures	Machineries and Equipment	Transportation Vehicles	Construction in Progress	Total
<b>Cost</b>									
Balances at beginning of year	53,585,010	42,756,368	9,652,150	4,165,906	11,996,428	3,982,651	26,089,500	392,870	152,620,883
Additions	-	6,770,082	-	1,936,736	3,047,452	568,832	25,171,600	-	37,494,702
Transfers	-	392,870	-	-	-	-	-	(392,870)	-
Effect of disposal of a subsidiary	-	-	-	(57,908)	(241,060)	-	-	-	(298,968)
Balances at end of year	53,585,010	49,919,320	9,652,150	6,044,734	14,802,820	4,551,483	51,261,100	-	189,816,617
<b>Accumulated Depreciation and Amortization</b>									
Balances at beginning of year	-	4,740,502	808,500	102,891	6,801,757	2,190,147	16,385,908	-	31,029,705
Depreciation and Amortization	-	2,265,322	563,108	1,534,198	2,059,119	634,664	4,946,453	-	12,002,864
Effect of disposal of a subsidiary	-	-	-	(16,407)	(49,522)	-	-	-	(65,929)
Balances at end of year	-	7,005,824	1,371,608	1,620,682	8,811,354	2,824,811	21,332,361	-	42,966,640
<b>Net Book Value</b>	<b>53,585,010</b>	<b>42,913,496</b>	<b>8,280,542</b>	<b>4,424,052</b>	<b>5,991,466</b>	<b>1,726,672</b>	<b>29,928,739</b>	<b>-</b>	<b>146,849,977</b>

**10. Investment Properties**

This account consists of:

	30-Sep-14 (Unaudited)				
	Land	Building	Land Improvements	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	54,468,615	8,604,750	89,291,791	-	152,365,156
Additions	-	-	80,210	-	80,210
Balances at end of year	54,468,615	8,604,750	89,372,001	-	152,445,366
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	-	1,766,676	8,669,896	-	10,436,572
Depreciation and Amortization	-	258,143	3,348,442	-	3,606,585
Balances at end of year	-	2,024,819	12,018,338	-	14,043,157
<b>Net Book Value</b>	<b>54,468,615</b>	<b>6,579,932</b>	<b>77,353,663</b>	<b>-</b>	<b>138,402,209</b>

	30-Sep-13 (Unaudited)				
	Land	Building	Land Improvements	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	54,468,615	8,604,750	87,090,275	-	150,163,640
Additions	-	-	210,677	1,939,994	2,150,671
Transfers	-	-	1,939,994	(1,939,994)	-
Balances at end of year	54,468,615	8,604,750	89,240,946	-	152,314,311
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	-	1,336,439	6,462,134	-	7,798,573
Depreciation and Amortization	-	322,678	3,332,429	-	3,655,107
Balances at end of year	-	1,659,117	9,794,563	-	11,453,680
<b>Net Book Value</b>	<b>54,468,615</b>	<b>6,945,633</b>	<b>79,446,383</b>	<b>-</b>	<b>140,860,631</b>

31-Dec-13 (Audited)					
	Land	Building	Land Improvements	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	54,468,615	8,604,750	89,291,791	-	152,365,156
Additions	-	-	-	-	-
Balances at end of year	54,468,615	8,604,750	89,291,791	-	152,365,156
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	-	1,336,439	6,462,134	-	7,798,573
Depreciation and Amortization	-	430,237	2,207,762	-	2,637,999
Balances at end of year	-	1,766,676	8,669,896	-	10,436,572
<b>Net Book Value</b>	<b>54,468,615</b>	<b>6,838,074</b>	<b>80,621,895</b>	<b>-</b>	<b>141,928,584</b>

31-Dec-12 (Audited)					
	Land	Building	Land Improvements	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	54,468,615	8,604,750	44,155,223	36,641,897	143,870,485
Additions	-	-	-	6,293,155	6,293,155
Transfers	-	-	42,935,052	(42,935,052)	-
Balances at end of year	54,468,615	8,604,750	87,090,275	-	150,163,640
<b>Accumulated Depreciation and Amortization</b>					
Balances at beginning of year	-	906,202	3,756,675	-	4,662,877
Depreciation and Amortization	-	430,237	2,705,459	-	3,135,696
Balances at end of year	-	1,336,439	6,462,134	-	7,798,573
<b>Net Book Value</b>	<b>54,468,615</b>	<b>7,268,311</b>	<b>80,628,141</b>	<b>-</b>	<b>142,365,067</b>

**11. Trade and Other Payables**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Current</b>				
Trade and accounts payables	802,730,859	2,425,764,684	2,209,103,891	237,317,751
Accrued expenses	811,456,811	400,461,884	497,970,175	239,573,314
Retention payables	82,658,061	44,239,946	57,744,129	24,392,140
Withholding tax payables	49,157,141	12,710,871	21,875,280	6,899,773
Construction bonds	22,935,126	11,328,993	16,210,949	20,410,237
Net output tax	6,661,147	6,661,147	6,661,147	6,661,147
Others	159,199,057	131,848,191	128,165,212	82,461,622
	<u>1,934,798,202</u>	<u>3,033,015,716</u>	<u>2,937,730,783</u>	<u>617,715,984</u>
<b>Non-current</b>				
Trade and accounts payables	431,450,253	276,045,802	259,389,316	461,296,790
Retention payables		29,782,244	-	37,559,937
Others	3,360,955	1,692,367	3,669,805	1,017,274
	<u>434,811,208</u>	<u>307,520,413</u>	<u>263,059,121</u>	<u>499,874,001</u>
	<u>2,369,609,411</u>	<u>3,340,536,129</u>	<u>3,200,789,904</u>	<u>1,117,589,985</u>

**12. Deposits from Customers**

This account represents downpayments made by the real estate buyers for the purchase of residential housing units and timeshares. Once the residential unit is ready for occupancy, delivered and accepted by the buyer, the amount is removed from the liability account and is classified as part of sales. For timeshares, when the level of required payment is reached by a buyer, a sale is recognized.

**13. Loans Payable**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014	2013	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Short term loans payable and current portion of long term	1,769,393,688	2,156,327,847	2,612,529,325	1,239,648,027
Long-term loans payable	5,699,680,319	3,733,718,653	4,700,308,990	2,334,947,369
	<u>7,469,074,007</u>	<u>5,890,046,500</u>	<u>7,312,838,315</u>	<u>3,574,595,396</u>

**14. Equity**

This account consists of:

	30-Sep	30-Sep	31-Dec	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Authorized, par value PhP1.00	7,000,000,000	460,000,000	7,000,000,000	460,000,000
Issued and outstanding at beginning of year	4,655,804,670	221,866,669	221,866,669	181,866,669
Issuance of shares	862,186,050	-	4,433,938,001	40,000,000
Issued and outstanding at end of year	5,517,990,720	221,866,669	4,655,804,670	221,866,669

**15. Sales**

This account consists of:

	Nine Months Ended September 30		Three Months Ended September 30	
	2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
<b>Real estate</b>				
Low-cost mass housing	5,510,768,483	3,879,308,364	2,012,067,068	1,042,828,620
Medium-rise condominium units	652,249,449	398,264,925	192,462,300	158,050,500
Timeshares	95,072,313	32,761,758	9,470,265	13,719,628
	6,258,090,244	4,310,335,047	2,213,999,633	1,214,598,748
<b>Hotel Operations</b>				
Rooms	50,206,215	38,182,438	12,619,549	10,121,768
Food and Beverages	20,213,387	18,912,048	6,157,014	5,623,670
	70,419,602	57,094,486	18,776,564	15,745,438
	6,328,509,846	4,367,429,533	2,232,776,197	1,230,344,186

**16. Cost of Sales and Services**

This account consists of:

	Nine Months Ended September 30		Three Months Ended September 30	
	2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
<b>Real estate</b>				
Low-cost mass housing	2,263,979,762	1,467,921,649	865,854,780	389,178,992
Medium-rise condominium units	217,548,936	138,941,553	62,964,046	53,697,426
Timeshares	19,925,044	8,710,621	1,980,128	3,525,339
	2,501,453,742	1,615,573,823	930,798,955	446,401,757
<b>Hotel Operations</b>				
Rooms	11,720,628	15,895,136	6,136,053	5,014,629
Food and Beverages	8,969,895	14,951,434	2,427,309	8,009,941
	20,690,523	30,846,570	8,563,361	13,024,570
	2,522,144,265	1,646,420,393	939,362,316	459,426,327

**17. Operating Expenses**

This account consists of:

	Nine Months Ended September 30		Three Months Ended September 30	
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
Marketing and selling	419,450,804	222,673,962	156,899,438	51,070,654
Documentation	222,236,803	174,059,118	58,424,689	18,882,185
Taxes and licenses	76,143,660	56,937,817	13,615,878	23,799,649
Salaries and employee benefits	74,818,811	49,175,008	22,293,735	16,513,561
Write-off of assets	-	-	-	-
Provision for impairment losses	-	-	-	-
Management and professional fees	27,498,248	12,245,288	(5,664,463)	7,095,667
Communication, light and water	38,886,575	24,569,352	12,423,053	9,187,604
Provision for probable losses	-	4,683,167	-	-
Security, messengerial and janitorial	39,148,216	19,054,732	12,990,715	5,177,081
Depreciation and amortization	24,749,523	18,156,004	8,645,169	6,113,379
Transportation and travel	23,036,219	15,833,398	6,303,502	6,036,477
Repairs and maintenance	19,943,917	8,194,965	9,981,961	3,076,380
Entertainment, amusement and representation	18,387,177	8,054,265	15,647,469	2,178,148
Rent	14,895,729	5,871,184	2,912,138	720,674
Supplies	6,411,368	4,350,595	1,507,331	1,542,150
Provision for write-down	-	3,646,000	-	3,646,000
Subscription dues and fees	3,800,691	-	816,223	-
Miscellaneous	11,389,721	35,906,793	768,659	12,020,550
	1,020,797,460	663,411,648	317,565,496	167,060,159

**18. Finance Costs**

This account consists of:

	Nine Months Ended September 30		Three Months Ended September 30	
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
Borrowings	289,820,829	253,410,413	81,881,040	94,746,579
Accretion	21,805,884	28,315,924	7,268,628	10,078,550
Others	324,653	(46,374)	55,281	(69,951)
	311,951,367	281,679,963	89,204,949	104,755,178

**19. Other Income**

This account consists of:

	Nine Months Ended September 30		Three Months Ended September 30	
	2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
Interest Income from:				
Installment contract receivables	655,076,476	384,670,440	249,234,735	153,593,370
Cash in banks and long term investments	391,475	1,326,572	180,641	964,282
Water income	42,756,582	32,903,904	17,492,363	14,482,520
Penalties	17,681,077	6,251,176	7,661,193	1,457,021
Rent income	12,893,600	2,790,654	75,002	600,932
Collection service fees	711,702	1,949,409	163,455	540,797
Gain (loss) on repossession	(161,747,602)	14,763,902	(60,958,228)	9,277,557
Loss on sale of a subsidiary		-	-	-
Gain on sale of unquoted debt security classified as loans		-	-	-
Miscellaneous	24,298,117	23,355,824	9,279,804	10,867,759
	592,061,427	468,011,881	223,128,965	191,784,238

**20. Related Party Transactions**

This account consists of:

30-Sep-14 (Unaudited)					
Related Party	Nature of Transaction	Account	Outstanding Balance/Amount	Terms	Conditons
Stockholders	Advances	Due from related parties	-	Non-interest bearing, payable on demand	Unsecured, no impairment
Entities under common control	Advances	Due from related parties	220,902,601	Non-interest bearing, payable on demand	Unsecured, no impairment
Entities under common control	Advances	Due to related parties	9,567,220	Non-interest bearing, payable on demand	Unsecured

30-Sep-13 (Unaudited)					
Related Party	Nature of Transaction	Account	Outstanding Balance/Amount	Terms	Conditons
Parent Company	Advances	Due from related parties	114,577,335	Non-interest bearing, payable	Unsecured, no impairment
	Interest in borrowings	Finance Costs	410,959		
Stockholders	Advances	Due from related parties	59,626,814	Non-interest bearing, payable on demand	Unsecured, no impairment
Entities under common control	Advances	Due from related parties	426,925,122	Non-interest bearing, payable on demand	Unsecured, no impairment
Entities under common control	Advances	Due to related parties	19,336,293	Non-interest bearing, payable on demand	Unsecured

2013  
(Audited)

Related Party	Nature of Transaction	Account	Outstanding Balance/Amount	Terms	Conditions
Parent Company	Advances	Due from related parties	110,582,715	Non-interest bearing, payable on demand	Unsecured, no impairment
	Advances	Due to related parties	4,381	Non-interest bearing, payable on demand	Unsecured
Stockholders	Advances	Due from related parties	101,955,791	Non-interest bearing, payable on demand	Unsecured, no impairment
	Advances	Due to related parties	16,800,000	Non-interest bearing, payable on demand	Unsecured
Entities under common control	Advances	Due from related parties	381,285,822	Non-interest bearing, payable on demand	Unsecured, no impairment
	Advances	Due to related parties	28,938,709	Non-interest bearing, payable on demand	Unsecured

2012  
(Audited)

Related Party	Nature of Transaction	Account	Outstanding Balance/Amount	Terms	Conditions
Stockholders	Advances	Due from related parties	57,176,899	Non-interest bearing, payable on demand	Unsecured
Entities under common control	Advances	Due from related parties	147,400,252	Non-interest bearing, payable on demand	Unsecured, no impairment



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

### Financial Highlights and Key Performance Indicators

Table below shows comparative consolidated balance sheet financial highlights of 8990 Holdings, Inc. (the Company) for nine months ended September 30, 2014 and 2013, both unaudited.

Consolidated Balance Sheet	As of September 30, 2014	As of September 30, 2013	Increase	
	Unaudited	Unaudited	Amount	%
Total Assets	25,248,844,069	15,627,434,213	9,621,409,856	61.57%
Current Assets	5,446,849,650	4,019,644,296	1,427,205,354	35.51%
Trade Receivables	13,220,610,720	10,339,682,609	2,880,928,111	27.86%
Total Liabilities	10,558,947,197	9,578,331,118	980,616,079	10.24%
Current Liabilities	4,170,102,975	5,416,265,019	(1,246,162,044)	-23.01%
Loans Payable	7,469,074,007	5,890,046,500	1,579,027,507	26.81%
Stockholder's Equity	14,689,896,872	6,595,847,184	8,094,049,688	122.71%

Table below shows comparative consolidated statement of income financial highlights of 8990 Holdings, Inc. (the Company) for nine months ended September 30, 2014 and 2013 (both unaudited).

Consolidated Statements of Income	As of September 30, 2014	As of September 30, 2013	Increase	
	Unaudited	Unaudited	Amount	%
Sales	6,328,509,846	4,367,429,533	1,961,080,313	44.90%
Gross Profit	3,806,365,581	2,721,009,140	1,085,356,441	39.89%
Operating Expenses	1,020,797,460	663,411,648	357,385,812	53.87%
Net Operating Income	2,785,568,120	2,057,597,492	727,970,628	35.38%
EBITDA	3,402,379,070	2,543,765,377	858,613,693	33.75%
Net Income Before Tax	3,065,678,181	2,243,929,410	821,748,771	36.62%
Net Income After Tax	2,831,736,783	2,101,088,074	730,648,709	34.77%

Tables below show quarter three 2014 key performance indicators of the Company, with relevant comparative figures.

Key Performance Indicators	As of September 30, 2014	As of September 30, 2013	As of December 31, 2013
	Unaudited	Unaudited	Audited
Current Ratio	1.31	0.74	0.60
Book Value Per Share	2.66	29.73	1.42
Debt to Equity Ratio	0.51	0.89	1.67
Asset to Equity Ratio	1.72	2.37	2.67
Asset to Debt Ratio	2.39	1.63	1.60
Interest Coverage Ratio	11.65	9.97	7.83

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Key Performance Indicators	As of September 30, 2014	As of September 30, 2013
	Unaudited	Unaudited
Gross Margin	60.15%	62.30%
EBITDA Margin	53.76%	58.24%
Net Income Margin	44.75%	48.11%

### **Description of Consolidated Statements of Comprehensive Income Line Items**

#### **Sales**

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

#### **Cost of Sales and Services**

Cost of sales and services comprise: [1] the Company's costs of sales from its low-cost mass housing sales of housing units and subdivision lots, costs of sales from sales of medium-rise condominium units and costs of sales from sales of timeshares; and [2] the Company's costs of services from its hotel operations (including room and food and beverage sales).

#### **Operating Expenses**

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

#### **Finance Costs**

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

#### **Other Income**

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

the sale of unquoted debt security classified as loans, and other expenses such as a loss on the sale of a subsidiary.

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

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

#### **Results of Operations**

##### ***Nine months ended September 30, 2014 compared to nine months ended September 30, 2013***

#### *Sales*

For the nine months ended September 30, 2014, the Company recorded consolidated sales of PhP6,329 million, an increase of 44.90% from consolidated sales of PhP4,367 million recorded for the nine months ended September 30, 2013. The increase was mainly attributable to increased sales in the Company's low-cost mass housing, MRB and hotel operations businesses. The Company's low-cost mass housing segment generated PhP5,511 million in revenues for the nine months ended September 30, 2014, an increase of 42.06% from the PhP3,879 million in revenues recorded for the nine months ended September 30, 2013. The sales growth was mainly due to an increase in the number of units sold during the quarter, supported by the increasing nationwide market acceptance of the Company's CTS Gold program, as well as price increases. The Company's MRB segment generated PhP652 million in revenues for the nine months ended September 30, 2014, a 63.77% increase from the PhP398 million in revenues from the MRB segment recorded for the nine months ended September 30, 2013. The increase was mainly due to higher sales during the year as the Company sold more MRB units.

#### *Cost of Sales and Services*

The Company's consolidated cost of sales and services for the nine months ended September 30, 2014 was PhP2,522 million, an increase of 53.19% from consolidated cost of sales and services of PhP1,646 million recorded for the nine months ended September 30, 2013. The increase was mainly attributable to increases in costs of sales in the Company's low-cost mass housing and MRB segments, consistent with the sales growth of these segments. The Company's low-cost mass housing segment recorded PhP2,264 million in costs of sales for the nine months ended September 30, 2014, an increase of 54.23% from the PhP1,468 million in costs of sales recorded for the nine months ended September 30, 2013. The increase was mainly due to an increase in sales of housing units and subdivision lots. The Company's MRB segment recorded PhP218 million in costs of sales for the nine months ended September 30, 2014, an increase from the PhP77 million in costs of sales from the MRB segment recorded for the nine months ended September 30, 2013. This growth was generally consistent with the higher number of MRB condominium units completed by the Company during the year.

#### *Gross Income*

The Company's consolidated gross income for the nine months ended September 30, 2014 was PhP3,806 million, an increase of 53.19% from consolidated gross income of PhP2,721 million recorded for the nine months ended September 30, 2013. The Company's gross income margin for the nine months ended September 30, 2014 was 60.15%, compared to a gross income margin of 62.30% recorded for the nine months ended September 30, 2013. The Company attributes its strong and

maintained gross income margin to its sound internal financial planning policies with respect to land banking activities and project budgeting process.

#### *Operating Expenses*

For the nine months ended September 30, 2014, the Company recorded consolidated operating expenses of PhP1,021 million, an increase of 53.87% from consolidated operating expenses of PhP663 million recorded for the nine months ended September 30, 2013. The increase was mainly attributable to increases in marketing and selling expenses, documentation and management and professional fees.

*Marketing and selling expenses.* The Company's consolidated marketing and selling expenses were PhP419 million for the nine months ended September 30, 2014, an increase of 88.37% from the PhP223 million recorded for the nine months ended September 30, 2013. The increase was mainly due to sales commissions paid to the Company's agents and unit managers, as well as increased media advertisements and expenses related to marketing efforts in shopping malls.

*Taxes and Licenses.* The Company's consolidated expenses related to taxes and licenses were PhP76 million for the nine months ended September 30, 2014, an 33.73% increase from the PhP57 million consolidated taxes and licenses expenses recorded for the nine months ended September 30, 2013. The increase was mainly due to increased cost brought about by securing permits and licenses for the companies' new projects.

*Management and Professional Fees.* The Company's management and professional fees were PhP27 million in the nine months ended September 30, 2014, compared to management and professional fees of PhP12 million in the nine months ended September 30, 2013. The increase was mainly due to acquired services of BPO International, Inc. to perform bookkeeping activities for the Company.

#### *Net Operating Income*

The Company's consolidated net operating income for the nine months ended September 30, 2014 was PhP2,786 million, an increase of 35.38% from consolidated net operating income of PhP2,058 million recorded for the nine months ended September 30, 2013. The Company's consolidated net operating margin was 44.02%, compared to a consolidated net operating margin of 47.11% for the nine months ended September 30, 2013.

#### *Finance Costs*

The Company's consolidated finance costs for the nine months ended September 30, 2014 were PhP312 million, an increase of 10.75% from consolidated finance costs of PhP282 million recorded for the nine months ended September 30, 2013. The increase was mainly attributable to interest expense resulting from the Company's increased short-term and long-term loans entered into during the year to support its operations.

#### *Other Income*

For the nine months ended September 30, 2014, the Company recorded consolidated other income of PhP592 million, an increase of 26.51% from the consolidated other income of PhP468 million recorded for the nine months ended September 30, 2013. The increase was mainly attributable to interest income

on the Company's higher level of installment contract receivables under its CTS Gold program during the year, consistent with its higher sales volumes.

#### *Income before Income Tax*

The Company's consolidated income before income tax for the nine months ended September 30, 2014 was PhP3,066 million, an increase of 36.62% from consolidated income before income tax of PhP2,244 million recorded for the nine months ended September 30, 2013.

#### *Provision for Income Tax*

The Company's consolidated provision for income tax for the nine months ended September 30, 2014 was PhP234 million, an increase from consolidated provision for income tax of PhP143 million recorded for the nine months ended September 30, 2013. The increase was mainly attributable to the Company's increased other income which are subject to income tax.

#### *Net Income*

As a result of the foregoing, the Company's consolidated net income for the nine months ended September 30, 2014 was PhP2,832 million, an increase of 34.77% from consolidated net income of PhP2,101 million recorded for the nine months ended September 30, 2013. The Company's consolidated net income margin for the nine months ended September 30, 2014 was 44.75%, compared to a consolidated net income margin of 48.11% for the nine months ended September 30, 2013.

### **Financial Position**

#### ***As at September 30, 2014 compared to as at September 30, 2013***

#### ***Assets***

##### *Cash on Hand and in Banks*

The Company's consolidated cash on hand and in banks were PhP374 million as at September 30, 2014, an increase of 30.86% from consolidated cash on hand and in banks of PhP286 million as at September 30, 2013.

##### *Current portion of trade and other receivables*

The Company's consolidated current portion of trade and other receivables were PhP1,075 million as at September 30, 2014, an increase from consolidated current portion of trade and other receivables of PhP866 million as at September 30, 2013.

##### *Inventories*

The Company's consolidated inventories were PhP2,648 million as at September 30, 2014, an increase from consolidated inventories of PhP2,081 million as at September 30, 2013.

#### *Due from related parties*

The Company's consolidated due from related parties were PhP221 million as at September 30, 2014, a decrease of 63.25% from consolidated due from related parties of PhP601 million as at September 30, 2013.

#### *Other current assets*

The Company's consolidated other current assets were PhP1,130 million as at September 30, 2014, a significant increase from consolidated other current assets of PhP136 million as at September 30, 2013, primarily due to increased advances to contractors in relation to construction on the Company's development projects.

#### *Trade and other receivables – net of current portion*

The Company's consolidated trade and other receivables-net of current portion were PhP12,146 million as at September 30, 2014, an increase of 59.75% from consolidated trade and other receivables - net of current portion of PhP7,603 million as at September 30, 2013. This increase was due mainly to higher receivables under the Company's CTS Gold program, in line with its higher sales.

#### *Land held for future development*

The Company's consolidated land held for future development was PhP4,818 million as at September 30, 2014, an increase of 33.62% from consolidated land held for future development of PhP3,606 million as at September 30, 2013, as the Company acquired certain real properties as part of its land banking.

#### *Property and equipment*

The Company's consolidated property and equipment was PhP230 million as at September 30, 2014, an increase of 52.19% from consolidated property and equipment of PhP151 million as at September 30, 2013.

#### *Investment properties*

The Company's consolidated investment properties were PhP138 million as at September 30, 2014, a decrease of 1.75% from consolidated investment properties of PhP141 million as at September 30, 2013.

#### *Investment in shares*

The Company's consolidated investment properties were PhP2,379 million as at September 30, 2014. This is attributed to 100% shares purchase of two companies of the Company's subsidiary 8990 Housing Development Corporation.

#### *Other noncurrent assets*

The Company's other noncurrent assets were PhP90 million as at September 30, 2014, a decrease of 15.26% from other noncurrent assets of PhP107 million as at September 30, 2013.

## ***Liabilities***

### ***Current portion of trade and other payables***

The Company's consolidated current portion of trade and other payables were PhP1,935 million as at September 30, 2014, a decrease of 36.21% from consolidated current portion of trade and other payables of PhP3,033 million as at September 30, 2013.

### ***Current portion of loans payable***

The Company's consolidated current portion of loans payable were PhP1,769 million as at September 30, 2014, a decrease of 17.94% from consolidated current portion of loans payable of PhP2,156 million as at September 30, 2013. The decrease was due to payment of loans with the use of proceeds from the follow on offering in May 2014.

### ***Deposits from customers***

The Company's consolidated deposits from customers were PhP210 million as at September 30, 2014, an increase of 34.94% from consolidated deposits from customers of PhP156 million as at September 30, 2013.

### ***Due to related parties***

The Company's consolidated due to related parties were PhP10 million as at September 30, 2014, a decrease from consolidated due to related parties of PhP19 million as at September 30, 2013.

### ***Income tax payable***

The Company's consolidated income tax payable was PhP247 million as at September 30, 2014, an increase from consolidated income tax payable of PhP52 million as at September 30, 2013.

### ***Trade and other payables - net of current portion***

The Company's consolidated trade and other payables - net of current portion were PhP435 million as at September 30, 2014, an increase from consolidated trade and other payables - net of current portion of PhP308 million as at September 30, 2013.

### ***Loans payable - net of current portion***

The Company's consolidated loans payable - net of current portion was PhP5,700 million as at September 30, 2014, an 52.65% increase from consolidated loans payable - net of current portion of PhP3,734 million as at September 30, 2013. The Company entered into additional loan transactions during the quarter to fund purchase of land for future development.

### ***Deferred tax liability***

The Company's consolidated deferred tax liability was PhP254 million as at September 30, 2014, an increase from consolidated deferred tax liability of PhP121 million as at September 30, 2013. This deferred tax liability was attributable to provision for income tax resulting from the delay in the income

tax holiday accreditation for certain Company projects. Accreditation for these projects has since been obtained.

### **Liquidity and Capital Resources**

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

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

### **Cash Flows**

#### ***Cash flow used in operating activities***

The Company's consolidated net cash used in operating activities is primarily affected by the revenues generated from its operations, primarily the sale of residential housing units, subdivision lots and MRB condominium units. The Company's consolidated net cash used in operating activities were PhP1,972 million and PhP560 million for the periods ended September 30, 2014 and September 30, 2013, respectively.

#### ***Cash flows used in investing activities***

Consolidated net cash flow used in investing activities for the periods ended September 30, 2014 and September 30, 2013 were PhP3,455 million and PhP1,159 million, respectively.

For the nine months ended September 30, 2014, consolidated net cash flow used in investing activities reflected acquisitions of land for future development, investment in shares, as well as purchases of property and equipment.

#### ***Cash flow provided by financing activities***

Consolidated net cash flow provided by financing activities for the periods ended September 30, 2014 and September 30, 2013 were PhP5,552 million and PhP1,824 million, respectively. Majority of the funds were from the issuance of shares by the Company in May 2014.



## **PART II—OTHER INFORMATION**

### **On Timeshare Business**

On August 1, 2014, the Company ceased timeshare selling as the property related to the timeshare business has been sold to Azalea Leisure and Resorts Corporation.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: 8990 Holdings, Inc. (formerly IP Converge Data Center, Inc.)

By:

A handwritten signature in black ink, appearing to read 'Richard L. Haosen', written over a large, stylized circular flourish.

**RICHARD L. HAOSSEN**  
Chief Finance Officer

Date: October 29, 2014