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THIS PROSPECTUS IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. (THE "PSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE PROSPECTUS.

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ALLHOME CORP.

(incorporated in the Republic of the Philippines)

Primary and Secondary Offer of 1,125,000,000 Common Shares
with an Overallotment Option of up to 168,750,000 Common Shares

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Offer Price: ₱11.50 per share

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to be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 21.

The offering of the Common Shares has not been registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and are being offered and sold within the United States only to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A of the U.S. Securities Act and to persons outside the United States in reliance on Regulation S under the U.S. Securities Act.

Sole Global Coordinator and Joint Bookrunner

UBS

Joint Bookrunners

CLSA **CREDIT SUISSE**

Domestic Lead Underwriter

PNB CAPITAL AND INVESTMENT CORPORATION

Domestic Co-Lead Underwriter

CHINA BANK CAPITAL CORPORATION

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

The date of this Prospectus is September 26, 2019

ALLHOME CORP.
LGF Building B, Evia Lifestyle Center,
Daanghari Road, Almanza Dos,
Las Piñas City, Philippines
Telephone Number: (632) 890-1102
www.allhome.com.ph

This Prospectus (the "**Prospectus**") relates to the offer and sale to the public of 1,125,000,000 common shares (the "**Firm Shares**") with an Overallotment Option (as defined below) of up to 168,750,000 common shares (the "**Option Shares**") (collectively, the Firm Shares and the Option Shares are referred to as the "**Offer Shares**"), each common share with a par value of ₱1.00 per common share (the "**Shares**"), of AllHome Corp. ("**we**", "**us**", "**our**", "**AllHome**", the "**Company**" or the "**Issuer**"), a corporation organized and existing under Philippine law. The Firm Shares will comprise 750,000,000 unissued shares to be offered and issued by the Company by way of primary offer (the "**Primary Shares**") and 375,000,000 issued Shares owned by AllValue Holdings Corp. ("**AllValue**" or the "**Selling Shareholder**"), to be offered by way of a secondary offer (the "**Secondary Shares**"). The Option Shares will comprise up to 168,750,000 issued Shares owned by AllValue to be offered by way of a secondary offer. The offer of the Offer Shares is referred to herein as the "**Offer**."

Pursuant to its amended articles of incorporation, as approved by the Board of Directors on June 13, 2019 and approved by the Philippine Securities and Exchange Commission (the "**Philippine SEC**") on July 8, 2019, the Company has an authorized capital stock of ₱6,000,000,000.00 divided into 5,900,000,000 common shares and 1,000,000,000 preferred shares with a par value of ₱0.10 per preferred share, of which 3,000,000,002 common shares are issued and outstanding as of the date of this Prospectus.

The Firm Shares shall be offered at a price of ₱11.50 per Share (the "**Offer Price**"). The determination of the Offer Price is described on page 48 of this Prospectus and was based on a book-building process and discussion between the Company and UBS AG, Singapore Branch (the "**Sole Global Coordinator and Joint Bookrunner**"), CLSA Limited and Credit Suisse (Singapore) Limited (the "**Joint Bookrunners**", and together with the Sole Global Coordinator and Joint Bookrunner, the "**Joint International Bookrunners**"), and PNB Capital and Investment Corporation and China Bank Capital Corporation (the "**Domestic Underwriters**").

The Offer Shares will be listed and traded on the Main Board of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol "**HOME**."

Pursuant to the approval of the Philippine SEC dated August 20, 2019, the Selling Shareholder has appointed UBS AG, Singapore Branch and its relevant affiliates to act as the stabilizing agent (the "**Stabilizing Agent**"). The Stabilizing Agent has an option exercisable in whole or in part for a period beginning on or after the initial listing of the Offer Shares on the PSE (the "**Listing Date**") and, if exercised, ending on a date no later than 30 calendar days from and including the Listing Date, to purchase the Option Shares at the Offer Price from the Selling Shareholder, on the same terms and conditions as the Firm Shares as set forth in this Prospectus, solely to cover overallotments, if any (the "**Overallotment Option**"). In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any stabilization activities may begin on or after the date on which adequate public disclosure of the final price of the Offer Shares is made and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 15% of the aggregate number of the Firm Shares. If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end.

Upon completion of the Offer, a total of 3,750,000,002 Shares will be issued and outstanding, the Firm Shares representing 30.0% of the issued and outstanding capital stock of the Company or, assuming full exercise of the Overallotment Option, the Offer Shares representing 34.5% of the issued and outstanding capital stock of the Company.

The total gross proceeds to be raised by the Company from the sale of the Primary Shares is estimated to be ₱8,625.0 million. The net proceeds from the Primary Shares, after deduction of fees and expenses, is estimated to be approximately ₱8,210.5 million. We intend to use the net proceeds from the Primary Shares for capital expenditures and initial working capital to fund store network expansion and debt repayment. For a detailed discussion on the use of proceeds, please refer to page 42 on the "*Use of Proceeds.*" The Selling Shareholder's total proceeds to be raised from the sale of the Secondary Shares will be approximately ₱4,312.5 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder shall be ₱4,040.8 million. Assuming full exercise of the Overallotment Option, the gross proceeds for the Selling Shareholder is estimated to be approximately ₱6,253.1 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder is estimated to be approximately ₱5,882.4 million. The Company will not receive any portion of the proceeds from the sale of the Secondary Shares or the Option Shares by the Selling Shareholder.

The Joint International Bookrunners and Domestic Underwriters will receive an underwriting fee from the Company and the Selling Shareholder equivalent to 2.25% of the gross proceeds from the sale of the Offer Shares. The underwriting fee includes the amounts to be paid to other participating underwriters and selling agents, if any and where applicable, but does not include the commissions and fees to be paid to the trading participants of the PSE ("**PSE Trading Participants**"). For detailed discussion on the underwriting fees, please refer to the section on "*Plan of Distribution*" on page 156.

225,000,000 Firm Shares (or 20% of the Firm Shares) (the "**Trading Participants Offer Shares**") are being offered in the Philippines through the PSE Trading Participants and 112,500,000 (or 10% of the Firm Shares) (the "**Retail Offer Shares**") are being offered in the Philippines to local small investors ("**LSI**") under the Local Small Investors Program (subject to re-allocation as described below) (such shares, together, the "**Trading Participants and Retail Offer Shares**", and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**").

787,500,000, or 70% of the Firm Shares (the "**Institutional Offer Shares**"), are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters (the "**Institutional Offer**").

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company, the Joint International Bookrunners and the Domestic Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The Joint International Bookrunners will underwrite, on a firm commitment basis, the Institutional Offer Shares, and the Domestic Underwriters will underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares. For a detailed discussion on the distribution of the Firm Shares and the underwriting commitment, please refer to the section on "*Plan of Distribution*" on page 156.

All of the Offer Shares have identical rights and privileges to the issued and outstanding Shares of the Company. For a detailed discussion of the rights and features of the shares of stock of the Company, including the Offer Shares, please refer to the section on "*Description of the Shares*" on page 136. Under our current dividend policy, we intend to maintain an annual dividend payment ratio of 15% to 30% of net income after tax for the preceding fiscal year. Dividends may be payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends is subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends. Our Board of Directors may declare dividends, but any stock dividends must be approved by shareholders holding at least two-thirds of our total outstanding capital stock. For further discussion, please refer to the section on "*Dividends and Dividend Policy*" beginning on page 45 of this Prospectus.

We filed a Registration Statement with the Philippine SEC on July 17, 2019 in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "**SRC**") for the registration of all the issued and outstanding Shares of the Company and the Offer Shares. On August 19, 2019 the Philippine SEC approved the Registration Statement and issued a Pre-Effective Letter. Upon compliance with the requirements of the Pre-Effective Letter, the Company expects the Philippine SEC to issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale.

The listing of the Offer Shares is subject to the approval of the PSE. On July 17, 2019 the Company filed its application for the listing and trading of the issued and outstanding common shares of the Company and the Offer Shares. On August 28, 2019 the PSE Board approved the listing application subject to compliance with certain conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular, if and to the extent that we acquire land in the Philippines, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. We do not own land and have complied with the paid-up capital requirements of the Retail Trade Liberalization Act. Thus, we are currently not subject to any foreign ownership limits. For further discussion, please refer to the section on "*Regulatory and Environmental Matters*" on page 119.

We, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of the Offer Shares at any time, and the Joint International Bookrunners and the Domestic Underwriters reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall make the necessary disclosures to the Philippine SEC and the PSE.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

In making an investment decision, investors are advised to carefully consider all the information contained in this Prospectus, including risks associated with an investment in the Offer Shares. These risks include:

- risks relating to our business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to the presentation of information in this Prospectus.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" on page 21 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in the Prospectus.

The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. An application has been made with the Philippine SEC to register the sale and offer of the Offer Shares under the provisions of the SRC.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

ALLHOME CORP.

By:

(original signed)
BENJAMARIE THERESE N. SERRANO
President

Republic of the Philippines)

City of Makati) s.s.

Before me, a notary public in and for the city named above, personally appeared Ms. Benjamarie Therese N. Serrano, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 26th day of September 2019 at Makati City.

Doc. No. 476;
Page No. 95;
Book No. VIII;
Series of 2019.

Notary Public:
Atty. Gervacio B. Ortiz, Jr.
Notary Public for Makati City

The Offer Shares are offered subject to receipt and acceptance of any order by us and subject to our right to reject any order in whole or in part in consultation with the Joint International Bookrunners and the Domestic Underwriters. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the PDTC on or about October 10, 2019.

No representation or warranty, express or implied, is made by us, the Selling Shareholder or the Joint International Bookrunners and the Domestic Underwriters regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Joint International Bookrunners and the Domestic Underwriters as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint International Bookrunners and the Domestic Underwriters. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of us and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Selling Shareholder, the Joint International Bookrunners and the Domestic Underwriters. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. Each of the Company and the Domestic Underwriters has exercised diligence to the effect that, and the Company confirms that, after having taken reasonable care to ensure that such is the case, as of the date of this Prospectus, the information contained in this Prospectus relating to the Company and its operations is true and there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and the Company and Domestic Underwriters hereby accept responsibility under and in accordance with the Securities Regulation Code for the accuracy of the material information contained in this Prospectus relating to the Company and its operations.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. We, the Selling Shareholder and the Joint International Bookrunners and the Domestic Underwriters require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of the Joint International Bookrunners and the Domestic Underwriters, the Selling Shareholder or we shall have any responsibility therefor.

In connection with the Offer, the Stabilizing Agent or any person acting on its behalf may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any stabilization activities may begin on or after the date on which adequate public disclosure of the final price of the Offer Shares is made and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 15% of the aggregate number of the Firm Shares. If the Stabilizing Agent commences any stabilization activities (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end.

We, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of Offer Shares at any time. In consultation with the Joint International Bookrunners and the Domestic Underwriters, we reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall subsequently notify the Philippine SEC and the PSE. The Joint International Bookrunners and the Domestic Underwriters and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

BASIS FOR CERTAIN MARKET DATA

Market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information, industry publications and on our own analysis and knowledge of the markets for our products. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company, the Sole Global Coordinator and Joint Bookrunner, Joint International Bookrunners or the Domestic Underwriters makes any representation or warranty, express or implied, as to the accuracy or completeness of such information. Information in this Prospectus on home and garden specialist retailers and electronics and appliance specialist retailers in the Philippines is from independent market research carried out by Euromonitor International Limited commissioned by us, but should not be relied upon in making, or refraining from making, any investment decision.

The operating information used throughout this Prospectus has been calculated by us on the basis of certain assumptions. As a result, this operating information may not be comparable to similar operating information reported by other companies.

See the section entitled "*Industry Overview*" on page 75 of this Prospectus for information relating to the industry in which we operate.

CONVENTIONS USED IN THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "**Company**," the "**Issuer**," "**AllHome**," "**we**," "**us**" or "**our**" are to AllHome Corp. All references to the "**BSP**" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to the "**Government**" are references to the government of the Republic of the Philippines. All references to "**United States**" or "**U.S**." are to the United States of America. All references to "**Philippine Pesos**" and "**₱**" are to the lawful currency of the Philippines, and all references to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States. Certain terms used herein are defined in the "*Glossary*" contained elsewhere in this Prospectus.

EXCHANGE RATE INFORMATION

This Prospectus contains translations of certain Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of ₱51.25 = U.S.$1.00, the BSP Reference Rate quoted in the BSP's Reference Exchange Rate Bulletin on June 28, 2019 (the last date in June 2019 that such rate was published). See "*Exchange Rates*" on page 47 of this Prospectus for further information regarding the rates of exchange between the Philippine Peso and the U.S. dollar.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines.

The financial information included in this Prospectus has been derived from our financial statements. Unless otherwise indicated, financial information relating to us in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

Our fiscal year begins on January 1 and ends on December 31 of each year. Punongbayan & Araullo (Grant Thornton Philippines), a member firm of Grant Thornton International Ltd, has audited our financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and as of June 30, 2019 and for the six months ended June 30, 2018 and 2019, in accordance with Philippine Standards on Auditing ("**PSA**").

In contemplation of the Offer and in compliance with applicable regulatory requirements of the Philippine SEC for companies seeking registration of their securities, we appointed Punongbayan & Araullo as our independent auditors in 2018. Punongbayan & Araullo issued a report with a qualified opinion on our financial statements as of and for the years ended December 31, 2016, 2017 and 2018 on May 6, 2019. Subsequent to the issuance of their report on May 6, 2019 and related financial statements, Punongbayan & Araullo performed additional audit procedures to obtain sufficient appropriate evidence as to the existence of inventory quantities as of December 31, 2015 and 2016. Based on the results of the additional procedures performed, Punongbayan & Araullo was able to satisfy itself as to the existence of inventory quantities. Accordingly, Punongbayan & Araullo issued its unqualified report on August 9, 2019 with respect to the carrying amount of inventories presented in the statement of financial position as of December 31, 2016 and the amount of cost of goods sold presented in the statements of comprehensive income and their related effect on the statements of cash flows for the years ended December 31, 2016 and 2017. In addition and as part of their audit, certain information have been restated and reclassified as discussed further in Note 2 in our audited financial statements, in accordance with the relevant accounting and financial reporting standards. For more information, please refer to our audited financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2019 and 2018 contained elsewhere in this Prospectus.

PRESENTATION OF NON-PFRS FINANCIAL INFORMATION

This Prospectus includes certain non-PFRS financial measures, including EBITDA and EBITDA margin. References to "**EBITDA**" are to net profit before finance costs, taxes, depreciation and amortization. EBITDA is a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with PFRS. Further, EBITDA is not a measurement of our financial performance or liquidity under PFRS and should not be considered as an alternative to net income, revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of our liquidity. We believe that EBITDA may facilitate operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortization of tangible assets (affecting relative depreciation and amortization expenses). However, as there are various EBITDA calculation methods, our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. "**EBITDA Margin**" is calculated as EBITDA divided by revenues.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- risks relating to our businesses and operations;
- our ability to successfully implement our current and future business strategies;
- our ability to manage our expansion and growth;
- our ability to leverage on our strengths;
- our ability to anticipate and respond to consumer trends;
- increases in inventory, maintenance and rental costs;
- risks relating to the Philippines;
- the condition and changes in the Philippine, Asian or global economies and future political instability in the Philippines;
- changes in interest rates, inflation rates and the value of the Philippine Peso against the U.S. dollar and other currencies;
- changes in Government regulations, including tax laws, or licensing in the Philippines;

- competition in the retail industry in the Philippines; and

- risks relating to the Offer and the Offer Shares.

Additional factors that could cause our actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "*Risk Factors*" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. We and the Sole Global Coordinator and Joint Bookrunner, Joint Bookrunners and Domestic Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. Statements that describe AllHome's objectives, plans or goals are forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statement and we give no assurance that such forward-looking statements will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from our expectations. All subsequent written and oral forward-looking statements attributable to us or persons acting on behalf of us are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

AllHome	AllHome Corp.
AllValue	AllValue Holdings Corp.
AllValue Stores	Collectively, the following stores owned and operated by AllValue through its subsidiaries: AllDay Convenience store, AllDay Supermarket, AllHome, AllToys, AllSports, Finds Finds, Gastroville, KinderCity, Bake My Day and Coffee Project
Application	An application to subscribe for Offer Shares pursuant to the Offer
BAP	The Bankers' Association of the Philippines
BIR	The Philippine Bureau of Internal Revenue
Board of Directors or Board	AllHome's board of directors
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
CAGR	Compound Annual Growth Rate
CB Capital	China Bank Capital Corporation
CLSA	CLSA Limited
Credit Suisse	Credit Suisse (Singapore) Limited
DIY	Do-it-yourself
Domestic Co-Lead Underwriter	CB Capital
Domestic Lead Underwriter	PNB Capital
Domestic Receiving Agent	Philippine National Bank acting through its Trust Banking Group
Domestic Underwriters	The Domestic Lead Underwriter and Domestic Co-Lead Underwriter
Euromonitor	Euromonitor International Limited
Foreign Investments Act	Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991, as amended
Firm Shares	The Primary Shares and the Secondary Shares
Golden Bria	Golden Bria Holdings, Inc. and its subsidiaries, as the context requires, a member of the Villar Group

Government	Government of the Republic of the Philippines and all its instrumentalities
Institutional Offer	The offer for sale of the Institutional Offer Shares (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters
Institutional Offer Shares...............	787,500,000 Offer Shares being offered pursuant to the Institutional Offer
Institutional Offer Settlement Date...	The date on which final allocation of the Institutional Offer Shares is to be made, expected to be on or about October 10, 2019
Joint Bookrunners	CLSA and Credit Suisse
Joint International Bookrunners	The Sole Global Coordinator and Joint Bookrunner and the Joint Bookrunners
Listing Date	The date on which the trading of the Offer Shares on the PSE begins, expected to be on or about October 10, 2019
Local small investors or LSIs	Local small investors under the PSE's Local Small Investors program
Mega Manila..................................	Metro Manila and the neighboring provinces of Bulacan, Cavite, Laguna and Rizal
Metro Manila	The metropolitan area comprising the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros
net selling space	The area of the store where items are displayed, excluding the backroom and warehouse
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein
Offer Price	₱11.50 per Offer Share
Offer Shares...................................	The Firm Shares and the Option Shares
Option Shares	Up to 168,750,000 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Overallotment Option
Overallotment Option......................	An option granted by the Selling Shareholder to the Stabilizing Agent

PCD .... Philippine Central Depository

PDS.. Philippine Dealing System

PDTC... The Philippine Depositary and Trust Corporation

Philippine National .... As defined under the Foreign Investments Act, citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals

Philippine SEC .... The Philippine Securities and Exchange Commission

PIDS .... Philippine Institute of Development Studies

PIDS Study .... The discussion paper "Profile and Determinants of the Middle-Income Class in the Philippines" issued by the PIDS as of December 2018

PNB Capital.................................. PNB Capital and Investment Corporation

POS.. Point of sale

Primary Shares.............................. 750,000,000 unissued shares to be offered and issued by AllHome by way of primary offer

PSE.. The Philippine Stock Exchange, Inc.

PSE Trading Participants .... Duly licensed securities brokers who are trading participants of the PSE

QIB .... Qualified institutional buyer, as such term is defined in Rule 144A

Regulation S .... Regulation S under the U.S. Securities Act

Retail Trade Liberalization Act....... Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000

Revised Corporation Code of the Philippines............................ Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines

Rule 144A..................................... Rule 144A under the U.S. Securities Act

same store sales growth	The comparisons of net sales between two periods generated by the relevant stores. The stores that are included in the comparisons are those that have been in operation for at least 24 months preceding the beginning of the reporting period and for the entirety of the two periods of comparison. The comparison for each store takes into account net sales by that store during the same period it was in operation in both the reporting period and the period of comparison. The net sales of all the relevant stores in the relevant period are then aggregated and compared. Revenues generated by the relevant stores exclude corporate sales
SCCP	Securities Clearing Corporation of the Philippines
Secondary Shares	375,000,000 Shares to be offered by way of a secondary offer by the Selling Shareholder
Selling Shareholder	AllValue
Shares	The common shares of AllHome, par value of ₱1.00 per share
SKU	Stock Keeping Unit, referring to a distinct product for sale
Sole Global Coordinator and Joint Bookrunner	UBS AG, Singapore Branch
Spouses Villar	Manuel B. Villar, Jr. and Cynthia A. Villar
sqm	Square meters
SRC	Republic Act No. 8799, otherwise known as the Philippine Securities Regulation Code, as amended from time to time, and including the rules and regulations issued thereunder
Stabilizing Agent	UBS and its relevant affiliates
Starmalls	A chain of shopping malls and commercial centers in the Philippines owned and operated by Vista Land
Tax Code	The National Internal Revenue Code of the Philippines, as amended
Trading Participants and Retail Offer	The offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines
Trading Participants and Retail Offer Settlement Date	The date on which settlement of the Trading Participants and Retail Offer Shares is to be made, expected to be on or about October 4, 2019
Trading Participants and Retail Offer Shares	337,500,000 Offer Shares being offered pursuant to the Trading Participants and Retail Offer

UBS	UBS AG, Singapore Branch
U.S.	The United States of America
U.S. Securities Act	The United States Securities Act of 1933, as amended
VAT	Value-added tax
Villar Family	Spouses Villar and their children, Manuel Paolo, Mark and Camille
Villar Group	Companies owned and controlled by Spouses Villar, including Fine Properties, Inc., AllValue, Vista Land, and Golden Bria
Vista Land	Vista Land and Lifescapes Inc. and its subsidiaries, as the context requires, a member of the Villar Group
Vista Mall	A chain of shopping malls and commercial centers in the Philippines owned and operated by Vista Land

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including our audited financial statements and the notes thereto, appearing elsewhere in this Prospectus.

OVERVIEW

AllHome Corp. is a pioneering "one-stop shop" home store in the Philippines – from building your home to furnishing it, we believe we have all your home needs. Since our incorporation in 2013, we have grown to 25 stores as of June 30, 2019, having an aggregate net selling space of approximately 196,327 sqm across 20 cities and municipalities. In the month of July 2019, we opened two more stores, increasing our total number of stores to 27 with an aggregate net selling space of approximately 215,994 sqm across 22 cities and municipalities. Our product offering spans seven key categories from over 800 local and international brands, including 18 in-house brands. These product categories are furniture, hardware, appliances, tiles and sanitary wares, homewares, linens and construction materials.

We believe that we offer our customers a unique shopping experience for the home in a comfortable and convenient setting. Currently, we have three store formats in operation: (1) large mall-based store, ranging from 2,902 sqm to 12,267 sqm in net selling space with an average net selling space of over 9,000 sqm; (2) large free-standing store, ranging from 4,903 sqm to 9,369 sqm in net selling space with an average net selling space of over 8,200 sqm; and (3) small specialty store, ranging from 171 sqm to 696 sqm in net selling space with an average net selling space of over 380 sqm, all under the "AllHome" name. We expect to introduce a fourth store format, the "AllBuilders" store, before the end of the year. Our AllBuilders store format will offer a more extensive selection of hardware, tiles and sanitary wares, and construction materials. We believe that our range of store formats appeal to homeowners, in-house design consultants, architects and contractors and help them to realize their vision of creating their dream homes and living spaces.

To complement our product offerings, we provide special services including styling consultations with in-house design consultants, ready-for-occupancy home furnishing services, delivery, customizable furniture, gift registry services and customer lounges where homeowners, in-house design consultants, architects and contractors can meet to discuss their plans.

We primarily serve and target customers within the upper middle income to upper income segment, which according to a study by the Philippine Institute of Development Studies ("**PIDS**"), have an average monthly household income of approximately ₱70,000 and above.

Our large mall-based and large free-standing stores carry over 250,000 SKUs while our small specialty stores carry over 10,000 SKUs. We believe that our wide assortment of products and special services, together with our knowledgeable and accommodating staff, provide value for money and deliver a truly one-stop shop experience for all home needs.

As of June 30, 2019, we had a total of 25 stores in operation, 19 of which are located in Mega Manila, three in Luzon (outside Mega Manila) and three in Visayas and Mindanao. We opened two new stores in the first half of 2019 and for the second half of 2019, we aim to open 20 more stores, comprising four large mall-based stores, four large free-standing stores, six small specialty stores and six AllBuilders stores. As of July 31, 2019, two of the four large mall-based stores planned for the second half of 2019 were opened.

For each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, our revenues were ₱3,430.6 million, ₱4,896.3 million, ₱7,192.2 million (U.S.$140.3 million) and ₱5,055.2 million (U.S.$98.6 million), respectively. For each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, our net profit was ₱46.6 million, ₱112.6 million, ₱511.4 million (U.S.$10.0 million) and ₱434.3 million (U.S.$8.5 million), respectively.

STRENGTHS

- Pioneering "one-stop shop" home store offering a comprehensive selection of products in a fast-growing segment of the retail sector in the Philippines
- Strategic and sustainable expansion plan arising from a synergistic relationship with the country's leading homebuilder
- Strong operational expertise and a scalable business model for future expansion
- Differentiated customer shopping experience in a retail ecosystem
- Track record of significant growth and profitability
- Experienced and founder-led management team with extensive knowledge of homebuilding markets

STRATEGIES

- Further expand the store network across the Philippines
- Continue to expand our offering of in-house brand products
- Introduce new formats to expand our customer base
- Continue to invest in technology and supply chain solutions
- Continue to enhance our shopping experience to grow and retain customer base

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include risks relating to our businesses and operations, risks relating to the Philippines, and risks relating to the Offer and the Offer Shares.

INVESTOR RELATIONS OFFICE

The investor relations office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The office will also handle communication of relevant information to our stakeholders as well as to the broader investor community. The investor relations office will also be responsible for receiving and responding to investor and shareholder queries relating to the Company.

Ms. Robirose M. Abbot has been appointed by the Board as the head of the investor relations office and to serve as our Investor Relations Officer ("**IRO**"). The IRO will ensure that we comply with and file on a timely basis all required disclosures and continuing requirements of the Philippine SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of our website, which will contain information, including but not limited to:

(a) Company information (organizational structure, board of directors and management team);

(b) Company news (analyst briefing report, press releases, latest news, newsletters (if any));

(c) Financial report (annual and quarterly reports for the past two years);

(d) Disclosures (recent disclosures to PSE and SEC for the past two years);

(e) Investor FAQs;

(f) Investor Contact (email address and phone numbers for feedback/comments, shareholder assistance and service); and

(g) Stock Information.

The investor relations office will be located in our principal place of business with contact details as follows:

Landline: (+632) 880-1199
E-mail: ir@allhome.ph
Website: www.allhome.com.ph

COMPANY INFORMATION

We are a Philippine corporation organized under the laws of the Philippines. Our principal office address is LGF Building B, Evia Lifestyle Center, Daanghari Road, Almanza Dos, Las Piñas City, Philippines, with telephone number: (+632) 890-1102. Our corporate website is www.allhome.com.ph. Information in the website is not incorporated by reference into this Prospectus.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	AllHome Corp.
Selling Shareholder	AllValue Holdings Corp.
Sole Global Coordinator and Joint Bookrunner.......................	UBS AG, Singapore Branch
Joint Bookrunners.........................	CLSA Limited and Credit Suisse (Singapore) Limited
Joint International Bookrunners..	Sole Global Coordinator and Joint Bookrunner, and the Joint Bookrunners
Domestic Lead Underwriter	PNB Capital and Investment Corporation
Domestic Co-Lead Underwriter ...	China Bank Capital Corporation
Domestic Underwriters	PNB Capital and Investment Corporation and China Bank Capital Corporation
Domestic Receiving Agent............	Philippine National Bank acting through its Trust Banking Group
Selling Agents	PSE Trading Participants
The Offer	Offer of 1,125,000,000 Firm Shares, consisting of 750,000,000 Primary Shares to be issued and offered by the Company and 375,000,000 Secondary Shares offered by the Selling Shareholder together with an offer of up to 168,750,000 Option Shares by the Selling Shareholder pursuant to the Overallotment Option (as described below).
Firm Shares	1,125,000,000 Shares, consisting of 750,000,000 Primary Shares to be issued and offered by the Company and 375,000,000 Secondary Shares offered by the Selling Shareholder.
Option Shares	Up to 168,750,000 Shares by the Selling Shareholder pursuant to the Overallotment Option.

Institutional Offer	787,500,000 Firm Shares, or 70% of the Firm Shares (subject to re-allocation as described below), are being offered and sold (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters. The Option Shares will form part of the Institutional Offer.
Trading Participants and Retail Offer	337,500,000 Firm Shares are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price (the "**Trading Participants and Retail Offer Shares**"). 225,000,000 Firm Shares (or 20% of the Firm Shares) (the "**Trading Participants Offer Shares**") are being allocated to all of the PSE Trading Participants at the Offer Price and 112,500,000 Firm Shares (or 10% of the Firm Shares) (the "**Retail Offer Shares**") are being allocated at the Offer Price to local small investors ("**LSIs**"). Each PSE Trading Participant shall initially be allocated 1,744,100 Firm Shares and be subject to reallocation as may be determined by the Domestic Underwriters. Based on the initial allocation for each PSE Trading Participant, there will be a total of 11,100 residual Firm Shares to be allocated as may be determined by the Domestic Underwriters. Each LSI applicant may subscribe up to a maximum of 8,600 Firm Shares at the Offer Price. The Domestic Underwriters shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the PSE Trading Participants or clients of the Domestic Underwriters or the general public in the Philippines pursuant to the terms and conditions of the Domestic Underwriting Agreement. LSIs shall subscribe through the PSE Electronic Allocation System ("**PSE EASy**"). An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 1,000 shares or ₱11,500.00, while the maximum subscription shall be 8,600 shares or up to ₱98,900.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Underwriters shall prioritize the subscriptions of small investors with amounts lower than the maximum subscription.
Offer Shares	The Firm Shares and the Option Shares.
Offer Price	₱11.50 per Offer Share. The Offer Price was determined based on a book-building process and discussions amongst the Company, the Selling Shareholder, the Joint International Bookrunners and the Domestic Underwriters.

Overallotment Option	The Selling Shareholder has granted the Stabilizing Agent, UBS AG, Singapore Branch and its relevant affiliates, an option, exercisable in whole or in part, to purchase up to 168,750,000 Option Shares at the Offer Price, on the same terms and conditions as the Offer Shares as set out in this Prospectus, solely to cover overallotments, if any, and effect price stabilization transactions. The Overallotment Option is exercisable from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. See "*Plan of Distribution – The Overallotment Option.*"
Transfer Restrictions.....................	The Institutional Offer Shares are being offered for sale (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters. The Offer Shares have not been and will not be registered under the U.S. Securities Act. The Offer Shares may be subject to certain transfer restrictions as described herein. See "*Plan of Distribution – The Institutional Offer*".
Eligible Investors	The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age residing in the Philippines regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines or licensed to do business in the Philippines, regardless of nationality, subject to our right to reject an Application or reduce the number of our Firm Shares applied for subscription. The Institutional Offer Shares are being offered for sale (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters. Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

Use of Proceeds .... We intend to use the net proceeds from the Offer primarily for capital expenditures and initial working capital for store network expansion and debt repayment.

See "*Use of Proceeds*" beginning on page 42 of this Prospectus.

Minimum Subscription .... Each application must be for a minimum of 1,000 Firm Shares, and thereafter, in multiples of 100 Firm Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.

Reallocation .... The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Joint International Bookrunners, and the Domestic Underwriters. If there is an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer. The Joint International Bookrunners will not be involved in the offer of, or underwrite, the Trading Participants and Retail Offer.

Lock-up .... Under the PSE Consolidated Listing and Disclosure Rules, existing shareholders who own an equivalent of at least 10% of the issued and outstanding Shares as of the Listing Date cannot sell, assign or in any manner dispose of their Shares for a minimum period of 180 days after the Listing Date. Thus, the following shall be subject to such lock-up period:

Assuming the Overallotment Option is not exercised:

Shareholder	No. of Shares Subject to 180-day Lock-up Period
AllValue Holdings Corp.	1,624,999,500 common shares

Assuming the Overallotment Option is fully exercised:

Shareholder	No. of Shares Subject to 180-day Lock-up Period
AllValue Holdings Corp.	1,456,249,500 common shares

In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) completed and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price in the initial public offering, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares.

The following are covered by the 365-day lock-up requirement:

Shareholder	No. of Shares Subject to 365-day Lock-up Period
AllValue Holdings Corp.	1,000,000,000 common shares
Laura Suarez Acuzar	1 common share
Jessie D. Cabaluna	1 common share

To implement the lock-up requirement, we and the foregoing shareholders shall enter into an escrow agreement with the Philippine National Bank – Trust Banking Group.

The Company and the Selling Shareholder have agreed with the Joint International Bookrunners and the Domestic Underwriters that, except in connection with the Overallotment Option, they will not, without the prior written consent of the Joint International Bookrunners and the Domestic Underwriters, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

See "*Principal and Selling Shareholders*" and "*Plan of Distribution – Lock-Up.*"

Listing and Trading .... The Company has filed an application with the Philippine SEC for the registration and an application with the PSE for the listing of all its issued and outstanding stock (including the Offer Shares). The Philippine SEC is expected to issue the Order of Effectivity and Permit to Sell on or about September 27, 2019 and the PSE approved the listing application on August 28, 2019 subject to compliance with certain listing conditions.

All of the Offer Shares in issue or to be issued are expected to be listed on the Main Board of the PSE under the symbol "**HOME**." See "*Description of the Shares.*" All of the Offer Shares are expected to be listed on the PSE on or about October 10, 2019. Trading of the Offer Shares that are not subject to lock-up is expected to commence on October 10, 2019.

Dividends and Dividend Policy .... The Company is authorized to declare dividends. A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings.

Under our current dividend policy, we intend to maintain an annual cash dividend payment ratio for our Shares of 15% to 30% of net income after tax for the preceding fiscal year, subject to the requirements of applicable laws and regulations. See "*Dividends and Dividend Policy*".

Registration and Lodgment of Shares with PDTC................ The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.

Restrictions on Ownership .... The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular, if and to the extent that we acquire land in the Philippines, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. We do not own land and have complied with the paid-up capital requirements of the Retail Trade Liberalization Act. Thus, we are currently not subject to any foreign ownership limits.

For more information relating to restrictions on the ownership of the Shares, please see "*Description of the Shares*" and "*Regulatory and Environmental Matters – Foreign Investment Laws and Restrictions.*"

Registration of Foreign Investments .... The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Regulatory and Environmental Matters – Foreign Investment Laws and Restrictions – Registration of Foreign Investments and Exchange Controls.*"

Restriction on Issuance and Disposal of Shares .... See "*Lock-up*" above.

Tax Considerations........................ See "*Philippine Taxation*" for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

Procedure for Application for the Trading Participants and Retail Offer................................ The Offer Period shall commence at 9:00 a.m., Manila time, on September 30, 2019 and shall end at 12:00 noon, Manila time, on October 4, 2019. The Company and the Domestic Underwriters reserve the right to extend, shorten, or terminate the Offer Period, subject to the approval of the Philippine SEC and the PSE.

Applications must be received by the Domestic Receiving Agent for PSE Trading Participant applications or through PSE EASy for LSI applications, as applicable, by 12:00 noon Manila time on October 4, 2019 and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. Applications received thereafter or without the required documents will be rejected. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Domestic Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

For PSE Trading Participants:

Application forms to purchase the Trading Participants Offer Shares and signature cards may be obtained from the Domestic Underwriters. Application forms will also be made available for download on the Company website.

Applicants shall complete the application form, indicating all pertinent information, such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Trading Participants and Retail Offer Shares. Failure to complete the application form may result in the rejection of the application.

Applications must be received by the Domestic Receiving Agent not later than 12:00 noon on October 4, 2019. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a PSE Trading Participant, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Domestic Underwriters under the Domestic Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

All applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed in each case by an authorized signatory of the applicant and accompanied by one completed signature card, which for applicants who are corporations, partnerships or trust accounts, should be authenticated by the corporate secretary or equivalent corporate officer (or managing partner in the case of a partnership), and the corresponding payment for the Trading Participants Offer Shares covered by the application and all other required documents.

If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:

- A certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership, in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A certified true copy of the applicant's Philippine SEC certificate of registration duly certified by its corporate secretary (or managing partner in the case of a partnership); and

- A duly notarized corporate secretary's certificate (or certificate of the managing partner in case of partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the applicant's capital or capital stock held by Philippine nationals.

Foreign corporate and institutional applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Trading Participants Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Trading Participants and Retail Offer Shares.

<u>For Local Small Investors:</u>

With respect to the LSIs, applications to purchase the Trading Participants and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction.

An LSI applicant should nominate in the Application the PSE Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted. A list of branches of the PSE Trading Participants where LSI applicants may open trading accounts for the lodgement of the LSI applicant's LSI shares will be made available in IPO kiosks to be set up in the PSE's office in Bonifacio Global Center, Taguig City, and at the following AllHome stores: AllHome Evia, Las Piñas City, AllHome Vista Mall, Sta. Rosa, Laguna, and AllHome Libis, Quezon City, and Paseo Center, Makati City to provide further information about the Company, details about the Offer, and instructions for subscribing through PSE EASy.

LSI applications will be processed on a first-come, first-served basis, while final allocation of the Trading Participants and Retail Offer Shares will be determined pursuant to allocation mechanics. This section should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website in due course.

Payment Terms for the Trading Participants and Retail Offer Purchased through PSE Trading Participants.................. The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Only cashier's or manager's, personal or corporate checks will be acceptable as valid mode of payment. Checks subject to clearing periods of over one banking day shall not be accepted. All checks should be made payable to "**AllHome IPO**" crossed "Payee's Account Only," and dated the same date as the application.

Check payments for the Trading Participants and Retail Offer Shares must be cleared on or before October 4, 2019 ("**Trading Participants and Retail Offer Settlement Date**"). The applications and the related payments will be received at any of the designated locations as specified in the PSE Trading Participant Guidelines, to be published by the PSE prior to the start of the Trading Participants and Retail Offer.

For LSI subscriptions, the purchase price may also be made in cash following the payment instructions generated by the PSE EASy. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.

Acceptance or Rejection of Applications for the Trading Participants and Retail Offer .... Applications for the Trading Participants and Retail Offer Shares are subject to the confirmation of the Domestic Underwriters and our final approval. We, in consultation with the Domestic Underwriters, reserve the right to accept, reject or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. We and the Domestic Underwriters have the right to reallocate available Trading Participants and Retail Offer Shares in the event that the Trading Participants and Retail Offer Shares are insufficient to satisfy the total applications received. The Trading Participants and Retail Offer Shares will be allotted in such a manner as we and the Domestic Underwriters may, in our sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and application forms which do not comply with the terms of the Trading Participants and Retail Offer will be automatically rejected. Notwithstanding the acceptance of any application, the actual acquisition of or subscription to the Trading Participants and Retail Offer Shares by an applicant will be effective only upon the listing of the Trading Participants and Retail Offer Shares on the PSE.

Refunds of the Trading Participants and Retail Offer ... In the event that the number of Trading Participants and Retail Offer Shares to be received by an applicant, as confirmed by us and the Domestic Underwriters, is less than the number covered by the application, or if an application is rejected, then the applicant is entitled to a refund, without interest, within five banking days from the end of the offer period or on October 11, 2019, of all or a portion of the applicant's payment corresponding to the number of Trading Participants and Retail Offer Shares wholly or partially rejected. All refunds shall be made through the Domestic Receiving Agent, at the applicant's risk.

Registration and Lodgment of Shares with the PDTC .... The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares shall be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive stock certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.

Expected Timetable .... The timetable of the Offer is expected to be as follows:

Pricing	September 26, 2019
Notice of final Offer Price to the Philippine SEC and PSE	September 26, 2019

	Receipt of the Permit to Sell from the Philippine SEC	September 27, 2019
	Trading Participants and Retail Offer Period	September 30, 2019 to October 4, 2019
	PSE Trading Participants' Commitment Period	September 30, 2019 to October 2, 2019
	Submission of Firm Order and Commitments by PSE Trading Participants	October 2, 2019, 12:00 noon.
	Trading Participants and Retail Offer Settlement Date	October 4, 2019
	Institutional Offer Settlement Date..	October 10, 2019
	Listing Date and commencement of trading on the PSE	October 10, 2019

The dates included above are subject to the approval of the PSE and the Philippine SEC, market and other conditions, and may be changed.

Risks of Investing .... In making an investment decision, investors are advised to carefully consider all the information contained in the Prospectus, including the risks associated with an investment in the Offer Shares. These risks include:

- risks relating to our business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to the presentation of information in the Prospectus.

For a more detailed discussion on certain of these risks, see "*Risk Factors*" beginning on page 21, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained in the Prospectus.

Stock and Transfer Agent............ Philippine National Bank acting through its Trust Banking Group

Escrow Agent................................ Philippine National Bank acting through its Trust Banking Group

Philippine Counsel for the Issuer	Picazo Buyco Tan Fider & Santos
International Counsel for the Issuer	Latham & Watkins LLP
Philippine Counsel for the Underwriters	Romulo Mabanta Buenaventura Sayoc & de los Angeles
International Counsel for the Underwriters	Milbank LLP
Independent Auditors	Punongbayan & Araullo (Grant Thornton Philippines)

SUMMARY FINANCIAL INFORMATION

The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and our financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information as of and for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019 were derived from our audited financial statements, which were prepared in accordance with PFRS and were audited by Punongbayan & Araullo in accordance with the PSA.

In accordance with the relevant accounting and financial reporting standards, certain information in our financial statements as of and for the years ended December 31, 2016 and 2017 have been restated and reclassified, as discussed further in Note 2 to the financial statements as of and for the years ended December 31, 2016, 2017 and 2018 included elsewhere in this Prospectus.

The summary financial information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of June 28, 2019 (the last date in June 2019 that such rate was published) of ₱51.25 = U.S.$1.00.

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,				For the six-month period ended June 30,		
	2016 (as restated)	2017 (as restated)	2018	2018 (unaudited)	2018	2019	2019 (unaudited)
	(in millions of ₱)[1]			(in millions of U.S.$)[1]	(in millions of ₱)[1]		(in millions of U.S.$)[1]
Revenues	₱3,430.6	₱4,896.3	₱7,192.2	U.S.$140.3	₱3,028.1	₱5,055.2	U.S.$98.6
Cost of goods sold	2,502.6	3,571.8	5,061.9	98.8	2,148.9	3,563.4	69.5
Gross profit	928.0	1,324.4	2,130.3	41.6	879.2	1,491.8	29.1
Other operating expenses	861.4	1,182.1	1,545.5	30.2	739.7	833.7[2]	16.3
Loss on write-off of trade receivables	5.8	15.6	19.4	0.4	–	–	–
Operating profit	60.8	126.8	565.5	11.0	139.6	658.1	12.8
Other income (charges)							
Finance cost	(21.9)	(28.7)	(46.4)	(0.9)	(27.1)	(177.8)	(3.5)
Finance income	1.7	0.7	1.6	–	0.2	0.2	–
Other income	25.4	62.1	209.6	4.1	45.1	140.8	2.7
	5.2	34.0	164.9	3.2	18.2	(36.8)	(0.7)
Profit before tax	65.9	160.8	730.3	14.3	157.7	621.3	12.1
Tax expense	(19.4)	(48.2)	(218.9)	(4.3)	(47.3)	(186.9)	(3.6)
Net profit	46.6	112.6	511.4	10.0	110.4	434.3	8.5
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	**₱ 46.6**	**₱ 112.6**	**₱ 511.4**	**U.S.$ 10.0**	**₱ 110.4**	**₱ 434.3**	**U.S.$ 8.5**
Basic and diluted earnings per Share	**₱ 4.66**	**₱ 8.40**	**₱ 38.16**	**U.S.$ 0.74**	**₱ 8.24**	**₱ 21.72**	**U.S.$0.42**

Notes:

(1) Except for Basic and diluted earnings per share.

(2) Excluding the impact of PFRS 16 on Other operating expenses for the six month period ended June 30, 2019, Other operating expenses would be ₱901.6 million. If the effect of PFRS 16 is not taken into consideration, rental expense for the six-month period ended June 30, 2019 would have been ₱317.2 million instead of ₱64.7 million.

SUMMARY STATEMENTS OF FINANCIAL POSITION

	As of January 1,	As of December 31,				As of June 30,	
	2016[1]	2016 (as restated)	2017 (as restated)	2018	2018 (unaudited)	2019	2019 (unaudited)
		(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)	(in millions of U.S.$)
Current assets:							
Cash and cash equivalents	₱ 185.1	₱ 475.8	₱ 399.8	₱ 298.5	U.S$ 5.8	₱ 333.3	U.S$ 6.5
Trade and other receivables	484.8	469.7	591.3	1,196.4	23.3	686.3	13.4
Inventories	668.2	1,087.4	1,494.3	2,690.9	52.5	4,295.3	83.8
Due from related parties	125.9	125.9	125.9	133.9	2.6	–	–
Other current assets	143.8	312.1	365.6	654.1	12.8	285.1	5.6
Total current assets	1,607.7	2,471.0	2,977.0	4,973.8	97.0	5,600.1	109.3
Noncurrent assets:							
Property and equipment – net	825.7	1,165.9	1,921.8	2,969.5	57.9	7,908.5	154.3
Other noncurrent assets	–	28.2	281.5	272.2	5.3	403.6	7.9
Total noncurrent assets	**825.7**	**1,194.1**	**2,203.3**	**3,241.6**	**63.3**	**8,312.1**	**162.2**
Total assets	**₱2,433.5**	**₱3,665.0**	**₱5,180.3**	**₱8,215.4**	**U.S$160.3**	**₱13,912.1**	**U.S$271.5**
Current liabilities:							
Trade other payables	874.5	702.3	482.4	379.9	7.4	756.9	14.8
Loans payable	200.0	650.0	1,284.6	1,676.9	32.7	2,403.2	46.9
Lease liability	–	–	–	–	–	330.6	6.5
Due to related parties	347.6	107.8	239.6	627.4	12.2	1,003.6	19.6
Income tax payable	3.4	1.6	18.3	68.2	1.3	46.6	0.9
Total current liabilities	**1,425.5**	**1,461.6**	**2,024.9**	**2,752.3**	**53.7**	**4,540.9**	**88.6**
Noncurrent liabilities:							
Loans payable	–	800.0	1,615.4	2,638.5	51.5	2,246.2	43.8
Lease Liability	–	–	–	–	–	4,126.1	80.5
Deferred tax liabilities	–	8.8	32.8	146.0	2.8	98.3	1.9
Retirement benefit obligation	–	–	–	–	–	30.6	0.6
Total noncurrent liabilities	**–**	**808.8**	**1,648.2**	**2,784.5**	**54.3**	**6,501.2**	**126.9**
Total liabilities	**₱1,425.5**	**₱2,270.4**	**₱3,673.1**	**₱5,536.8**	**U.S$108.0**	**₱11,042.1**	**U.S$215.5**
Equity							
Capital stock	1,000.0	1,340.0	1,340.0	2,000.0	39.0	2,000.0	39.0
Retained earnings	8.0	54.6	167.2	678.6	13.2	870.1	17.0
Total equity	**1,008.0**	**1,394.6**	**1,507.2**	**2,678.6**	**52.3**	**2,870.1**	**56.0**
Total liabilities and equity	**₱2,433.5**	**₱3,665.0**	**₱5,180.3**	**₱8,215.4**	**U.S$160.3**	**₱13,912.1**	**U.S$271.5**

Note:

(1) As part of its audit for the years ended December 31, 2016, 2017 and 2018, Punongbayan & Araullo performed testing of the opening balances of the Company's assets, liabilities and equity accounts as of January 1, 2016 in accordance with the Philippine Standards on Auditing.

SUMMARY STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,				For the six-month period ended June 30,		
	2016 (as restated)	2017 (as restated)	2018	2018 (unaudited)	2018	2019	2019 (unaudited)
	(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Net cash from operating activities	₱ (465.1)	₱ (623.6)	₱ (250.5)	U.S.$ (4.9)	₱ 200.9	₱ 954.7	U.S.$ 18.6
Net cash used in investing activities	(442.8)	(810.6)	(1,050.1)	(20.5)	(1,041.7)	(805.5)	(15.7)
Net cash from (used in) financing activities	1,198.6	1,358.2	1,199.3	23.4	706.9	(114.4)	(2.2)
Net increase (decrease) in cash and cash equivalents	290.7	(76.0)	(101.3)	(2.0)	(133.9)	34.8	0.7
Cash and cash equivalents at beginning of year/period	185.1	475.8	399.8	7.8	399.8	298.5	5.8
Cash and cash equivalents at end of year/period	₱ 475.8	₱ 399.8	₱ 298.5	U.S.$ 5.8	₱ 265.9	₱ 333.3	U.S.$ 6.5

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

	As of December 31,			As of June 30,	
	2016	2017	2018	2018	2019
Total number of stores	15	18	23	18	25
Total net selling space (sqm)	111,204	140,495	186,665	140,495	196,327

	As of and for the years ended December 31,			As of and for the six months ended June 30,	
	2016	2017	2018	2018	2019
Revenues (₱ millions)	3,430.6	4,896.3	7,192.2	3,028.1	5,055.2
Gross Profit (₱ millions)	928.0	1,324.4	2,130.3	879.2	1,491.8
Gross Profit Margin (%)(1)	27.1	27.0	29.6	29.0	29.5
Net Profit (₱ millions)	46.6	112.6	511.4	110.4	434.3(5)
Net Profit Margin (%)(2)	1.4	2.3	7.1	3.6	8.6(6)
EBITDA (₱ millions)(3)	221.6	326.7	954.4	263.8	1,097.8(7)
EBITDA Margin (%)(4)	6.5	6.7	13.3	8.7	21.7(8)

Notes:

(1) Gross Profit Margin is Gross Profit over Revenues.

(2) Net Profit Margin is Net Profit over Revenues.

(3) EBITDA is calculated as net profit before finance costs, tax expense and depreciation and amortization.

(4) EBITDA Margin is EBITDA over Revenues.

(5) Excluding the effect of PFRS 16, Net Profit for the six months ended June 30, 2019 would be ₱473.3 million (U.S.$9.2 million).

(6) Excluding the effect of PFRS 16, Net Profit Margin for the six months ended June 30, 2019 would be 9.4%.

(7) Excluding the effect of PFRS 16, EBITDA for the six months ended June 30, 2019 would be ₱845.3 million (U.S.$16.5 million).

(8) Excluding the effect of PFRS 16, EBITDA Margin for the six months ended June 30, 2019 would be 16.7%.

EBITDA Reconciliation

The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019:

	For the years ended December 31,				For the six months ended June 30,		
	(Audited)			(Unaudited)	(Audited)		(Unaudited)
	2016	2017	2018	2018	2018	2019	2019
	(₱ million)			(US$ million)	(₱ million)		(US$ million)
Net Profit	46.6	112.6	511.4	10.0	110.4	434.3	8.5
Add:							
Finance Cost[(1)]	21.9	28.7	46.4	0.9	27.1	177.8	3.5
Tax expense	19.4	48.2	218.9	4.3	47.3	186.9	3.6
Depreciation and amortization	133.8	137.2	177.7	3.5	78.9	298.8	5.8
EBITDA	**221.6**	**326.7**	**954.4**	**18.6**	**263.8**	**1,097.8**[(2)]	**21.4**

Notes:

(1) Finance costs for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 pertain to interest expense from loans payable only. Finance costs for the six months ended June 30, 2019 pertain to interest expense from lease liability, loans payable and retirement benefit obligation.

(2) The table below sets forth information with respect to the reconciliation of EBITDA for the six months ended June 30, 2019, excluding the impact of PFRS 16.

	For the six months ended June 30, 2019
	(₱ million)
Net Profit	473.3
Add:	
Finance Cost[(1)]	54.3
Tax expense	203.6
Depreciation and amortization	114.1
EBITDA	**845.3**

Note:

(1) Finance costs for the six months ended June 30, 2019 pertain to interest expense from lease liability, loans payable and retirement benefit obligation.

An investment in the Offer Shares involves a number of risks. You should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on our business, prospects, financial condition, results of operations, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares could be lost. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares. For investors that deal in a range of investments, each investment carries a different level of risk.

This section does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Investors should undertake independent research and study the trading of securities before commencing any trading activity. You should seek professional advice if you are uncertain of, or have not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Offer Shares. You should consult your own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Offer Shares.

The means by which we intend to address the risk factors discussed herein are principally presented under "Business – Strengths and Strategies – Competitive Strengths" beginning on page 91, "Business – Strengths and Strategies – Strategies" beginning on page 93,"Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 55, "Industry Overview" beginning on page 75 and "Board of Directors and Senior Management – Compliance with Corporate Governance Practices" on page 130 of this Prospectus.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition and prospects.

RISKS RELATING TO OUR BUSINESS

We may not be successful in implementing our growth strategy, including plans to expand our store network and product offerings, and we may not be able to manage future growth efficiently.

We intend to increase our revenues through, among others, expanding our store network, introducing new products and broadening our product offering. Our expansion activities may be financed by a combination of equity and additional borrowings. A significant part of our growth strategy entails the opening of new stores in suitable locations in various areas of the Philippines, including in areas where we do not currently have a presence. We have plans to open up to 20 new stores in the second half of 2019, up to another 25 new stores in 2020 and to introduce a new store format, the AllBuilders store. See "*Business – Business Operations – Store Network Expansion Plan*."

Our plans and strategy are as of the date of this Prospectus and are subject to various factors affecting our ability to implement our growth strategy, including, among others:

- market conditions, the general state of the Philippine economy, global economic conditions and regulatory environment;
- our ability to identify suitable sites for store locations;
- our ability to lease appropriate real estate for store locations;

- our ability to obtain required permits and licenses and meet regulatory requirements to establish, fit-out and open new stores;
- our ability to bear the increase in logistics costs when regional expansion occurs;
- our ability to open new stores in a timely manner;
- our ability to introduce new in-house brands to the market;
- our ability to continue to attract customers to our stores;
- our ability to obtain financing and other support for expansion;
- our ability to maintain the scale and stability of our information technology systems to support our current operations and continuous business growth;
- the hiring, training and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of our stores on a timely basis;
- our operating performance and the availability of sufficient levels of cash flow or necessary financing to support our expansion; and
- our ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

We may experience delays in opening new stores within the time frames we initially target. Any of the above factors or other similar challenges could delay or prevent us from completing store openings and our store network expansion plan. If we fail to successfully implement our growth strategy and open new stores in a timely manner due to the absence of, or our inability to carry out or sufficiently address, any of the above-mentioned factors, or otherwise, our business, financial condition and results of operations may be materially and adversely affected.

Expansion into new geographical areas will expose us to additional operational, logistical and other risks and there is no assurance that our new stores will be successful or profitable. For example, if we experience significant future growth, we may not only be required to make additional investments in our platform, but will also have to expand our relationships with various suppliers and other third parties we do business with and to expend time and effort to integrate new suppliers and other third parties into our operations. The expansion of our business could exceed the capacities of our suppliers and third parties willing to do business with us and if they are unable to keep up with our growth, our operations, including our inventory levels, could be adversely affected. Moreover, our proposed expansion will also place increased demands on our managerial, operational, financial and administrative resources. There is no guarantee that we will be able to hire the required number of employees to expand our business in a timely manner and on acceptable terms. Any difficulties we experience with respect to developing our business operations in new geographical areas may materially and adversely affect our business, financial condition and results of operations.

In addition, if we are unable to successfully manage the potential difficulties associated with store growth, we may not be able to capture the scale efficiencies that we expect from expansion. If we are unable to continue to capture scale efficiencies, we may not be able to achieve our goals with respect to operating margins.

An inability to manage future growth efficiently could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

Demand for our products and services may be adversely impacted by changes in the economy.

Our business and results of operations are highly dependent on demand from our customers for our products and services, and such demand may be adversely impacted by changes in the economy. As with other retail businesses, demand for our products and services depends in part on prevailing economic conditions. Negative developments in the local or national economy, credit conditions and availability, disposable income, employment conditions or other factors may decrease consumer spending generally or demand for our products and services, thus resulting in decreased demand for some or all of our products and services. In particular, our business is subject to changes in the retail and real estate market environment in the Philippines. Our largest retail market is Mega Manila. Our stores in Mega Manila accounted for approximately 70% of our total revenues for the year ended December 31, 2018. Demand for our products is driven by new and existing real estate projects in the market including, but not limited to, residential houses and condominiums.

Any changes in these markets, including adverse regulatory developments or adverse developments in consumer disposable income in Mega Manila, slow roll-out of housing and other real estate projects, in particular, could have an adverse effect on our business. The outlook for the Philippine economy remains uncertain and may be affected by future government policies, developments in the global economy or international relations and other factors. See "*– Risks Relating to the Philippines – Political Instability in the Philippines may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on our business*."

We may not timely identify or effectively respond to consumer needs, expectations or trends and source and sell the appropriate mix of products to suit changing customer preferences.

Consumer demand for our products is significantly affected by consumer preferences. Our success depends in part on our ability to identify social, style and other trends that affect customer preferences, and to source and sell products that both meet our standards for quality and respond to changing customers' preferences. The rapid availability of new products and changes in consumer preferences have made it more difficult to reliably predict sales demand. We rely on experience, data and established processes to accurately forecast and manage fluctuations in demand. These processes include conducting internal and customer surveys, reviewing industry reports, attending trade shows and industry benchmarking to assess changes in consumer preferences. Failure to source and effectively market products, or to accurately forecast changes in customer preferences, could negatively affect our customer satisfaction levels, our relationship with our customers and demand for our products and services. In addition, we may be affected negatively by changes in the consumer preferences relating to the method of shopping, for example, through online or home shopping. In the event that we are unable to identify and adapt to such changes in consumer preferences quickly or the products which we currently carry are superseded by merchandise carried by our competitors (including online competitors), consumer demand for our products may decline and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Strong competition could negatively affect prices and demand for our products and services and could decrease our market share.

The retail industry in the Philippines is very competitive, including in Mega Manila where our stores are concentrated and other areas outside Mega Manila. We compete with various home stores selling merchandise falling under each of the seven product categories that we offer based on factors such as price, store location, product assortment, availability and quality, customer service, customer shopping experience, attractiveness of our stores and presentation of merchandise and brand recognition, or a combination of these factors. Moreover, we anticipate competition from new market entrants and joint partnerships between national and international operators in certain product categories. Intense competitive pressures, including those arising from our expansion strategy or our inability to adapt effectively and quickly to a changing competitive landscape could affect our prices, our margins or demand for our products and services.

In addition, some of our competitors are also aggressively expanding their number of stores or their product offerings. Some of these competitors may have been in business longer or may have greater financial, distribution or marketing resources than us and may be able to devote greater resources to sourcing, promoting and selling their products. There can be no assurance that we will be able to compete successfully against current competitors or new entrants. We believe that the home improvement retail market in areas outside the Mega Manila region is dominated by independent local operations. Expansion into these areas exposes us to operational, logistical and other risks of doing business in new territories. We may also find difficulties in obtaining regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. Moreover, we may experience difficulty in building the "AllHome" brand name in these new areas as some of these competitors may have been in the area for a long time. Operationally, we may experience supply, distribution, transportation and/or inventory management issues due to the limited presence of large retailers and underdevelopment of distribution networks. Any difficulty we experience with respect to developing our business presence in emerging urban areas outside Mega Manila and increasing competition in certain areas wherein competitors open stores within close proximity to our stores, could negatively impact our results of operations through a loss of sales, reductions in margins from competitive price changes or greater operating costs, and could materially affect our growth strategy and financial condition.

We rely on distributors, third-party service providers and the distribution networks of our suppliers for transportation, warehousing and delivery of products to our warehouses and stores.

We rely on third-party distributors and suppliers, including concessionaires for our inventory intake and store displays, and other third-party service providers such as logistics services for the delivery of our products to our stores, distribution centers and in-store warehouses. Consequently, we have only limited control over the timing of deliveries and the security of our products while they are being transported. A disruption within our logistics or supply chain network could adversely affect our ability to distribute and maintain inventory, which could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation. Any deterioration in the relationships between suppliers, distributors and third-party service providers or other changes relating to these parties, including changes in supply and distribution chains, could have an adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that we will be able to effectively coordinate our logistics strategy to the degree necessary for the realization of our growth plans. As we continue to expand, we will need to ensure that we are able to secure efficient distributors and service providers for our stores to be opened in new locations. An inability to efficiently operate and expand our warehouses and logistics capabilities could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

We rely on third-party suppliers for the provision of merchandise.

We rely on third-party suppliers (including concessionaires) for the provision of merchandise in our stores. We may experience material disruptions in the supply of products due to prolonged interruptions in the operations of these suppliers, which may in turn be caused by a number of factors, including equipment failures or property damage experienced by these suppliers, changes in laws and regulations that affect their manufacturing processes, or financial difficulties, and labor disputes faced by these suppliers. Other factors may also disrupt our ability to obtain products from these suppliers including weather-related events; natural disasters; trade policy changes or restrictions; tariffs or import-related taxes; third-party strikes, lock-outs, work stoppages or slowdowns; shipping capacity constraints; port congestion; third-party contract disputes; supply or shipping interruptions or costs; military conflicts; acts of terrorism; or other factors beyond our control. Any such disruption could negatively impact our financial performance or financial condition.

Further, there can be no assurance that our suppliers will have sufficient resources to continue to meet our demands. In the event that these suppliers cannot fulfill their obligations to supply sufficient quantities and in such quality as required, we may not be able to find suitable alternative suppliers on a timely basis to supply the same or similar types and quantities of merchandise, which may materially and adversely affect our business, financial condition and results of operations.

We are subject to inventory risks and face challenges in effectively managing our inventory.

Outright sales accounted for approximately 51% and 52% of our sales for the year ended December 31, 2018 and the six months ended June 30, 2019, respectively, while concession sales accounted for the remainder of our revenues. Outright sales exposes us to increased inventory risk, which includes inventory losses due to obsolescence, theft, pilferage, spoilage, and other damage. For products sourced for outright sales, we bear all risks and costs of inventory management, including shrinkage losses due to a discrepancy between our inventory based on a physical count and the amounts generated by our inventory system. If we fail to properly manage our inventory in relation to outright sales, we may suffer lower inventory turnover, which could have an adverse effect on our business, financial condition and results of operations.

We must also manage our merchandise in stock and inventory levels to track customer demand. We face challenges in managing our inventory levels, including significant ordering lead time for certain types of products and seasonality of demand for some products. In particular, we would tend to hold in larger amounts inventory of our in-house brand products. If we are not able to effectively anticipate customer demand for our different product offerings, or successfully manage inventory levels for products that are in demand, we may experience overstock inventory levels for products that have lower customer demand, requiring us to lower prices or take other steps to sell slower-moving inventory, recognize valuation losses on inventory or incur other costs in connection with inventory storage and management. In addition, if we are unable to stock sufficient inventory to respond to customer demand, we may lose potential customer sales. As a result of these and other factors, we are vulnerable to demand and pricing shifts and to misjudgements in the selection and timing of merchandise purchases, which could have an adverse effect on our business, financial condition and results of operations.

The success of our business depends in part on our ability to develop and maintain good relationships with our current and future outright sales suppliers and concessionaires.

We derive almost all of our revenue from outright sales and sales of concession products, and our success depends on our ability to retain existing suppliers and concessionaires, and attract new suppliers and concessionaires on terms and conditions favorable to us. The sourcing of our products is dependent, in part, on our relationships with our suppliers. We have long-standing working relationships with a broad range of national and multinational suppliers across all of our product categories. We do not enter into long-term supply contracts and our supplier and concessionaire contracts can generally be terminated by either party by providing 30 days' notice. If we are unable to maintain these relationships, or if we lose suppliers for any reason, we may not be able to continue to source products at competitive prices that both meet our standards and appeal to customers. Our ten largest suppliers (outright sales and concession sales) accounted for approximately 22% and approximately 25% of our revenues in 2018 and for the six months ended June 30, 2019, respectively. The loss of any one of these major suppliers could have an adverse effect on our sales.

We obtain discounts and rebates from suppliers, tied to meeting sales targets, which allow us to maintain our competitive pricing. Should changes occur in market conditions or our competitive position, we may not be able to meet these targets or maintain or negotiate adequate support, which could have an adverse effect on our business, financial condition and results of operations.

If we are unable to maintain good relationships with our existing suppliers and concessionaires (which provide support teams for the sale of the consigned products), or if we are unable to develop and maintain new supplier and concessionaire relationships, we will be unable to carry merchandise and products that are in demand and can generate profit for us. Furthermore, if any of our outright sales suppliers or concessionaires changes its distribution methods, we may experience a disruption in our product supply. As a result, our market positioning, image and reputation may be adversely affected, and our revenue and profitability may be impaired.

Dissatisfaction with our customer service could prevent us from retaining our customers.

The satisfaction of our customers depends in particular on the effectiveness of our customer service, in particular our ability to address requests and inquiries, and deal with complaints, in a timely and satisfying manner. We have physical customer service desks, store hotlines and email and social media accounts to address customer needs and concerns. Any unsatisfactory response or lack of responsiveness by our customer service team could adversely affect customer satisfaction and loyalty.

Dissatisfaction with our customer service could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

Any damage to our brand name, "AllHome" and other exclusive or in-house brands could harm our business.

Our brand image and reputation is a key factor in the success of our business. We believe that maintaining and enhancing our brand is integral to our business and to the implementation of our growth strategy. Maintaining our brand requires us to continue to make investments in areas such as marketing and advertising, as well as the day-to-day investments required for store operations, employee training and website operations. Our brand image may be damaged if new products, services or other businesses fail to maintain or enhance our brand image, or if we fail to maintain high standards for merchandise and service quality. The strength of our brand could also be affected due to noncompliance with laws and regulations, misconduct by our employees or sales personnel or merchandisers assigned to our stores by our suppliers, product defects, customer claims, product recalls or liability, employee dissatisfaction with our employment practices or other negative publicity involving us or our products.

We may be subject to negative publicity, including inaccurate adverse information.

Customers value readily available information and often act on such information without further investigation or authentication or regard to its accuracy. Social media and websites immediately publish posts from users, often without filters or checks on the accuracy of the content posted. Allegations against us may be posted on social media, in Internet chat rooms or on blogs or websites by anyone on an anonymous basis. In addition, we may be the target of harassment or other detrimental conduct by third parties, including from our competitors. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or demeaning statements about our business, even if these allegations or statements are unfounded and we may be required to spend significant time and money to address such allegations. Inaccurate adverse information may harm our business and we may not be able to redress or correct inaccurate posts in a timely manner, or at all.

Our business may become the subject of negative media coverage and public attention, which may develop strong dynamics and adversely affect our business. In addition, third parties may communicate complaints to regulatory agencies and we may be subject to government or regulatory investigation as a result of such complaints. There is no assurance that we will be able to conclusively refute such allegations in a timely manner, or at all.

Negative publicity and complaints could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

Intellectual property claims by third parties or our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We have registered intellectual property rights to "AllHome" and for the names of certain products and for trademarks relating to AllHome in-house brands in the Philippines and are in the process of registering the trademarks for other in-house brands. See "*Business – Intellectual Property*." We believe that our trademarks and other proprietary rights, including our brands, have significant value and are important to identifying and differentiating certain of our products and services and our brand from those of our competitors. There can be no assurance that third parties will not assert rights in, or ownership of, our name, trademarks and other intellectual property rights.

We are also subject to the risk of intellectual property claims against us, particularly as we continue to expand our line-up of private brand products. Successful infringement claims against us could result in significant monetary liability and prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties or cease using those rights altogether. The costs of defending and enforcing our intellectual property rights may cause us to incur significant time and legal expense, and we may not be entirely successful in protecting our assets and enforcing our rights. If we are unable to protect and maintain our intellectual property rights, the value of our brand could be diminished and our competitive position could suffer.

We may incur liability for goods sold in our stores that violate the intellectual property rights of third parties.

We and our consignors source merchandise worldwide. Our measures implemented to minimize potential infringement of intellectual property rights of third parties may not always be successful. In the event that goods sold in our stores violate the intellectual property rights of third parties, we, in our capacity as retailer, may be found liable for intellectual property violation and may be compelled to pay damages. Moreover, we cannot assure that we can successfully obtain indemnity payments from our consignors or that such indemnity payments will fully cover all of our loss associated with our liability. If any claims alleging infringement of intellectual property rights are brought against us or our consignors, our reputation may also be damaged.

We rely on information technology in our operations, and any failure of such systems could harm our ability to effectively operate our business.

Our business operations are heavily dependent on the integrity of the information technology systems supporting them, many of which have only recently been implemented. We manage our inventory and logistical operations through the use of various information technologies, including intranet, networked personal computers, servers and automated inventory management systems. Our systems and operations may be vulnerable to damage or interruption from human error, data inconsistency, natural disasters, power loss, computer viruses, intentional acts of vandalism, breach of security and similar events. While there are contingency plans in place to deal with such events, there is no assurance that these will prevent our systems from suffering failures or delays that might cause significant losses to its business. Equipment breakdowns may result in productivity losses and potential inoperability of store trading software for significant periods of time. Significant systems failures, delays in the implementation of upgrades, equipment breakdowns and delays in the integration of information technology systems in new stores may also cause unanticipated disruptions in service, loss of inventory, decreased customer service and customer satisfaction and harm to our reputation, which could have a material adverse effect on its business, financial condition and results of operations.

We lease all of our store premises and we may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms and conditions.

As of June 30, 2019, we leased all of our net selling space and both of our distribution centers. Almost all of our sites are leased from related parties. See "*Description of Property*." Our practice is to enter into contracts with these affiliated companies on commercial terms which are at least as favorable as the terms available to or from non-affiliated parties. While our leases contain a provision that these are renewable upon agreement of the parties, there is no assurance that we will be able to renew our leases on acceptable terms and conditions or at all upon their expiry. Leases of store premises in large shopping centers may not be available for extension because lessors may decide to change tenants for better commercial arrangements. If we are unable to renew leases with related parties, we may have to enter into new agreements with third parties. There is no assurance that we will be able to enter into such new agreements with third parties on terms and conditions that are acceptable to us or at all, and our failure to do so may materially and adversely affect our business, financial condition and results of operations.

Moreover, if rent prices increase significantly throughout the Philippines, or in a particular region, it may cease to be economical to lease stores and we may have to discontinue operations at some of our stores. Any inability to renew leases as they expire or acquire new leases in other favorable locations and sites on acceptable terms and conditions, termination of the existing leases, or revision of the terms and conditions of leases to our detriment may have an adverse effect on our business, financial condition and results of operations. Further, a number of our lease contracts grant the lessor the right to terminate the relevant lease for cause prior to their expiration. In the event that any of our leases are terminated for any reason prior to their expiration, we will need to either close our operations at such locations or relocate to alternative premises. Relocation of any of our operations may cause disruptions to our business and may require significant expenditure, and we cannot assure that we will be able to find suitable premises on acceptable terms and conditions or at all in a timely manner.

We may not be able to hire, retain and train sufficient qualified personnel to support our operations and we may be subject to increased labor costs.

We employ a large number of employees in our stores and in connection with our other operations. The success of our stores depends on our ability to hire, retain and educate an effective workforce with the requisite skills and knowledge to serve our customers. In particular, our strategy to differentiate ourselves from our competitors depends in part on our ability to maintain knowledgeable in-house building and design experts who can cater to the in-store needs of our customers that visit our stores. Additionally, recent trends in employment regulation, such as restrictions on employers' discretion to hire employees on a temporary basis or to offer employment conditions that differ between full-time and part-time employees for the sole reason that the period of employment is stipulated in the employment contract, have led to increased fixed labor costs for employers seeking to hire part-time and temporary workers. Stricter regulation of labor and employment may affect our ability to hire sufficient employees in a cost efficient manner at our stores. If we experience difficulties in maintaining a qualified workforce or experience increased labor costs associated with our workforce, our ability to compete effectively in our target markets, provide high-quality customer service, open new stores and execute our business strategy could be adversely impacted, and our results of operations could in turn be negatively affected.

Our business is subject to seasonal influences.

We experience seasonal fluctuations in our operations. Historically, our sales tend to peak in the fourth quarter of each year, primarily attributable to the Christmas and New Year holidays.

In preparation for our peak selling periods, we procure additional inventory, which would require additional cost. If sales during our peak selling periods are significantly lower than we expect for any reason, or if there is any prolonged disruption in our operations during our peak selling periods, we may be unable to make purchases in a timely manner and may be left with a substantial amount of unsold inventory, especially seasonal merchandise that is difficult to liquidate after the applicable season. This may materially and adversely affect our business, financial condition and results of operations.

We are exposed to certain risks in connection with the substantial use of cash in our operations.

Due to the nature of our retail business and the demographics of the majority of our customers, we process a large volume of cash transactions in the course of our operations. Our customers usually pay for their purchases in cash. Therefore, we are exposed to the risk of cash shortages, petty theft and robbery, which, if substantial in the aggregate, could have an adverse effect on our business, financial condition and results of operations.

Our operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms, and if we are unable to borrow sufficient capital, it could have a significant negative effect on our business.

Our operations have significant liquidity and capital requirements. We require significant cash to purchase sufficient inventory for our stores in advance of anticipated demand, and we have invested significant capital in opening new stores and expect to continue to make similar investments in the future. We expect to continue to incur significant capital expenditures going forward, as we continue to expand our store network.

We source our funding from a combination of cash flow from operations, working capital lines and long-term debt. We may not be able to fund capital expenditures and working capital requirements solely from cash from our operating activities or existing cash or proceeds from the Offer, and we may not be able to obtain additional debt or equity financing. We may also require additional financing to fund day-to-day operational needs and debt service payments. Additional financing may not be available as and when required. If we incur additional debt, it will result in increased debt service obligations and could result in additional operating and financing covenants, or liens on our assets, that would restrict our operations. Without required financing, we may not be able to continue our operations, hire, train and retain employees or respond to competitive pressures. Our ability to obtain additional funding will be subject to various factors, including general market conditions, our operating performance, the market's perception of our growth potential, lender sentiment and our ability to incur additional debt in compliance with other contractual restrictions, revenue and cash flow from operations and our ability to manage costs and working capital successfully. Any inability to access favorable debt financing may adversely impact us if we experience cash flow shortfalls in the future or wish to raise funds to take advantage of unanticipated opportunities, make acquisitions of other businesses or companies or respond to changing business conditions or unanticipated competitive pressures. In addition, we cannot assure you that our future financing requirements would not involve equity issuances that would be dilutive to holders of our capital stock. There can be no assurance that necessary financing will be available in amounts or on terms acceptable to us, or at all.

If we fail to raise sufficient additional funds, we may be required to delay or abandon some of our planned future expenditures or aspects of our current operations, and our financial condition and results of operations may be materially and adversely affected.

Our margins may be affected by increases in our operating and other expenses.

Our operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

- increases in rent;
- increases in construction, repair and maintenance costs for new and existing stores;
- a change in laws, regulations or government policies which increases the cost of compliance with such laws, regulations or policies;
- increases in service costs;
- increases in labor costs;
- increases in the rate of inflation;
- adverse changes in the cost of existing and future debt financing;
- increases in insurance premiums;

- increases in the cost of utilities; and

- increases in property taxes and other statutory charges.

Any increase in our operating and other expenses will have an impact on our cash flow. Due to the nature of our business, our margins may be affected by increases in our operating and other expenses. The resulting buffer available to account for changes to costs is consequently small. If our stores do not generate revenue sufficient to meet our operating expenses and debt service and capital expenditure requirements, our business, results of operations and financial condition could be materially and adversely affected.

Our business is sensitive to changes in purchase and selling prices.

Our margins are sensitive to price increases in the products sold in our stores. The price of our products may be significantly affected by the cost of the raw materials used to produce those products (for example, oil, plastic, wood and metal) and energy in the source markets of our suppliers. Wherever practicable, we seek to put in place supply contracts which ensure the supply of products for the period that they are anticipated to be offered by us and in such quantities as its forecasts require. There can be no assurance that we will be able to successfully contain the growth of our purchase prices. If these prices do rise, we may need to pass all or a portion of these additional costs on to our customers to maintain our gross profit margins. However, it may not be possible for us to significantly increase our retail prices to offset price increases by suppliers, particularly if our main competitors choose not to implement such price.

As competition in the Philippine retail market intensifies, any unilateral price increases may lead to declines in sales, loss of customer traffic, loss of market share and other adverse consequences. Consequently, we may be significantly constrained in our pricing policy. In the event that we are unable to pass increases in prices charged by our suppliers on to our customers, our financial condition and results of operations may be materially and adversely affected.

Any future changes in PFRS may affect the financial reporting of our business.

PFRS continues to evolve as standards and interpretations are promulgated and come into effect. For example, PFRS 16 replaces the accounting requirements for leases under the old standard (PAS 17, Leases). The new standard requires all leases, except for short-term and low-value leases, of a lessee to be reported on the statement of financial position as an asset and liability. PFRS 16 shall be effective for annual periods beginning on or after January 1, 2019. We have adopted PFRS 16 retrospectively with the cumulative effect of initial application recognized at January 1, 2019, as permitted under the transitional provisions of the standard and therefore comparative information is not required to be restated. The adoption of PFRS 16 has resulted in changes in the accounting of our lease transactions. Prior to 2019, lease payments in respect of our store and warehouse facilities were treated as rent expense. Upon adoption of this standard, the present value of future lease payments throughout the expected lease period, including probable lease extensions, are recognized as lease liability and the corresponding right-of-use asset is recognized in view of the right obtained by the lessee to use the relevant facilities. Under our statements of comprehensive income, amortization and interest expense on lease liability are recognized in 2019 while rent expense was recognized in 2018, 2017 and 2016. See Notes 9 and 12 to our financial statements as for and for the six months ended June 30, 2019 and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Six months ended June 30, 2019 compared to six months ended June 30, 2018*" and the "*Summary of Selected Operating and Financial Information*" tables under "*Summary Financial Information*" and "*Selected Financial Information*" for further information on the impact of PFRS 16.

Any mergers, acquisitions, investments and other strategic transactions that we may consider pursuing in the future may not achieve the expected results.

We may consider and enter into strategic transactions, including mergers, acquisitions, investments, alliances, and other growth and market expansion strategies, with the expectation that these transactions will result in increases in sales, cost savings, synergies and various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty. For each of our acquisitions, we need to successfully integrate the target company's products, services, associates and systems into our business operations. Integration can be a complex and time-consuming process, and if the integration is not fully successful or is delayed for a material period of time, we may not achieve the anticipated synergies or benefits of the acquisition. Furthermore, even if the target companies are successfully integrated, the acquisitions may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products or services, and expose us to additional liabilities. Any impairment of goodwill or other intangible assets acquired in a strategic transaction may reduce our earnings.

We are subject to the risk of fluctuations in foreign currency exchange rates.

While our sales are all denominated in Philippine Peso, our operations involve the purchase of products from distributors and suppliers who purchase products that may be denominated in currencies other than Philippine Pesos, such as the U.S. dollar. Such fluctuations between the value of the Philippine Peso and other currencies may affect the price of products when converted into Philippine Pesos and may have an adverse effect on our financial performance.

We are subject to the risk of litigation and other legal proceedings in the ordinary course of business.

Although we are not party to any material ongoing litigation, we may be adversely affected by complaints and litigation from customers or regulatory authorities resulting from product quality, illness, injury or other safety concerns or other issues stemming from one or more products, their packaging or advertising. We require our product suppliers to satisfy certain standards regarding the quality and specification of its products. We do not currently have any product liability insurance. In the event of a product liability claim or product recall being required in circumstances where the financial consequences are not satisfied by a supplier, it may have a material adverse effect on our financial performance. In addition, we sell a range of products under our in-house brands. Any product liability claim brought against us regarding our in-house brands, if successful, could have a material adverse effect on our ability to market our in-house brands successfully. Any such litigation, claims or complaints and any adverse publicity surrounding such allegations and/or actions could materially adversely affect our business, reputation, financial condition and/or operating results. We may also experience reduced demand for our products, including our in-house brands, as a result of negative publicity surrounding the retail sector in general or in relation to products sold by other retailers.

We are subject to various risks for which we may not be adequately insured.

We maintain comprehensive property and liability insurance that we consider to be insurance coverage customary in our industry. Nonetheless, such insurance does not cover all risks associated with our business. Accidents and other events could potentially lead to interruptions of our operations or cause us to incur significant costs, all of which may not be fully covered by our insurance policies. As we expand our stores and operations, our inventory levels will increase, for which obtaining additional insurance coverage may be required. In addition, our insurance coverage is subject to various limitations and exclusions, retention amounts and limits and we do not maintain business interruption insurance or product liability insurance. Furthermore, if any of our insurance providers becomes insolvent, we may not be able to successfully claim payment from such insurance provider. Moreover, our insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect our business, financial condition and results of operations.

We are subject to various laws and regulations, and any violations of applicable laws or regulations or changes to such laws and regulations could adversely affect our business and our results of operations.

Our business and operations are subject to a wide range of laws and regulations, including those relating to employment, working conditions, consumer protection, the environment, competition, trade and intellectual property. The primary regulations applicable to our operations include standards regulating: the suitability of the store site, promotional activities, packaging safety, construction, business permits, fire safety and sanitation. See "*Regulatory and Environmental Matters*."

In addition, all construction and development plans are required to be filed with and approved by the local government unit concerned. The requirements of each local government unit may vary but in general, approval of such plans is conditional upon, among other things, the developer's financial, technical and administrative capabilities and, where the store site is leased, presentation of the lease contract or authority from the registered owner of the site authorizing the construction or fit-out of the store. There can be no assurance that we will be able to obtain the relevant governmental approvals for our stores or that when given, such approvals will not be revoked. There can also be no assurance that we will continue to pass ongoing consumer safety and quality inspections in all of our store locations.

New laws, rules or regulations, or revisions to existing laws, rules or regulations, could impose additional restrictions and requirements on our business and operations and could result in additional compliance costs, capital expenditures or other costs. As a result, we could experience disruptions to our operations and be unable to execute our business strategy, and our results of operations could be adversely affected. In addition, our ability to comply with applicable laws and regulations can be affected by a variety of factors, including the effectiveness of our compliance and risk management policies, the ability of our management to adequately monitor our operations and intentional or unintentional misconduct or errors of our officers, employees, affiliates or other parties with whom we do business. If we fail to comply with applicable laws and regulations, we may be subject to investigations, fines, penalties, sanctions and private litigation, and we could lose regulatory permissions or licenses necessary for our business or experience harm to our reputation.

We may fail to fulfill the terms and conditions of licenses, permits and other authorizations, or fail to renew them on expiration.

We are required to maintain licenses, permits and other authorizations, including those relating to certain construction activities for new and existing stores, and are also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. Our licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If we fail to meet the terms and conditions of any of our licenses, permits or other authorizations necessary for our operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences. In addition, we cannot be certain that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

There can be no assurance that we will continue to be able to renew the necessary licenses, permits and other authorizations for our stores as necessary or that such licenses, permits and other authorizations will not be revoked. If we are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on our business, financial condition and results of operations.

Continued compliance with, and any changes in, environmental laws and regulations may adversely affect our results of operations and financial condition.

We are subject to various laws relating to environmental matters. Such laws provide that we could be liable for the costs of removal of certain hazardous substances and clean-up of certain hazardous locations. The failure to remove or clean-up such substances or locations, if any, could adversely affect our operations on such sites and could potentially also result in claims against the owner by the claimants.

In addition, we cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to our business could have an adverse effect on our business, financial condition and results of operations. See "*Regulatory and Environmental Matters*."

We are party to a number of related party transactions.

Certain companies controlled by the Villar Group enter into significant commercial transactions with us. As of June 30, 2019, there were no outstanding amounts due from affiliated companies. We enter into a number of transactions with related parties, which primarily consist of lease agreements. Our related party transactions are described in greater detail under "*Related Party Transactions*" and the notes to our financial statements appearing elsewhere in this Prospectus. Our practice is to enter into contracts with these affiliated companies on commercial terms which are at least as favorable as the terms available to or from non-affiliated parties. See "– *We lease all of our store premises and we may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms and conditions*."

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by or under common control of the Villar Family could adversely affect our results of operations.

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. In January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "**Transfer Pricing Regulations**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines in addressing Base Erosion and Profit Shifting ("**BEPS**"). The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR pursuant to the BIR Commissioner's authority to distribute, apportion or allocate gross income or deductions between or among two or more businesses owned or controlled directly or indirectly by the same interests (if such is necessary in order to clearly reflect the income of such business), may make the necessary transfer pricing adjustments to the taxable profits of the related parties to ensure that taxpayers clearly reflect income attributable to controlled transactions and to prevent the avoidance of taxes with respect to such transactions. While we believe that we enter into transactions with related parties on an arm's length basis and documented pursuant to the Transfer Pricing Regulations, there can be no assurance that the BIR will confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations and there can be no assurance that any transfer pricing adjustments by the BIR will not have a material adverse effect on our business, financial condition or results of operations.

We can provide no assurance that our level of related party transactions will not have an adverse effect on our business or results of operations.

We are controlled by the Villar Group and our interests may differ significantly from the interests of other shareholders.

We are controlled by the Villar Group and members of the Villar Family serve as directors and officers of the Villar Group and AllHome. We expect that we will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Villar Group. These transactions may involve potential conflicts of interest which could be detrimental to us or our shareholders. There is nothing to prevent other companies that are controlled by the Villar Group from engaging in activities that compete directly with our retail businesses or activities, which could have a negative impact on our business. The interests of the Villar Group as our controlling shareholders may differ significantly from or compete with our interests or the interests of our other shareholders, and there can be no assurance that the Villar Group will exercise influence over us in a manner that is in the best interests of our other shareholders. See "– *We are party to a number of related party transactions*."

Villar Family's political involvement.

Members of the Villar Family have been and are currently involved in Philippine politics. Manuel B. Villar, Jr., patriarch of the Villar Family was a Senator of the Philippines who also ran for President in the May 2010 elections. Although Manuel B. Villar, Jr. is no longer a Senator, his wife Cynthia was elected Senator in the 2013 Philippine elections and re-elected in the 2019 elections, assuming this position on July 1, 2019. Their son, Mark Villar, currently serves as the Secretary of the Department of Public Works and Highways while their daughter, Camille Villar, assumed the position of Congresswoman of Las Piñas City on July 1, 2019. Given the Villar family's involvement in politics, allegations of conflicts of interest, improper influence or corruption on the part of members of the Villar Family may have an adverse effect on the Company's business and goodwill.

Our business and operations are dependent upon key executives.

Our key executives and members of management have greatly contributed to our success with their knowledge, business relationships and expertise, having extensive experience in developing large-scale residential properties, and are very familiar with the preferences of Filipino home buyers as well as contractors and designers who build these homes. For more information on our key personnel, see "*Board of Directors and Senior Management.*" If we are unable to fill any vacant key executive or management positions with qualified candidates, our business, operating efficiency and financial performance may be adversely affected.

RISKS RELATING TO THE PHILIPPINES

Political instability in the Philippines may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on our business.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the business, operations, and financial condition of the Company.

In addition, the Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact the Company's business.

There can be no assurance that the current administration will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. The President's unorthodox and radical methods may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact our business, prospects, financial condition and results of operations.

Our business activities and assets are based in the Philippines, therefore, any downturn in the Philippine economy could have a material adverse impact on our business, financial condition, results of operations, and prospects.

We derive our operating income and operating profits from the Philippines and, as such, we are highly dependent on the state of the Philippine economy. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- foreign exchange rate fluctuations;
- foreign exchange controls;
- inflation or increase in interest rates;
- levels of employment, consumer confidence and income;
- Philippine government budget deficits;
- the emergence of infectious diseases in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect our customers and contractual counterparties. This, in turn, could materially and adversely affect our financial position and results of operations. Therefore, changes in the conditions of the Philippine economy could materially and adversely affect our business, financial condition or results of operations.

Natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and financial condition.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt our operations, and consequently, may adversely affect our business, financial condition and results of operations.

Further, we do not carry any insurance for certain catastrophic events, and there are certain losses for which we cannot obtain insurance at a reasonable cost or at all. We also do not carry any business interruption insurance. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

Acts of terrorism could destabilise the country and could have a material adverse effect on our assets and financial condition.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on July 22, 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On October 17, 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents and the reconstruction of the city is on-going. On December 13, 2017, both Houses of Congress again granted President Duterte's request to extend Martial law in Mindanao until December 31, 2018. For the third time on December 17, 2018, Martial Law was extended by both Houses of Congress until December 31, 2019. In January 2019, separate petitions were filed with the Supreme Court challenging the third extension of Martial Law in Mindanao.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to our business and materially and adversely affect our financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on our business, financial condition, and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

In 2016, the Permanent Court of Arbitration ruled in favor of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has "no historical rights" to the resources within the sea areas falling within the "nine-dash line;" (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China has violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognize the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious and unresolved.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino-Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino-Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine coast guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine government.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and our operations could be adversely affected as a result.

Investors may face difficulties enforcing judgments against the Company.

It may be difficult for investors to enforce judgments against the Company obtained outside of the Philippines. In addition, all of our directors and officers are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the Convention on Recognition and Enforcement of Foreign Arbitral Awards, but it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the other party had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law, and (iv) such judgment was not contrary to public policy or good morals in the Philippines.

Corporate governance, disclosure and financial reporting standards in the Philippines may differ from those in other countries.

There may be less publicly available information about Philippine public companies than is regularly made available by public companies in other countries. In addition, although the Company, upon listing, intends to comply with the requirements of the Philippine SEC and PSE with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

The Villar Group beneficially owned, directly and indirectly, 100% of the Shares as of June 30, 2019 and, following the Offer (assuming full exercise of the Overallotment Option), will beneficially own at least 65.5% of the outstanding Shares on a fully diluted basis (assuming Shares are sold pursuant to the full exercise of the Overallotment Option). As there has been no prior trading in the Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, our prospects, the market prices for shares of companies engaged in related businesses similar to that of our business and prevailing market conditions. The price at which the Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The market price of the Shares may be volatile, which could cause the value of investors' investments in the Shares to decline.

The market price of Shares could be affected by several factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks in general and other retail stocks in particular;
- the market value of our assets;
- changes to Government policy, legislation or regulations; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Shares.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date, which is expected to be on or about October 4, 2019 and on the Institutional Offer Settlement Date, which is expected to be on or about October 10, 2019. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Shares. If additional funds are raised by us through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing shareholders, the percentage ownership of existing shareholders may be reduced, shareholders may experience subsequent dilution or such securities may have rights, preferences and privileges senior to those of the Offer Shares.

Further, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or our ability to raise capital in the future at a time and at a price we deem appropriate.

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. In addition, all shares issued or transferred within 180 days prior to the commencement of the Offer at an issue price less than the price per Offer Share shall be subject to a lock-up period of at least 365 days from the date that full payment is made on such Shares, as required by the PSE. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

In addition to the lock-up obligations required by the PSE, we together with the Selling Shareholder have agreed with the Underwriters that, other than in connection with the Overallotment Option, and the issuance of stock dividends, for a period of 180 days after the Listing Date, neither we nor any person acting on our behalf will, without the prior written consent of the Underwriters, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options.

Moreover, a listed company on the PSE shall be prohibited from offering additional securities, except offerings for stock dividends and employee stock option plans, within 180 calendar days from the date of initial listing.

Except for such restrictions, there is no restriction on our ability to issue Shares or the ability of any of our shareholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that we will not issue Shares or that such shareholders will not dispose of, encumber or pledge, their Shares.

Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer.

The issue price of the Shares in the Offer may be substantially higher than the net tangible book value of net assets per share of the outstanding Shares. Therefore, purchasers of Shares in the Offer may experience immediate and substantial dilution and our existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Shares they own. See "*Dilution*" on page 50 of this Prospectus.

Shareholders may be subject to limitations on minority shareholders' rights and regulations may differ from those in more developed countries.

Our corporate affairs are governed by our Articles of Incorporation and By-Laws and the Revised Corporation Code of the Philippines. The laws of the Philippines relating to the protection of interests of minority shareholders differ in some respects from those established under the laws of more developed countries. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of more developed countries. The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Corporation Code of the Philippines, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Revised Corporation Code of the Philippines also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

There can be no assurance that we will be able to pay dividends or maintain any given level of dividends.

If we do not generate sufficient net operating profit, our income and resulting ability to pay dividends will be adversely affected. Dividends shall be declared and paid out of our unrestricted retained earnings, which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. On August 19, 2019, our Board of Directors approved and adopted an annual dividend payment ratio of 15% to 30% of our net income after tax for the preceding fiscal year, payable primarily in cash. However, the

Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends is subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends.

The Board may, at any time, modify such dividend payout ratio taking into consideration various factors including: the level of our cash earnings, return on equity and retained earnings; our results for, and our financial condition at the end of, the year in respect of which the dividend is to be paid and its expected financial performance; the projected levels of capital expenditure and other investment plans; restrictions of payment of dividends that may be imposed on us by any of our financing arrangements and current and prospective debt service requirements; and such other factors as the Board deems appropriate. See "*Dividends and Dividend Policy*" beginning on page 45 of this Prospectus.

No assurance can be given as to our ability to make or maintain dividends. Nor is there any assurance that the level of dividends will increase over time, or that we will generate adequate income available for dividends to shareholders.

The Shares may be subject to Philippine foreign ownership limitations.

The Philippine Constitution and related statutes restrict land ownership to Philippine Nationals. The term "Philippine National" as defined under the Foreign Investments Act, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals. As of the date of this Prospectus, we do not own land in the Philippines. However, this does not preclude us from acquiring land in the Philippines in the future should the demand of our operations so requires.

Considering the foregoing, in the event that we acquire land in the Philippines and for so long as we continue to own land in the Philippines, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. We cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in our books if such issuance or transfer would result in us ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. These restrictions may adversely affect the liquidity and market price of the Shares to the extent international investors are not permitted to purchase Shares in normal secondary transactions.

For purposes of determining compliance with Philippine foreign ownership limitations, Philippine SEC Memorandum Circular No. 8, Series of 2013 (*Philippine SEC Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities*) provides that for corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991, and other existing laws and regulations, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Furthermore, under the Retail Trade Liberalization Act, certain conditions therein may need to be present once the Company has foreign shareholders. See "*Regulatory and Environmental Matters*" on page 119. As of the date of this Prospectus, the Company remains compliant with all conditions for foreign shareholder ownership under the prevailing provisions of the Retail Trade Liberalization Act.

We do not own land and have complied with the relevant requirements of the Retail Trade Liberalization Act. Thus, we are currently not subject to any foreign ownership limits.

Future changes in the value of the Peso against the U.S. dollar and other currencies will affect the foreign currency equivalent of the value of the Shares and any dividends.

Fluctuations in the exchange rate between the Philippine Peso and other currencies will affect the foreign currency equivalent of the Philippine Peso price of the Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Philippine Pesos by us on, and the Philippine Peso proceeds received from any sales of, the Shares.

RISKS RELATING TO CERTAIN INFORMATION IN THE PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the retail industry and market, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information which was prepared from available public sources and independent market research conducted by Euromonitor to provide an overview of the segments of the retail industry in which the Company operates. The information contained in that section may not be consistent with other information regarding the Philippine home and garden specialist retail segment and the electronics and appliance specialist retailer segment. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us nor the International Joint Bookrunners and Domestic Underwriters, nor any of their respective affiliates or advisors, and may not be accurate, complete, up to date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

USE OF PROCEEDS

Our total proceeds from the sale of Primary Shares will be ₱8,625.0 million. We estimate that the net proceeds from the sale of Primary Shares will be approximately ₱8,210.5 million (U.S.$160.2 million) after deducting the applicable underwriting fees, costs and expenses for the Offer payable by us. We will not receive any proceeds from the sale of Shares by the Selling Shareholder. Taxes and issue management, underwriting and selling fees and certain other fees and expenses pertaining to the sale of Shares by the Selling Shareholder will be paid by the Selling Shareholder.

Details on the proposed use of proceeds from the sale of Primary Shares, based on the Offer Price of ₱11.50 per Offer Share, are as follows:

Use of Proceeds	**Estimated Amounts**	**Estimated Timing of Disbursement**
	₱ millions	
Capital Expenditures and Initial Working Capital for Store Network Expansion	3,561.1	Fourth Quarter of 2019 to Second Quarter of 2020
Debt Repayment	4,649.4	Fourth Quarter of 2019
Estimated Net Proceeds	8,210.5	

In the event that the net proceeds from the sale of Primary Shares is less than the expected amount, we intend to allocate the proceeds in order of priority as follows:

1. Capital expenditures and initial working capital for store network expansion

2. Debt repayment

CAPITAL EXPENDITURES AND INITIAL WORKING CAPITAL FOR STORE NETWORK EXPANSION

Approximately 43.4% of the net proceeds from the sale of Primary Shares will be used to fund the capital expenditures and initial working capital for our store network expansion plan. Expenses for store establishment include building fit-out (including equipment, electrical, mechanical, plumbing and cable works), expenses for furniture and fixtures (including purchases of display fixtures/gondolas/racks, shelves and cabinets for storing inventory), obtaining necessary permits and licenses, and professional advisory and labor fees. Initial working capital includes expenses in connection with initial inventory.

As part of our store network expansion, we plan to open up to 20 new stores in the second half of 2019. In 2020, we plan to open up to 25 new stores. Our plans and strategy are as of the date of this Prospectus and are subject to various factors, including market conditions, the general state of the Philippine economy and our operating performance. See "*Business – Business Operations – Store Network Expansion Plan*."

Of the 45 new stores planned for the second half of 2019 and for the year 2020, 28 stores will be funded from the net proceeds of the Offer. Out of the ₱3,561.1 million of the net proceeds intended for store network expansion, ₱1,761.7 million will be allotted for capital expenditures (i.e., building fit-out and equipment, furniture and fixtures) and ₱1,799.4 million will be allotted for initial working capital. As all of our stores are leased, we will not incur any expenses for construction. We do not have plans to acquire land.

DEBT REPAYMENT

Approximately 56.6% of the net proceeds from the sale of Primary Shares or a total amount of ₱4,649.4 million will be used towards repaying outstanding short-term and long-term financial obligations with several Philippine banks with outstanding balances as of June 30, 2019 as follows: Union Bank (₱3,799.4 million), Security Bank (₱150.0 million), Philippine Business Bank (₱500.0 million) and AllBank (A Thrift Bank), Inc. ("**AllBank**") (₱200.0 million). These loans carry interest rates of 6.25% to 8.75%.

These loans were obtained to fund the capital expenditures and used as initial working capital for 20 of our existing stores.

AllBank is not a member of the Villar Group. However, one of our directors, Mr. Manuel Paolo A. Villar, holds a 40% indirect ownership interest therein.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Primary Shares based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the Primary Shares shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise. No amount of the net proceeds of the Offer will be lent to our subsidiaries. The actual amount and timing of disbursement of the net proceeds from the Primary Shares for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the Primary Shares are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments, and/or repay existing debt.

In the event of any deviation, adjustment or reallocation in the planned use of proceeds, we shall inform the PSE in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by our board of directors and disclosed to the PSE. In addition, we shall submit via the PSE's Electronic Disclosure Generation Technology ("**PSE EDGE**") the following disclosures to ensure transparency in the use of proceeds:

(1) any disbursements made in connection with the planned use of proceeds from the Primary Shares;

(2) quarterly progress report on the application of the proceeds from the Primary Shares on or before the first 15 days of the following quarter; the quarterly progress reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

(3) annual summary of the application of the proceeds on or before January 31 of the following year, which will be certified by our Chief Financial Officer or Treasurer and external auditor; and

(4) approval by our board of directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (2) and (3) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of our Board as required in item (4) above. We will submit an external auditor's certification of the accuracy of the information reported by us to the PSE in our quarterly and annual reports.

EXPENSES

Based on an Offer Price of ₱11.50 per Offer Share, we estimate that the total proceeds from the offer of Primary Shares, total expenses for the offer of Primary Shares and the net proceeds from the offer of Primary Shares will be:

	Estimated Amounts (₱ millions)
Estimated Total proceeds from the offer of Primary Shares	8,625.0
Estimated Expenses:	
Underwriting and selling fees for the offer of the Primary Shares (including fees to be paid to the Sole Global Coordinator and Joint Bookrunner, Joint Bookrunners and Domestic Underwriters)	194.1
Fees to be paid to the PSE Trading Participants	17.3
Taxes to be paid	93.8
Philippine SEC Registration, Filing and Legal Research Fees	3.7
PSE listing and processing fee	24.3
Estimated professional fees (including legal, accounting and financial advisory fees)	41.8
Estimated other expenses	39.6
Total estimated expenses from the offer of Primary Shares	414.5
Estimated net proceeds from the offer of Primary Shares	8,210.5

Based on an Offer Price of ₱11.50 per Offer Share, we estimate that the total proceeds from the offer of the Selling Shareholder's Shares, total expenses for the offer of the Selling Shareholder's Shares and the net proceeds from the offer of the Selling Shareholder's Shares will be:

	Estimated Amounts (₱ millions)	
	Secondary Shares	Secondary Shares and Option Shares (assuming full exercise of Overallotment Option)
Estimated total proceeds from the offer of the Selling Shareholder Shares	4,312.5	6,253.1
Estimated Expenses:		
Underwriting and selling fees for the Selling Shareholder Shares	97.0	140.7
Fees to be paid to the PSE Trading Participants	8.6	8.6
Taxes to be paid	86.3	105.7
Philippine SEC Registration, Filing and Legal Research Fees	1.9	2.7
PSE listing and processing fee	12.2	17.7
Estimated professional fees (including legal, accounting and financial advisory fees)	20.9	30.3
Estimated other expenses	10.8	15.6
Crossing expenses	34.1	49.4
Total estimated expenses from the offer of the Selling Shareholder's Shares	271.7	370.7
Estimated net proceeds from the offer of the Selling Shareholder's Shares	4,040.8	5,882.4

We will not receive any of the proceeds from the sale of the Selling Shareholder's Shares. The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

DIVIDENDS AND DIVIDEND POLICY

LIMITATIONS AND REQUIREMENTS

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC.

The approval of the board of directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

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

RECORD DATE AND PAYMENT DATE

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

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the Philippine SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "**Payment Date**"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the Philippine SEC, which in no case shall be later than the stock dividends' listing date.

DIVIDEND POLICY

Pursuant to a board approval on August 19, 2019, we intend to maintain an annual dividend payment ratio of 15% to 30% of net income after tax for the preceding fiscal year, payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends shall also be subject to the requirements of applicable laws and regulations, compliance with our loan covenants and other circumstances which restrict the payment of dividends. Circumstances which could restrict our ability to pay cash dividends include, but are not limited to, when we undertake major projects and developments requiring substantial cash expenditures. Our Board, may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans and other considerations.

Dividends shall be declared and paid out of our unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, our Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of our earnings, cash flow, return on equity and retained earnings;
- our results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on us by any of our financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.

In relation to preferred shares that we may issue, pursuant to the provisions of the Articles of Incorporation, our Board is authorized to determine the dividend rate and other terms and conditions of any issuance of preferred shares. Dividends for preferred shares shall be non-cumulative, but no dividends shall be declared or paid on the common shares unless dividends on all preferred shares shall have been declared and paid. Preferred shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on such preferred shares.

HISTORY OF DIVIDEND PAYMENT

On May 28, 2019, our Board of Directors declared cash dividends in the total amount of ₱25.6 million payable to stockholders of record as of June 14, 2019. The cash dividends were paid on June 28, 2019. We did not declare dividends in the years ended December 31, 2016, 2017 and 2018.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

On December 28, 2016, after approval by the Philippine SEC of the increase in our authorized capital stock from ₱1,000,000,000.00 divided into 10,000,000 common shares with a par value of ₱100.00 per common share to ₱2,000,000,000.00 divided into 20,000,000 common shares with a par value of ₱100.00 per common share, we issued 3,400,000 Shares to AllValue and the payment for such shares were made through the conversion of certain advances into equity.

On December 28, 2018, we issued 6,600,000 common shares to AllValue out of our authorized and unissued capital stock at the issue price of ₱100.00 per common share for an aggregate issue price of ₱660,000,000 and the payment for such shares were made through the conversion of certain advances into equity.

On July 8, 2019, after approval by the Philippine SEC of the increase in our authorized capital stock from ₱2,000,000,000.00 divided into 20,000,000 common shares with a par value of ₱100.00 per common share to ₱6,000,000,000.00 divided into 5,900,000,000 common shares with a par value of ₱1.00 per share and 1,000,000,000 voting, non-cumulative, non-participating, non-convertible, and non-redeemable preferred shares with a par value of ₱0.10 per preferred share, we issued 1,000,000,000 common shares to AllValue and the payment for such shares were made through the conversion of certain advances into equity. In addition, we issued one common share each to our two independent directors who paid for the same in cash.

EXCHANGE RATES

The Bankers' Association of the Philippines ("**BAP**") announced that beginning April 2, 2018, spot and forward currency exchange transactions will be effected using the Bloomberg trading platform. As a result, the BSP's Reference Exchange Rate Bulletin now refers to the closing rate quoted on the Bloomberg platform as the closing rate for the purchase of U.S. dollars with Philippine Pesos. Prior to this, the Philippine Dealing System ("**PDS**") rate appearing on the PDS platform, a computer network supervised by the BSP, was quoted as the spot reference rate for foreign exchange transactions.

The following table sets forth certain information concerning the exchange rate (based on the PDS rate for the years 2014 to 2017 and based on the rate on the BAP's website after the publication of the PDS U.S.$/₱ FX Spot Summary ceased on April 1, 2018) between the Peso and the U.S. dollar for the periods and dates indicated, expressed in Philippine Pesos per U.S.$1.00:

	Peso/U.S. dollar exchange rate			
Year	**Period end**	**Average(1)**	**High(2)**	**Low(3)**
2014	44.62	44.39	45.41	43.28
2015	47.17	45.49	47.44	44.05
2016	49.81	47.47	49.98	45.92
2017	49.92	50.40	51.80	49.40
2018	52.72	52.66	54.35	49.77
2019				
January	52.35	52.47	52.89	52.13
February	52.00	52.19	52.44	52.00
March	52.78	52.41	52.89	51.76
April	52.11	52.11	52.63	51.68
May	52.26	52.26	52.65	51.82
June	51.36	51.80	52.22	51.36
July	51.06	51.14	51.41	50.94
August	52.34	52.05	52.52	50.87

Notes:

(1) BAP volume weighted average for the period ended.

(2) BAP (done) Highest daily closing exchange rate for the period.

(3) BAP (done) Lowest daily closing exchange rate for the period.

On June 28, 2019 (the last date in June 2019 that the exchange rate was published), the BSP Reference Rate published on the BSP's Reference Exchange Rate Bulletin was ₱51.25 = U.S.$1.00.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at ₱11.50 per Offer Share. The Offer Price was determined through a book-building process and discussion among the Company, the Selling Shareholder, the Sole Global Coordinator and Joint Bookrunner, Joint Bookrunners and Domestic Underwriters. Since the shares have not been listed on any stock exchange, there has been no market price for the shares derived from day-to-day trading.

The factors considered in determining the Offer Price were, among others, our after-tax earnings, our ability to generate earnings and cash flows, price to earnings multiple, our short and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market price of comparable listed companies. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

As of June 30, 2019, our authorized capital stock was ₱2,000,000,000.00 divided into 20,000,000 common shares with a par value of ₱100.00 per common share. On July 8, 2019, the Philippine SEC approved the increase in our authorized capital stock to ₱6,000,000,000.00, divided into 5,900,000,000 common shares with a par value of ₱1.00 per common share and 1,000,000,000 voting, non-cumulative, non-participating, non-convertible, and non-redeemable preferred shares with par value of ₱0.10 per preferred share. In relation to such increase, we issued 1,000,000,000 common shares to AllValue and the payment for such common shares were made through the conversion of certain advances into equity.

The following table sets forth our capitalization and indebtedness as of June 30, 2019, and as adjusted to give effect to the issuance of the Offer Shares and the increase in authorized capital. This table should be read in conjunction with our interim audited financial statements as of June 30, 2019 and notes thereto, included in the Prospectus.

	As of June 30, 2019		As of June 30, 2019 as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Advances to Equity		As of June 30, 2019 as Further Adjusted After Giving Effect to the Offer	
	₱	U.S.$	₱	U.S.$	₱	U.S.$
			(in millions)			
Total Debt	4,649.4	90.7	4,649.4	90.7	4,649.4	90.7
Equity						
Capital stock	2,000.0	39.0	3,000.0	58.5	3,750.0	73.2
Additional Paid-in Capital	–	–	–	–	7,460.5	145.6
Retained earnings	870.1	17.0	870.1	17.0	870.1	17.0
Total Equity	2,870.1	56.0	3,870.1	75.5	12,080.6	235.7
Total Capitalization	7,519.5	146.7	8,519.5	166.2	16,729.9	326.4

DILUTION

If you invest in the Offer Shares, your interest will be diluted for each Offer Share you purchase to the extent of the difference between the offer price per Offer Share and our net tangible book value per Share after the Offer. As of June 30, 2019, our net tangible book value per Share was ₱143.50 with a proforma book value per Share of ₱1.29 after the increase in authorized capital and conversion of advances to equity on July 8, 2019. Net tangible book value per Share represents total assets (less goodwill) minus total liabilities divided by the total number of Shares outstanding.

After giving effect to the sale of the Firm Shares (at an Offer Price of ₱11.50 per Offer Share), and after deducting estimated discounts, commissions, estimated fees and expenses of the Offer, the net tangible book value per Share would be ₱3.22 per Offer Share. At the Offer Price of ₱11.50, the Shares will be purchased at a premium of ₱8.28 to net tangible book value per Share.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱11.50 per Offer Share assuming full exercise of the Overallotment Option:

Offer Price per Offer Share	**₱11.50**
Pro forma net tangible book value per Share as of June 30, 2019	₱ 1.29
Pro forma net tangible book value per Share as adjusted after the Offer	₱ 3.22
Dilution to investors in the Offer	₱ 8.28

The following table sets forth the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of the Company immediately after completion of the Offer assuming full exercise of the Overallotment Option:

	Number of Shares	%
Existing shareholders	2,456,250,002	65.5
New investors	1,293,750,000	34.5
Total	**3,750,000,002**	**100.0**

The following table sets forth the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of the Company immediately after completion of the Offer assuming the Overallotment Option is not exercised:

	Number of Shares	%
Existing shareholders	2,625,000,002	70.0
New investors	1,125,000,000	30.0
Total	**3,750,000,002**	**100.0**

See *"Risk Factors – Risks Relating to the Offer and the Offer Shares – Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings"* and *"– Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer"* on page 38 of this Prospectus.

SELECTED FINANCIAL INFORMATION

The following tables present selected financial information and should be read in conjunction with the independent auditors' reports and our financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected financial information as of and for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019 were derived from our audited financial statements, which were prepared in accordance with PFRS and were audited by Punongbayan & Araullo in accordance with the PSA.

In accordance with the relevant accounting and financial reporting standards, certain information in our financial statements as of and for the years ended December 31, 2016 and 2017 have been restated and reclassified, as discussed further in Note 2 to the financial statements as of and for the years ended December 31, 2016, 2017 and 2018 included elsewhere in this Prospectus.

The summary financial information below is not necessarily indicative of the results of future operations. Furthermore, the translation of Philippine Peso amounts into U.S. dollars is provided for convenience only and is unaudited. Amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of June 28, 2019 (the last date in June 2019 that such rate was published) of ₱51.25 = U.S.$1.00.

STATEMENT OF COMPREHENSIVE INCOME

	For the years ended December 31,				For the six-month period ended June 30,		
	2016 (as restated)	2017 (as restated)	2018	2018 (unaudited)	2018	2019	2019 (unaudited)
	(in millions of ₱)(1)			(in millions of U.S.$)(1)	(in millions of ₱)(1)		(in millions of U.S.$)(1)
Revenues	₱3,430.6	₱4,896.3	₱7,192.2	U.S.$140.3	₱3,028.1	₱5,055.2	U.S.$98.6
Cost of goods sold	2,502.6	3,571.8	5,061.9	98.8	2,148.9	3,563.4	69.5
Gross profit	928.0	1,324.4	2,130.3	41.6	879.2	1,491.8	29.1
Other operating expenses	861.4	1,182.1	1,545.5	30.2	739.7	833.7(2)	16.3
Loss on write-off of trade receivables	5.8	15.6	19.4	0.4	–	–	–
Operating profit	60.8	126.8	565.5	11.0	139.6	658.1	12.8
Other income (charges)							
Finance cost	(21.9)	(28.7)	(46.4)	(0.9)	(27.1)	(177.8)	(3.5)
Finance income	1.7	0.7	1.6	–	0.2	0.2	–
Other income	25.4	62.1	209.6	4.1	45.1	140.8	2.7
	5.2	34.0	164.9	3.2	18.2	(36.8)	(0.7)
Profit before tax	65.9	160.8	730.3	14.3	157.7	621.3	12.1
Tax expense	(19.4)	(48.2)	(218.9)	(4.3)	(47.3)	(186.9)	(3.6)
Net profit	46.6	112.6	511.4	10.0	110.4	434.3	8.5
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	**₱ 46.6**	**₱ 112.6**	**₱ 511.4**	**U.S.$ 10.0**	**₱ 110.4**	**₱ 434.3**	**U.S.$ 8.5**
Basic and diluted earnings per Share	**₱ 4.66**	**₱ 8.40**	**₱ 38.16**	**U.S.$ 0.74**	**₱ 8.24**	**₱ 21.72**	**U.S.$0.42**

Notes:

(1) Except for Basic and diluted earnings per share.

(2) Excluding the impact of PFRS 16 on Other operating expenses for the six month period ended June 30, 2019, Other operating expenses would be ₱901.6 million. If the effect of PFRS 16 is not taken into consideration, rental expense for the six-month period ended June 30, 2019 would have been ₱317.2 million instead of ₱64.7 million.

STATEMENT OF FINANCIAL POSITION

	As of January 1,	As of December 31,				As of June 30,	
	2016[1]	2016 (as restated)	2017 (as restated)	2018	2018 (unaudited)	2019	2019 (unaudited)
		(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)	(in millions of U.S.$)
Current assets:							
Cash and cash equivalents	₱ 185.1	₱ 475.8	₱ 399.8	₱ 298.5	U.S$ 5.8	₱ 333.3	U.S$ 6.5
Trade and other receivables	484.8	469.7	591.3	1,196.4	23.3	686.3	13.4
Inventories	668.2	1,087.4	1,494.3	2,690.9	52.5	4,295.3	83.8
Due from related parties	125.9	125.9	125.9	133.9	2.6	–	–
Other current assets	143.8	312.1	365.6	654.1	12.8	285.1	5.6
Total current assets	**1,607.7**	**2,471.0**	**2,977.0**	**4,973.8**	**97.0**	**5,600.1**	**109.3**
Noncurrent assets:							
Property and equipment – net	825.7	1,165.9	1,921.8	2,969.5	57.9	7,908.5	154.3
Other noncurrent assets	–	28.2	281.5	272.2	5.3	403.6	7.9
Total noncurrent assets	**825.7**	**1,194.1**	**2,203.3**	**3,241.6**	**63.3**	**8,312.1**	**162.2**
Total assets	**₱2,433.5**	**₱3,665.0**	**₱5,180.3**	**₱8,215.4**	**U.S$160.3**	**₱13,912.1**	**U.S$271.5**
Current liabilities:							
Trade other payables	874.5	702.3	482.4	379.9	7.4	756.9	14.8
Loans payable	200.0	650.0	1,284.6	1,676.9	32.7	2,403.2	46.9
Lease liability	–	–	–	–	–	330.6	6.5
Due to related parties	347.6	107.8	239.6	627.4	12.2	1,003.6	19.6
Income tax payable	3.4	1.6	18.3	68.2	1.3	46.6	0.9
Total current liabilities	**1,425.5**	**1,461.6**	**2,024.9**	**2,752.3**	**53.7**	**4,540.9**	**88.6**
Noncurrent liabilities:							
Loans payable	–	800.0	1,615.4	2,638.5	51.5	2,246.2	43.8
Lease Liability	–	–	–	–	–	4,126.1	80.5
Deferred tax liabilities	–	8.8	32.8	146.0	2.8	98.3	1.9
Retirement benefit obligation	–	–	–	–	–	30.6	0.6
Total noncurrent liabilities	**–**	**808.8**	**1,648.2**	**2,784.5**	**54.3**	**6,501.2**	**126.9**
Total liabilities	**₱1,425.5**	**₱2,270.4**	**₱3,673.1**	**₱5,536.8**	**U.S$108.0**	**₱11,042.1**	**U.S$215.5**
Equity							
Capital stock	1,000.0	1,340.0	1,340.0	2,000.0	39.0	2,000.0	39.0
Retained earnings	8.0	54.6	167.2	678.6	13.2	870.1	17.0
Total equity	**1,008.0**	**1,394.6**	**1,507.2**	**2,678.6**	**52.3**	**2,870.1**	**56.0**
Total liabilities and equity	**₱2,433.5**	**₱3,665.0**	**₱5,180.3**	**₱8,215.4**	**U.S$160.3**	**₱13,912.1**	**U.S$271.5**

Note:

(1) As part of its audit for the years ended December 31, 2016, 2017 and 2018, Punongbayan & Araullo performed testing of the opening balances of the Company's assets, liabilities and equity accounts as of January 1, 2016 in accordance with the Philippine Standards on Auditing.

SELECTED STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,				For the six-month period ended June 30,		
	2016 (as restated)	2017 (as restated)	2018	2018 (unaudited)	2018	2019	2019 (unaudited)
	(in millions of ₱)			(in millions of U.S.$)	(in millions of ₱)		(in millions of U.S.$)
Net cash from operating activities	₱ (465.1)	₱ (623.6)	₱ (250.5)	U.S.$(4.9)	₱ 200.9	₱ 954.7	U.S.$18.6
Net cash used in investing activities	(442.8)	(810.6)	(1,050.1)	(20.5)	(1,041.7)	(805.5)	(15.7)
Net cash from (used in) financing activities	1,198.6	1,358.2	1,199.3	23.4	706.9	(114.4)	(2.2)
Net increase (decrease) in cash and cash equivalents	290.7	(76.0)	(101.3)	(2.0)	(133.9)	34.8	0.7
Cash and cash equivalents at beginning of year/period	185.1	475.8	399.8	7.8	399.8	298.5	5.8
Cash and cash equivalents at end of year/period	₱ 475.8	₱ 399.8	₱ 298.5	U.S.$5.8	₱ 265.9	₱ 333.3	U.S.$6.5

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

	As of December 31,			As of June 30,	
	2016	2017	2018	2018	2019
Total number of stores	15	18	23	18	25
Total net selling space (sqm)	111,204	140,495	186,665	140,495	196,327

	As of and for the years ended December 31,			As of and for the six months ended June 30,	
	2016	2017	2018	2018	2019
Revenues (₱ millions)	3,430.6	4,896.3	7,192.2	3,028.1	5,055.2
Gross Profit (₱ millions)	928.0	1,324.4	2,130.3	879.2	1,491.8
Gross Profit Margin (%)(1)	27.1	27.0	29.6	29.0	29.5
Net Profit (₱ millions)	46.6	112.6	511.4	110.4	434.3(5)
Net Profit Margin (%)(2)	1.4	2.3	7.1	3.6	8.6(6)
EBITDA (₱ millions)(3)	221.6	326.7	954.4	263.8	1,097.8(7)
EBITDA Margin (%)(4)	6.5	6.7	13.3	8.7	21.7(8)

Notes:

(1) Gross Profit Margin is Gross Profit over Revenues.

(2) Net Profit Margin is Net Profit over Revenues.

(3) EBITDA is calculated as net profit before finance costs, tax expense and depreciation and amortization.

(4) EBITDA Margin is EBITDA over Revenues.

(5) Excluding the effect of PFRS 16, Net Profit for the six months ended June 30, 2019 would be ₱473.3 million (U.S.$9.2 million).

(6) Excluding the effect of PFRS 16, Net Profit Margin for the six months ended June 30, 2019 would be 9.4%.

(7) Excluding the effect of PFRS 16, EBITDA for the six months ended June 30, 2019 would be ₱845.3 million (U.S.$16.5 million).

(8) Excluding the effect of PFRS 16, EBITDA Margin for the six months ended June 30, 2019 would be 16.7%.

EBITDA Reconciliation

The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019:

	For the years ended December 31,				For the six months ended June 30,		
	(Audited)			(Unaudited)	(Audited)		(Unaudited)
	2016	2017	2018	2018	2018	2019	2019
		(₱ million)		(US$ million)	(₱ million)		(US$ million)
Net Profit	46.6	112.6	511.4	10.0	110.4	434.3	8.5
Add:							
Finance Cost(1)	21.9	28.7	46.4	0.9	27.1	177.8	3.5
Tax expense	19.4	48.2	218.9	4.3	47.3	186.9	3.6
Depreciation and amortization	133.8	137.2	177.7	3.5	78.9	298.8	5.8
EBITDA	**221.6**	**326.7**	**954.4**	**18.6**	**263.8**	**1,097.8**(2)	**21.4**

Notes:

(1) Finance costs for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 pertain to interest expense from loans payable only. Finance costs for the six months ended June 30, 2019 pertain to interest expense from lease liability, loans payable and retirement benefit obligation.

(2) The table below sets forth information with respect to the reconciliation of EBITDA for the six months ended June 30, 2019, excluding the impact of PFRS 16.

	For the six months ended June 30, 2019
	(₱ million)
Net Profit	473.3
Add:	
Finance Cost(1)	54.3
Tax expense	203.6
Depreciation and amortization	114.1
EBITDA	**845.3**

Note:

(1) Finance costs for the six months ended June 30, 2019 pertain to interest expense from lease liability, loans payable and retirement benefit obligation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read this discussion and analysis of our financial condition and results of operations in conjunction the sections entitled "Summary Financial Information" and "Selected Financial Information" and with the audited financial statements as of and for the years ended December 31, 2016, 2017 and 2018 (the "audited financial statements") and the interim audited financial statements as of and for the six months ended June 30, 2018 and 2019 (the "June 30, 2019 interim financial statements") in each case, including the notes relating thereto, included elsewhere in this Prospectus.

Our audited financial statements and the June 30, 2019 interim financial statements included in this Prospectus were prepared in compliance with PFRS.

In contemplation of the Offer and in compliance with applicable regulatory requirements of the Philippine SEC for companies seeking registration of their securities, we appointed Punongbayan & Araullo as our independent auditors in 2018. Punongbayan & Araullo issued a report with a qualified opinion on our financial statements as of and for the years ended December 31, 2016, 2017 and 2018 on May 6, 2019. Subsequent to the issuance of their report on May 6, 2019 and related financial statements, Punongbayan & Araullo performed additional audit procedures to obtain sufficient appropriate evidence as to the existence of inventory quantities as of December 31, 2015 and 2016. Based on the results of the additional procedures performed, Punongbayan & Araullo was able to satisfy itself as to the existence of inventory quantities. Accordingly, Punongbayan & Araullo issued its unqualified report on August 6, 2019 with respect to the carrying amount of inventories presented in the statement of financial position as of December 31, 2016 and the amount of cost of goods sold presented in the statements of comprehensive income and their related effect on the statements of cash flows for the years ended December 31, 2016 and 2017. In addition and as part of their audit, certain information have been restated and reclassified as discussed further in Note 2 in our audited financial statements, in accordance with the relevant accounting and financial reporting standards. For more information, please refer to our audited financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2019 and 2018 contained elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" on page 21 and elsewhere in this Prospectus. See "Forward-Looking Statements" on page viii of this Prospectus.

For readers' convenience only, amounts in Philippine Pesos were converted to U.S. dollars using the BSP Reference Rate as of June 28, 2019 of ₱51.25 = U.S.$1.00.

OVERVIEW

We are a pioneering "one-stop shop" home store in the Philippines – from building your home to furnishing it, we believe we have all your home needs. Since our incorporation in 2013, we have grown to 25 stores as of June 30, 2019, having an aggregate net selling space of approximately 196,327 sqm across 20 cities and municipalities, 19 of which are located in Mega Manila, three in Luzon (outside Mega Manila) and three in Visayas and Mindanao. In the month of July 2019, we opened two more stores, increasing our total number of stores to 27 with an aggregate net selling space of approximately 215,994 sqm across 22 cities and municipalities. For the remainder of 2019, we aim to open up to 18 more stores.

Our product offering spans seven key categories from over 800 local and international brands, including 18 in-house brands. These product categories are furniture, hardware, appliances, tiles and sanitary wares, homewares, linens and construction materials.

We currently have three store formats in operation under the AllHome name, as follows: (1) large mall-based store; (2) large free-standing store; and (3) small specialty store. In addition, we have plans to introduce a fourth store format, the "AllBuilders" store. Our large mall-based and large free-standing stores carry over 250,000 SKUs while our small specialty store carries over 10,000 SKUs.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected our results in the past, and which we expect to affect our results in the foreseeable future. Factors other than those discussed below could also have a significant impact on our results of operations and financial condition in the future.

Philippine macroeconomic conditions and trends

All of our stores are located in the Philippines and, as a result, our operations are significantly affected, and will continue to be significantly affected, by macroeconomic conditions in the Philippines. Demand for, and prevailing prices of, our products are directly related to the strength of the Philippine economy and consumer confidence, including overall growth levels and the amount of business activity in the Philippines. Over the past several years, economic growth in the Philippines has led to an increase in personal disposable income, resulting in increased purchasing power and greater demand for consumer products. We generally target consumers within the "upper-middle income" to "upper income" consumer segments, which includes households with average monthly household income of approximately ₱70,000 and above, according to the Philippine Institute for Development Studies ("**PIDS**") in its discussion paper "Profile and Determinants of the Middle-Income Class in the Philippines" as of December 2018 (the "**PIDS Study**").

According to the PIDS Study, by 2022, the Philippines targets to become an upper middle-income economy joining Brazil, China, Russia, Malaysia, Thailand, among others. In urban areas, around 32% of the population belong to upper middle to upper income class. From 1990 to 2018, the middle-income segment increased by 12% in terms of absolute percentage growth, according to the PIDS. This income segment constitutes 45% of the Philippine household population and includes households with an annual household disposable income of between U.S.$4,394 and U.S.$26,363 (at U.S.$1 = ₱52.00 at 2017 prices).

The growth in household disposable income and the emergence of the middle-income consumer segment is expected to continue to provide a strong basis for consumption growth in the Philippines. Some of the products sold in our stores are discretionary consumer products and demand for these products tends to decline during economic downturns when consumer disposable income declines. Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a contraction in demand for our products.

Growth of our operations

We believe that the store network expansion of our one-stop shop concept is an important factor driving our revenue growth and profitability. During the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2019, we continued to expand our store network.

New stores are accretive to revenues and help us to increase our market share by expanding our ability to reach additional consumers. As we have expanded from 15 stores as of December 31, 2016 to 23 stores as of December 31, 2018, our revenues have increased from ₱3,430.6 million for the year ended December 31, 2016 to ₱7,192.2 million (U.S.$140.3 million) for the year ended December 31, 2018. Set out below is a table summarizing our store expansion since 2016.

	As of December 31,			As of June 30,	
	2016	2017	2018	2018	2019
Total number of stores	15	18	23	20	25
Total net selling space (sqm)...........	111,204	140,495	186,665	140,495	196,327

The increase in the scale of our operations has provided us with greater purchasing power with suppliers which, in turn, has increased our product offerings for our customers and improved our profitability. We believe that we will develop even greater purchasing power from increased store density that will enable us to continue to obtain favorable purchasing terms from our suppliers. Such purchasing terms will enable us to improve our gross margins while continuing to offer customers a wide assortment of products at competitive prices.

Our revenue and profitability are also driven by our ability to successfully grow sales and increase productivity at our existing stores, and our ability to maintain and improve our product mix.

Our stores are strategically located in prime shopping districts and densely populated areas, allowing us to efficiently maximize our exposure and reach our target customers. Most of our stores are located in Mega Manila, but we are also starting to branch out to other provinces where there is potential growth in the country's disposable income.

As of June 30, 2019, we had a portfolio of 25 stores nationwide, with 19 stores in Mega Manila, three in Luzon (outside Mega Manila), two in Visayas and one in Mindanao, with an aggregate net selling space of approximately 196,327 sqm. As of July 31, 2019, our portfolio of stores included two more stores in Mega Manila for a total of 27 stores and an aggregate net selling space of approximately 215,994 sqm. We plan to continue to increase our number of stores in 2019 to up to 45 stores. Our ability to secure retail locations will continue to affect our business, financial conditions and results of operations. Our expansion is affected by the business plan and investments of the Villar Group, including Vista Land, as these plans and investments factor into our determination of suitable sites for new stores.

Our ability to effectively manage costs and expenses

We operate in a volume-driven industry and must carefully control our costs. We believe that we must continually sell high volumes of our products to generate significant profits. Controlling our costs of goods sold and operating expenses is key to maintaining our margins. We seek to control these costs by, among other things, leveraging our scale and long-term relationships with suppliers, consolidating our warehouses and operating our own distribution centers and clustering our stores around such distribution centers. We have two central distribution centers located in Laguna and Muntinlupa with plans to add satellite distribution centers and buffer stock at each store's warehouse. Where possible, we seek to pass on merchandise price increases to our customers. We are also focused on improving our margins by seeking volume discounts, advertising and marketing support, and premium placements. Suppliers typically provide in-store merchandisers to promote their products, thus providing additional headcount. We have taken measures to control and manage operating expenses, particularly rental expenses and labor costs. We seek to manage our rental expenses by leveraging our relationship with the Villar Group, which includes Vista Land to negotiate, on an arm's length basis, favorable rental rates and leasing terms, which frequently include both fixed rent and variable rent components. We also seek to maximize our effective rental cost per square meter of selling space by adopting a well-planned and efficient store design.

We take measures to control our labor costs with improved worker productivity through cross-training of personnel to enable them to handle multiple areas of operation, staff scheduling that takes into consideration variances in store traffic during hours of operation and monitoring of attendance and timeliness of staff reporting, and manage headcount to avoid overstaffing, as well as leverage our scale with suppliers to obtain in-store merchandisers.

As a result of our cost control measures, our cost of goods sold, as a percentage of revenues, has remained relatively stable at 72.9% in 2016 and 2017, 70.4% in 2018 and 70.5% for the six months ended June 30, 2019. Other operating expenses, as a percentage of revenues, has steadily decreased to 25.1%, 24.1%, and 21.5% in 2016, 2017, and 2018 and 16.5% for the six months ended June 30, 2019, respectively.

Competition

Our results of operations are affected by competition from other retailers in construction and home improvement supplies, appliances and furniture, among others. This market is highly competitive and we face competition from national and local retailers, including smaller-format hardware stores, mall-based stores, and the established retailers with depots. Growth in the Philippine economy has led some of these competitors to undertake aggressive expansion strategies. Many of our competitors use similar strategies and sell similar products as we do. We compete with such retailers for both locations and for customers. Competition is characterized by many factors, including price, store location, product assortment, quality and availability, customer service, customer shopping experience, attractiveness of stores, presentation of merchandise, advertising and brand recognition, credit availability or a combination of these factors. If we do not compete effectively with regard to these factors, our results of operations could be materially and adversely affected.

Real Estate and Construction Industries

The construction industry is one of the growth engines of the Philippine economy as it contributed an average annual share of 6.4% to the country's GDP from 2016 to 2018, according to the Philippine Statistics Authority. In 2018, the share of the construction sector to the country's GDP reached 6.7% from 6.2% in 2017. Interest rates have also been favorable in the last few years, widening and easing the access to credit by developers and individuals. Sales of all our product categories are largely driven by the number of major residential construction and home improvement projects and to a lesser extent regular upkeep, repair and maintenance of homes. In particular, most of our stores are located in proximity to Vista Land housing developments and commercial centers and thus, within a catchment of homeowners. Thus, our sustained and favorable financial performance depends mostly on the stability of the housing, residential construction and home improvement markets.

Changes in Customer Tastes and Preferences

The construction, home improvement, appliance and furniture retail industry, especially the high-value high-margin product lines, are subject to shifts in consumer trends and consumer spending. Our sales and operating results depend, in part, on our ability to predict or respond to changes in design trends and consumer preferences in a timely manner. We develop new retail concepts and continuously adjust our market positioning in branded product categories in an effort to satisfy customer demand. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on our business. Consumers' discretionary spending impacts our sales and may be affected by many factors outside of our control, including general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods, and the effects of weather or natural disasters.

Others

Seasonality

We experience seasonal fluctuations in our operations. Historically, our sales generally peak in the fourth quarter, primarily attributable to the Christmas and New Year holidays. Sales in certain product categories are stronger during other seasons. For example, air-conditioners experience stronger sales in the summer while sales for dryers peak during the rainy season.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified the significant accounting judgments, estimates and assumptions discussed in Note 3 to our audited financial statements included, elsewhere in this Prospectus.

The main items subject to estimates and assumptions by management include, among others, impairment for allowance of expected credit losses ("**ECL**"), impairment of trade and other receivables and due from related parties, determination of net realizable value of inventories, estimation of useful lives of property and equipment, and impairment of non-financial assets.

While we believe that all aspects of our financial statements, including the accounting policies discussed in Note 2 to our audited financial statements and the June 30, 2019 interim financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the significant accounting judgments, estimates and assumptions discussed in Note 3 to our audited financial statements warrant particular attention.

Effective January 1, 2019, we adopted PFRS 16 (Leases) resulting in changes in the accounting of our lease transactions. Prior to 2019, lease payments in respect of our store and warehouse facilities were treated as rent expense. Upon adoption of this standard, the present value of future lease payments throughout the expected lease period, including probable lease extensions, are recognized as lease liability and the corresponding right-of-use asset is recognized in view of the right obtained by the lessee to use the relevant facilities. Under our statements of comprehensive income, amortization and interest expense on lease liability are recognized in 2019 while rent expense was recognized in 2018. See Notes 2.2, 9 and 12 to our June 30, 2019 interim financial statements.

DESCRIPTION OF KEY LINE ITEMS

Our results of operations with respect to the years ended December 31, 2016, 2017 and 2018 are based on, and should be read in conjunction with, our audited financial statements and related notes included elsewhere in this Prospectus. Our results of operations with respect to the six months ended June 30, 2018 and 2019 are based on, and should be read in conjunction with, our June 30, 2019 interim financial statements and related notes included elsewhere in this Prospectus.

Revenues

We generate our revenues from sales of products at our stores to retail (in-store sales) and corporate customers, such as contractors and small developers (corporate sales). Product sales include both outright sales of products for which we bear the full inventory risk and sales of merchandise supplied to us by concessionaires for which we bear no inventory risk.

Cost of Goods Sold

Cost of goods sold consists of inventory costs related to goods including merchandise supplied to us by concessionaires that we have sold. Inventory costs include all costs of purchase and costs of conversion but exclude delivery costs incurred in bringing the inventories to their present location and condition.

Other Operating Expenses

Other operating expenses constitute costs of administering the business. It consists of rentals, outside services, communications and utilities, depreciation and amortization, salaries, wages and employee benefits, merchant fee, taxes and licenses, advertising and promotions, dues and subscription, office and store supplies, transportation expense, repairs and maintenance, representation and entertainment, insurance expense, commission expense, professional fees, and other miscellaneous expenses.

Other Income (Charges)

Other income includes vendors' support and other marketing fees, delivery fees, rebate income, incentives, premium display area support, sell-out support and other miscellaneous income.

RESULTS OF OPERATIONS

Six months ended June 30, 2019 compared to six months ended June 30, 2018

Revenues

The following table sets out certain key operating performance indicators relevant to revenues for the six months ended June 30, 2018 and 2019 and the percentage change in these key operating performance indicators between the two periods.

	As of and for the six months ended June 30		Percentage Change
	2018	2019	
Number of stores	20	25	25.0%
Revenues (₱ millions)	3,028.1	5,055.2	66.9%

Our revenues increased by 66.9% from ₱3,028.1 million for the six months ended June 30, 2018 to ₱5,055.2 million (U.S.$98.6 million) for the six months ended June 30, 2019. This increase was primarily due to the opening of five new stores, and an increase in revenue of existing stores and in corporate sales.

Cost of Goods Sold

For the six months ended June 30, 2019, our cost of goods sold was ₱3,563.4 million (U.S.$69.5 million), an increase of 65.8% compared to ₱2,148.9 million for the six months ended June 30, 2018, largely driven by the increase in sales in existing stores and incremental sales from the five new stores added during the period.

Other Operating Expenses

Other operating expenses increased by 12.7% from ₱739.7 million for the six months ended June 30, 2018 to ₱833.7 million (U.S.$16.3 million) for the six months ended June 30, 2019 primarily due to the following:

- Increase in depreciation and amortization from ₱78.9 million for the six months ended June 30, 2018 to ₱298.8 million (U.S.$5.8 million) for the six months ended June 30, 2019 primarily as a result of the adoption of PFRS 16 and due to the increase in the number of stores. If the effect of PFRS 16 is not taken into consideration, the increase in depreciation expenses would have been ₱35.2 million and rental expenses would have increased to ₱317.2 million due to the opening of five new stores over the period.

- Increase in salaries and wages from ₱81.6 million for the six months ended June 30, 2018 to ₱133.7 million (U.S.$2.6 million) for the six months ended June 30, 2019 due to the additional manpower for new stores, and increased headcount for Finance, Merchandising and IT personnel.

- Increase in merchant fees from ₱33.7 million for the six months ended June 30, 2018 to ₱57.6 million (U.S.$1.1 million) for the six months ended June 30, 2019 due to increase in credit card sales.

Finance Cost

Finance Cost increased by 556.0% from ₱27.1 million for the six months ended June 30, 2018 to ₱177.8 million (U.S.$3.5 million) for the six months ended June 30, 2019. The increase was primarily attributable to the adoption of PFRS 16 amounting to ₱123.5 million and the increase in short-term and long-term interest-bearing debt of the Company for the year to finance store expansion.

Finance Income

Finance income decreased by 10.6% from ₱197.3 thousand for the six months ended June 30, 2018 to ₱176.5 thousand (U.S.$3.4 thousand) for the six months ended June 30, 2019. The decrease was primarily attributable to the decrease in interest income from bank deposits and short-term placements of the Company.

Other Income

Other income increased by 212.3% from ₱45.1 million for the six months ended June 30, 2018 to ₱140.8 million (U.S.$2.7 million) for the six months ended June 30, 2019. The increase was primarily attributable to the following:

- 341.7% increase in vendor's support and marketing fees to ₱123.5 million (U.S.$2.4 million) for the six months ended June 30, 2019 from ₱28.0 million for the six months ended June 30, 2018. This is primarily due to higher volume-based incentives from suppliers based on our levels of sales in 2018, and opening support and marketing for newly-opened stores; and

- the increase in miscellaneous income of 188.1% to ₱7.3 million (U.S.$0.1 million) for the six months ended June 30, 2019 from ₱2.5 million for the six months ended June 30, 2018, driven by the higher earnings from other services.

Provision for Income Tax

Provision for income tax increased by 295.2% from ₱47.3 million for the six months ended June 30, 2018 to ₱186.9 million (U.S.$3.6 million) for the six months ended June 30, 2019 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 293.3% to ₱434.3 million (U.S.$8.5 million) for the six months ended June 30, 2019 from ₱110.4 million for the six months ended June 30, 2018.

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

Revenues

The following table sets out certain key operating performance indicators relevant to revenues for the years ended December 31, 2017 and 2018 and the percentage change in these key operating performance indicators between the two periods.

	As of and for the years ended December 31		Percentage Change
	2017	2018	
No. of stores	18	23	27.8%
Revenues (₱ millions)	4,896.3	7,192.2	46.9%

Our revenues increased by 46.9% from ₱4,896.3 million for the year ended December 31, 2017 to ₱7,192.2 million (U.S.$140.3 million) for the year ended December 31, 2018. This increase was primarily due to the opening of five new stores, and an increase in revenue of existing stores and in corporate sales.

Cost of Goods Sold

For the year ended December 31, 2018, our cost of goods sold was ₱5,061.9 million (U.S.$98.8 million), an increase of 41.7% compared to ₱3,571.8 million for the year ended December 31, 2017, largely driven by the increase in sales in existing stores and incremental sales from the five new stores added during the year. Cost of goods sold increased at a lower rate than the increase in revenues because we were able to leverage on bulk discounts from larger volumes of purchases from our suppliers.

Other Operating Expenses

Other operating expenses increased by 30.7% from ₱1,182.1 million for the year ended December 31, 2017 to ₱1,545.5 million (U.S.$30.2 million) for the year ended December 31, 2018 primarily due to the following:

- Increase in rent from ₱400.2 million for the year ended December 31, 2017 to ₱450.1 million (U.S.$8.8 million) for the year ended December 31, 2018 due to the increase in the number of stores, warehouse and higher rent for stores that are percentage-based rents.

- Increase in merchant fees from ₱24.7 million for the year ended December 31, 2017 to ₱72.0 million (U.S.$1.4 million) for the year ended December 31, 2018 due to the higher credit card sales.

- Increase in outside services from ₱202.1 million for the year ended December 31, 2017 to ₱239.4 million (U.S.$4.7 million) for the year ended December 31, 2018 due primarily to the increase in stores and warehouse.

Loss on Write-Off of Receivables

Loss on write-off of receivables increased by 24.5% from ₱15.6 million for the year ended December 31, 2017 to ₱19.4 million (U.S.$0.4 million) for the year ended December 31, 2018. In 2018, the Company assessed its receivables for Expected Credit Loss and were reviewed for indications of impairment in 2017. Although these were written off in the books, the Company is still trying to collect such receivables. Receivables written off only accounted for 2.6% and 1.8% of receivables for 2017 and 2018, respectively.

Finance Cost

Finance Cost increased by 61.5% from ₱28.7 million for the year ended December 31, 2017 to ₱46.4 million (U.S.$0.9 million) for the year ended December 31, 2018. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year to finance store expansion.

Finance Income

Finance income increased by 148.2% from ₱0.7 million for the year ended December 31, 2017 to ₱1.6 million (U.S.$0.03 million) for the year ended December 31, 2018. The increase was primarily attributable to the increase in interest income from bank deposits and short-term placements of the Company for the year and the interest from trade receivables.

Other Income

Other income increased by 237.7% from ₱62.1 million for the year ended December 31, 2017 to ₱209.6 million (U.S.$4.1 million) for the year ended December 31, 2018. The increase was primarily attributable to the following:

- 381.9% increase in vendor's support and marketing fees to ₱171.8 million (U.S.$3.4 million) for the year ended December 31, 2018 from ₱35.7 million for the year ended December 31, 2017. This is due to the higher volume-based incentives from suppliers and opening support and marketing for newly-opened stores; and

- the increase in delivery fees of 185.8% to ₱31.2 million (U.S.$0.6 million) for the year ended December 31, 2018 from ₱10.9 million for the year ended December 31, 2017, driven by the increase in the overall volume of deliveries for the year.

Provision for Income Tax

Provision for income tax increased by 354.6% from ₱48.2 million for the year ended December 31, 2017 to ₱218.9 million (U.S.$4.3 million) for the year ended December 31, 2018 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 354.2% to ₱511.4 million (U.S.$10.0 million) for the year ended December 31, 2018 from ₱112.6 million for the year ended December 31, 2017.

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

Revenues

The following table sets out certain key operating performance indicators relevant to revenues for the years ended December 31, 2016 and 2017 and the percentage change in these key operating performance indicators between the two periods.

	As of and for the years ended December 31		Percentage Change
	2016	2017	
Number of stores	15	18	20.0%
Revenues (₱ millions)	3,430.6	4,896.3	42.7%

Our revenues increased by 42.7% from ₱3,430.6 million for the year ended December 31, 2016 to ₱4,896.3 million for the year ended December 31, 2017. This increase was primarily due to the opening of three new stores, and an increase in revenue of existing stores and in corporate sales.

Cost of Goods Sold

For the year ended December 31, 2017, our cost of goods sold was ₱3,571.8 million, an increase of 42.7% compared to ₱2,502.6 million for the year ended December 31, 2016, which is in line with the increase of our revenues, primarily driven by the increase in sales in existing stores and incremental sales from the three new stores added during the year.

Other Operating Expenses

Other operating expenses increased by 37.2% from ₱861.4 million for the year ended December 31, 2016 to ₱1,182.1 million for the year ended December 31, 2017 primarily due to the following:

- Increase in rent from ₱281.7 million for the year ended December 31, 2016 to ₱400.2 million for the year ended December 31, 2017 due to the increase in the number of stores and higher rent for stores that are percentage-based rents.

- Increase in outside services from ₱123.9 million for the year ended December 31, 2016 to ₱202.1 million for the year ended December 31, 2017 due primarily to the increase in stores and warehouse.

- Increase in salaries and wages from ₱97.8 million for the year ended December 31, 2016 to ₱140.5 million for the year ended December 31, 2017 due primarily to the personnel for additional stores and increase in central head count to support expansion program.

Loss on Write-Off of Receivables

Loss on write-off of receivables increased by 166.9% from ₱5.8 million for the year ended December 31, 2016 to ₱15.6 million for the year ended December 31, 2017. In 2017, the Company assessed its receivables for Expected Credit Loss and were reviewed for indications of impairment in 2016. Although, these were written off in the books, the Company is still trying to collect such receivables. Receivables written off only accounted for 1.3% and 2.6% of receivables for 2016 and 2017, respectively.

Finance Cost

Finance Cost increased by 31.1% from ₱21.9 million for the year ended December 31, 2016 to ₱28.7 million for the year ended December 31, 2017. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year to finance store expansion.

Finance Income

Finance income decreased by 59.9% from ₱1.7 million for the year ended December 31, 2016 to ₱0.7 million for the year ended December 31, 2017. The decrease was primarily attributable to the lower average cash balance during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Other Income

Other income increased by 144.3% from ₱25.4 million for the year ended December 31, 2016 to ₱62.1 million for the year ended December 31, 2017. The increase was primarily attributable to an increase in vendor's support and marketing fees brought about by the increase in sales, as well as delivery fees earned from higher volume of deliveries during the year.

Provision for Income Tax

Provision for income tax increased by 148.8% from ₱19.4 million for the year ended December 31, 2016 to ₱48.2 million for the year ended December 31, 2017 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 141.8% to ₱112.6 million for the year ended December 31, 2017 from ₱46.6 million for the year ended December 31, 2016.

Review of Year End Balances for the Year Ended December 31, 2016 Compared to Beginning Balances as of January 1, 2016

Statement of Income

Revenues

Our revenues for the year ended 2016 stood at ₱3,430.6 million which we have generated from our 10 stores at the beginning of the year and additional five stores during the period ended December 31, 2016 with 15 stores.

Cost of Goods Sold

For the year ended December 31, 2016, our cost of goods sold was ₱2,502.6 million or 72.9% of revenues, primarily driven by the sales in existing stores and incremental sales from the five new stores added during the year. Gross profit margin as a result was at 27.1% for the year ended December 31, 2016.

Other Operating Expenses

Other operating expenses totalled ₱861.4 million for the year ended December 31, 2016, primarily due to the following:

- Rent stood at ₱281.7 million for the year ended December 31, 2016 due to the lease of our 15 stores, which includes rent for stores that are percentage-based rents.

- Outside services was at ₱123.9 million for the year ended December 31, 2016 due primarily to the service payments within the stores and warehouse.

- Depreciation and amortization of ₱133.8 million for the year ended December 31, 2016 arising from the depreciation in full of the 10 existing stores and partly of the five new stores for the year.

Loss on Write-Off of Receivables

Loss on write-off of receivables was at ₱5.8 million for the year ended December 31, 2016. Although these were written off in the books, the Company is still trying to collect such receivables.

Finance Cost

Finance Cost at ₱21.9 million for the year ended December 31, 2016 was primarily attributable to the interest bearing debt of the Company for the year to finance store expansion.

Finance Income

Finance income was at ₱1.7 million for the year ended December 31, 2016 was primarily attributable to the higher average cash balance during the year.

Other Income

Other income stood at ₱25.4 million for the year ended December 31, 2016. This was primarily attributable to vendors' support and marketing fees brought about by our sales, as well as delivery fees earned from deliveries during the year.

Provision for Income Tax

Provision for income tax at ₱19.4 million for the year ended December 31, 2016 was primarily due to results of operations for the year.

Net Profit

As a result of the foregoing, our net income was at ₱46.6 million for the year ended December 31, 2016.

Statement of Financial Position

As of June 30, 2019 vs. December 31, 2018

Total assets as of June 30, 2019 were ₱13,912.1 million compared to ₱8,215.4 million as of December 31, 2018, or a 69.3% increase. This was due to the following:

- Cash increased by 11.7% from ₱298.5 million as of December 31, 2018 to ₱333.3 million as of June 30, 2019 primarily due to the higher cash inflow for the period from operations as well as proceeds from loans.

- Trade and other receivables decreased by 42.6% from ₱1,196.4 million as of December 31, 2018 to ₱686.3 million as of June 30, 2019 due mainly to the collections during the period.

- Inventories increased by 59.6% from ₱2,690.9 million as of December 31, 2018 to ₱4,295.3 million as of June 30, 2019 due primarily to the purchases for new stores to be opened in the 2nd half of the year.

- Due from related parties decreased from ₱133.9 million as of December 31, 2018 to nil as of June 30, 2019 due to settlement during the period.

- Property and equipment increased by 166.3% from ₱2,969.5 million as of December 31, 2018 to ₱7,908.5 million as of June 30, 2019 due primarily to acquisitions of store equipment, furniture, fixture and office equipment as well as increase in leasehold improvements and the recognition of the right of use asset in relations to the adoption of PFRS 16.

- Other assets including current portion thereof decreased by 25.6% from ₱926.3 million as of December 31, 2018 to ₱688.8 million as of June 30, 2019 due primarily to the decrease in advances for purchases. Advances for purchases pertains to mobilization of funds made to various third party suppliers including service providers for inventory purchases.

Total liabilities as of June 30, 2019 were ₱11,042.1 million compared to ₱5,536.8 million as of December 31, 2018, or a 99.4% increase. This was due to the following:

- Trade and other payables increased by 99.2% to ₱756.9 million as of June 30, 2019 from ₱379.9 million as of December 31, 2018 due to increase in trade payables pertaining to purchases of inventories.

- Loans payable including non-current portion increased by 7.7% from ₱4,315.4 million as of December 31, 2018 to ₱4,649.4 million as of June 30, 2019 due to loan availments for the period.

- Lease liability including non-current portion increased from nil as of December 31, 2018 to ₱4,456.7 million as of June 30, 2019 due to recognition of lease liability in relation to the adoption of PFRS 16.

- Due to related parties increased by 60.0% from ₱627.4 million as of December 31, 2018 to ₱1,003.6 million as of June 30, 2019 due to the Company's increased advances from its parent company for capital expenditure purposes. The majority of the advances were converted to equity in July 2019.

- Income tax payable decreased by 31.7% from ₱68.2 million as of December 31, 2018 to ₱46.6 million as of June 30, 2019 due primarily to settlement for the period.

- Deferred tax liabilities decreased by 32.7% from ₱146.0 million as of December 31, 2018 to ₱98.3 million as of June 30, 2019 due to the adjustments to temporary tax differences for the period.

- Retirement benefit obligation increased from nil as of December 31, 2018 to ₱30.6 million as of June 30, 2019 due to set-up of provision for the retirement benefit.

Total stockholder's equity increased by 7.1% from ₱2,678.6 million as of December 31, 2018 to ₱2,870.1 million as of June 30, 2019 due to the net income recorded for the period.

As of December 31, 2018 vs. December 31, 2017

Total assets as of December 31, 2018 were ₱8,215.4 million compared to ₱5,180.3 million as of December 31, 2017, or a 58.6% increase. This was due to the following:

- Cash and cash equivalents decreased by 25.3% from ₱399.8 million as of December 31, 2017 to ₱298.5 million as of December 31, 2018 primarily due to the higher cash outflow for the year used for new stores and inventory buildup of existing stores.

- Trade and other receivables increased by 102.3% from ₱591.3 million as of December 31, 2017 to ₱1,196.4 million as of December 31, 2018 due mainly to the increase in receivables from various customers from the current year sale and increase in other non-trade receivables.

- Inventories increased by 80.1% from ₱1,494.3 million as of December 31, 2017 to ₱2,690.9 million as of December 31, 2018 due primarily to inventory purchases mostly for newly added stores as well as inventory buildup for the existing stores.

- Due from related parties increased by 6.4% from ₱125.9 million as of December 31, 2017 to ₱133.9 million as of December 31, 2018 due to the additional advances granted to the Company's affiliates during the year.

- Property and equipment increased by 54.5% from ₱1,921.8 million as of December 31, 2017 to ₱2,969.5 million as of December 31, 2018 due primarily to acquisitions of store equipment, furniture, fixture and office equipment as well as increase in leasehold improvements.

- Other assets including current portion thereof increased by 43.1% from ₱647.2 million as of December 31, 2017 to ₱926.3 million as of December 31, 2018 due primarily to the increase in advances for purchases. Advances for purchases pertains to mobilization of funds made to various third party suppliers including service providers for inventory purchases.

Total liabilities as of December 31, 2018 were ₱5,536.8 million compared to ₱3,673.1 million as of December 31, 2017, or a 50.7% increase. This was due to the following:

- Trade and other payables decreased by 21.2% to ₱379.9 million as of December 31, 2018 from ₱482.4 million as of December 31, 2017 due to payments during the year.

- Loans payable including non-current portion increased by 48.8% from ₱2,900.0 million as of December 31, 2017 to ₱4,315.4 million as of December 31, 2018 due to loan availments for the year to fund our expansion program.

- Due to related parties increased by 161.9% from ₱239.6 million as of December 31, 2017 to ₱627.4 million as of December 31, 2018 due to the Company's increased advances from its parent company for capital expenditure purposes.

- Income tax payable increased by 272.7% from ₱18.3 million as of December 31, 2017 to ₱68.2 million as of December 31, 2018 due primarily to a higher current taxable income for the year.

- Deferred tax liabilities increased by 345.1% from ₱32.8 million as of December 31, 2017 to ₱146.0 million as of December 31, 2018 due to the additional temporary tax differences recognized for the year that will result to future tax liabilities.

Total stockholder's equity increased by 77.7% from ₱1,507.2 million as of December 31, 2017 to ₱2,678.6 million as of December 31, 2018 due to the issuance of additional shares for the year and the net income recorded for the year ended December 31, 2018.

As of December 31, 2017 vs. December 31, 2016

Total assets as of December 31, 2017 were ₱5,180.3 million compared to ₱3,665.0 million as of December 31, 2016, or a 41.3% increase. This was due to the following:

- Cash and cash equivalents decreased by 16.0% from ₱475.8 million as of December 31, 2016 to ₱399.8 million as of December 31, 2017 primarily due to the higher cash outflow for the year used for new stores and inventory buildup of existing stores.

- Trade and other receivables increased by 25.9% from ₱469.7 million as of December 31, 2016 to ₱591.3 million as of December 31, 2017 due primarily to the increase in trade receivables from related parties.

- Inventories increased by 37.4% from ₱1,087.4 million as of December 31, 2016 to ₱1,494.3 million as of December 31, 2017 due primarily to the inventory purchases mostly for newly added stores as well as inventory buildup for the existing stores.

- Property and equipment increased by 64.8% from ₱1,165.9 million as of December 31, 2016 to ₱1,921.8 million as of December 31, 2017 due primarily to the acquisitions of store equipment, furniture, fixture and office equipment and transportation equipment as well as increase in leasehold improvements and construction-in-progress.

- Other assets including current portion thereof increased by 90.2% from ₱340.3 million as of December 31, 2016 to ₱647.2 million as of December 31, 2017 due primarily to the increase in advances for purchases. Advances for purchases pertains to mobilization of funds made to various third party suppliers including service providers for inventory purchases.

Total liabilities as of December 31, 2017 were ₱3,673.1 million compared to ₱2,270.4 million as of December 31, 2016, or a 61.8% increase. This was due to the following:

- Trade and other payables decreased by 31.3% to ₱482.4 million as of December 31, 2017 from ₱702.3 million as of December 31, 2016 due primarily to payments for the year.

- Loans payable including non-current portion increased by 100% from ₱1,450.0 million as of December 31, 2016 to ₱2,900.0 million as of December 31, 2017 due to loan availments for the year.

- Due to related parties increased by 122.3% from ₱107.8 million as of December 31, 2016 to ₱239.6 million as of December 31, 2017 due to the Company's increased in advances from its related parties.

- Income tax payable increased by 1,073.8% from ₱1.6 million as of December 31, 2016 to ₱18.3 million as of December 31, 2017 due primarily to a higher current taxable income for the year.

- Deferred tax liabilities increased by 270.9% from ₱8.8 million as of December 31, 2016 to ₱32.8 million as of December 31, 2017 due to the additional temporary tax difference recognized for the year that would potentially result to a tax liability in the future.

Total stockholder's equity increased by 8.1% from ₱1,394.6 million as of December 31, 2016 to ₱1,507.2 million as of December 31, 2017 due to the net income recorded for the year ended December 31, 2017.

As of December 31, 2016 vs. January 1, 2016

Total assets as of December 31, 2016 were ₱3,665.0 million compared to ₱2,433.5 million as of January 1, 2016, or a 50.6% increase. This was due to the following:

- Cash increased by 157.1% from ₱185.1 million as of January 1, 2016 to ₱475.8 million as of December 31, 2016 primarily due to the proceeds from borrowings during the period.

- Trade and other receivables decreased by 3.1% from ₱484.8 million as of January 1, 2016 to ₱469.7 million as of December 31, 2016 due to settlements during the year.

- Inventories increased by 62.7% from ₱668.2 million as of January 1, 2016 to ₱1,087.4 million as of December 31, 2016 due primarily to the purchases towards the end of the year mostly for new stores as well as inventory build up for the existing stores.

- Property and equipment increased by 41.2% from ₱825.7 million as of January 1, 2016 to ₱1,165.9 million as of December 31, 2016 due primarily to acquisitions of equipment and furniture and the increased accumulated costs incurred on the construction of new stores.

- Other assets including current portion thereof increased by 136.7% from ₱143.8 million as of January 1, 2016 to ₱340.3 million as of December 31, 2016 due primarily to the increase in prepaid expenses, input VAT, and mobilization funds.

Total liabilities as of December 31, 2016 were ₱2,270.4 million compared to ₱1,425.5 million as of January 1, 2016, or a 59.3% increase. This was due to the following:

- Trade and other payables decreased by 19.7% to ₱702.3 million as of December 31, 2016 from ₱874.5 million as of January 1, 2016 due primarily to the payments for the year.

- Loans payable increased by 625.0% from ₱200.0 million as of January 1, 2016 to ₱1,450.0 million as of December 31, 2016 due to loan availments for the year.

- Due to related parties decreased by 69.0% from ₱347.6 million as of January 1, 2016 to ₱107.8 million as of December 31, 2016 due to the conversion of debt to equity amounting to ₱340.0 million.

- Income tax payable decreased by 54% from ₱3.4 million as of January 1, 2016 to ₱1.6 million as of December 31, 2016 due primarily to settlement during the year.

- Deferred tax liabilities increased by 100% from nil as of January 1, 2016 to ₱8.8 million as of December 31, 2016 due to the temporary tax difference recognized for the year that would potentially result to a tax liability in the future.

Total stockholder's equity increased by 38.3% from ₱1,008.0 million as of January 1, 2016 to ₱1,394.6 million as of December 31, 2016 due to the net income recorded and the debt to equity conversion during the year.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically met our liquidity requirements principally through a combination of cash flow from our operations, bank borrowings, and capital infusion from our parent company in the form of debt to equity conversions. Our principal uses of cash have been, and are expected to continue to be, operating costs, including purchases of merchandise and payment of other operating expenses, as well as capital expenditures for maintenance of stores and store fit-out. In the future, we expect to fund our working capital requirements primarily from sales derived from existing and new stores.

Net cash from financing activities were sufficient to cover our working capital and acquisitions of property and equipment for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019. We obtained short-term loans, as well as five-year corporate loans, from various local banks to support our working capital requirements that mainly include the procurement of inventory for new stores and to fund our new store constructions. As of June 30, 2019, our cash totaled ₱333.3 million (U.S.$6.5 million).

Cash Flows

The following discussion of our cash flows for 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019 should be read in conjunction with the statements of cash flows included in the audited financial statements and the June 30, 2019 interim financial statements.

	For the years ended December 31,				For the six-month period ended June 30,		
	2016	2017	2018		2018	2019	
	(in millions of ₱)			(in millions of U.S.$)[1]	(in millions of ₱)		(in millions of U.S.$)[1]
Net cash flows from (used in) operating activities	(465.1)	(623.6)	(250.5)	(4.9)	200.9	954.7	18.6
Net cash flows used in investing activities	(442.8)	(810.6)	(1,050.1)	(20.5)	(1,041.7)	(805.5)	(15.7)
Net cash flows from financing activities	1,198.6	1,358.2	1,199.3	23.4	706.9	(114.4)	(2.2)
Net increase (decrease) in cash and cash equivalents	290.7	(76.0)	(101.3)	(2.0)	(133.9)	34.8	0.7
Cash and cash equivalents at beginning of year/period	185.1	475.8	399.8	7.8	399.8	298.5	5.8
Cash and cash equivalents at end of year/period	475.8	399.8	298.5	5.8	265.9	333.3	6.5

Note:

(1) Translations from Philippine Pesos to U.S. dollars are for convenience only and have been made at a rate of ₱51.25 = U.S.$1.00, the BSP Reference Rate quoted in the BSP's Reference Exchange Rate Bulletin on June 28, 2019.

Net cash flow from or used in operating activities

Net cash flows from operating activities were ₱954.7 million (U.S.$18.6 million) for the six months ended June 30, 2019. Our operating profit before working capital changes was ₱1,097.6 million (U.S.$21.4 million), which was offset by the increase in merchandise inventories of ₱1,604.4 million and increase in other non-current assets ₱131.5 million; with additions from the decrease in trade and other receivables of ₱510.1 million; decrease in due from related parties of ₱5.3 million; decrease in other current assets of ₱334.5 million; increase in due to related parties of ₱504.8 million; increase in trade and other payables of ₱372.9 million and increase in retirement obligation ₱28.6 million. We paid taxes of ₱163.1 million (U.S.$3.2 million).

Net cash flows used in operating activities were ₱250.5 million (U.S.$4.9 million) in 2018. Our operating profit before working capital changes was ₱972.2 million (U.S.$19.0 million) which was offset by the increase in trade and other receivables of ₱624.4 million; increase in merchandise inventories of ₱1,196.6 million; increase in other current assets of ₱288.5 million; decrease in trade and other payables of ₱106.5 million with additions from the decrease in due from related parties of ₱8.0 million and increase in due to related parties of ₱1,047.8 million. We paid taxes of ₱55.8 million (U.S.$1.1 million).

Net cash flows used in operating activities were ₱623.6 million in 2017. Our profit before working capital changes was ₱341.6 million which was offset by the increase in trade and other receivables of ₱137.2 million; increase in merchandise inventories of ₱406.9 million; increase in other current assets of ₱253.3 million; decrease in trade and other payables of ₱238.6 million with additions from the increase in due to related parties of ₱131.8 million. We paid income taxes of ₱13.1 million.

Net cash flows used in operating activities were ₱465.1 million in 2016. Our profit before working capital change was ₱225.8 million which was offset by the increase in merchandise inventories of ₱419.2 million; increase in other current assets of ₱177.3 million; decrease in trade and other payables of ₱172.2 million with additions from the decrease in due to related parties of ₱100.2 million. We paid income taxes of ₱3.4 million.

Net cash flows used in investing activities

Our cash used in investing activities generally pertains to additions to property and equipment for fit outs of new stores.

For the six months ended June 30, 2019, our net cash flows used for investing activities were ₱805.5 million (U.S.$15.7 million). The cash outflow primarily consisted of acquisition of property and equipment of ₱805.7 million (U.S.$15.7 million), partially offset by interest received on bank deposits of ₱0.2 million.

In 2018, our net cash flows used for investing activities were ₱1,050.1 million (U.S.$20.5 million). The cash outflow primarily consisted of acquisition of property and equipment of ₱1,051.7 million (U.S.$20.5 million), partially offset by interest received from bank deposits of ₱1.6 million (U.S.$0.03 million).

In 2017, our net cash flows used for investing activities were ₱810.6 million. The cash outflow primarily consisted of acquisition of property and equipment of ₱811.3 million, partially offset by interest received from bank deposits of ₱0.7 million.

In 2016, our net cash flows used for investing activities were ₱442.8 million. The cash outflow primarily consisted of acquisition of property and equipment of ₱444.5 million, partially offset by interest received from bank deposits of ₱1.7 million.

Net cash flows from financing activities

For the six months ended June 30, 2019, net cash flows used for financing activities were ₱114.4 million (U.S.$2.2 million). This amount consisted primarily of proceeds from availment of loans of ₱634.0 million (U.S.$12.4 million), partially offset by repayment of loans of ₱300.0 million (U.S.$5.9 million), payments of principal portion of lease liability of ₱129.0 million (U.S.$2.5 million), payment of interest on loans of ₱170.4 million (U.S.$3.3 million); payment of interest on lease liabilities of ₱123.5 million (U.S.$2.4 million) and payment of dividends of ₱25.6 million (U.S.$0.5 million).

Net cash flows used for financing activities were ₱1,199.3 million (U.S.$23.4 million) in 2018. This amount consisted primarily of proceeds from availment of loans of ₱1,700.0 million (U.S.$33.2 million), partially offset by repayment of loans of ₱284.6 million (U.S.$5.6 million) and payment of interest of ₱216.1 million (U.S.$4.2 million).

Net cash flows used for financing activities were ₱1,358.2 million in 2017. This amount consisted primarily of proceeds from availment of loans of ₱1,550.0 million, partially offset by repayment of loans of ₱100.0 million and payment of interest of ₱91.8 million.

Net cash flows used for financing activities were ₱1,198.6 million in 2016. This amount consisted primarily of proceeds from availment of loans of ₱1,350.0 million, partially offset by repayment of loans of ₱100.0 million and payment of interest of ₱51.4 million.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of June 30, 2019:

	Total	2019	2020 to 2024	Over 5 Years
		(in ₱ millions)		
Long-term	₱2,915.4	₱ 276.9	₱2,638.5	₱ –
Loans payable – current[(1)]	1,734.0	1,534.0	200.0	–
Lease payables	4,456.7	161.7	1,911.6	2,383.4
Trade and other payables	756.9	756.9	–	–
Total	**₱9,863.0**	**₱2,729.5**	**₱4,750.1**	**₱2,383.4**

Note: Includes short-term loans with maturities of 30 days to 360 days and are renewable upon maturity.

Capital Expenditures

We make substantial capital expenditures annually to support our business goals and objectives. As part of our strategy, we invest capital in developing and constructing new stores. We also invest in on-going maintenance of existing stores.

The table below set out the capital expenditures in 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019.

	For the years ended December 31,				For the six-month period ended June 30,		
	2016	2017	2018		2018	2019	
	(in ₱ millions)			(U.S.$ million)[(1)]	(in ₱ millions)		(U.S.$ million)[(1)]
New stores	398.6	580.4	862.8	16.8	1,075.4	805.7[(2)]	15.7
Refurbishment	0.0	33.2	35.7	0.7	0.0	3.1	0.1
IT Investment	16.9	190.0	143.0	2.8	16.1	17.8	0.3
Inventory build-up	419.2	406.9	1,196.6	23.3	427.8	1,604.4[(3)]	31.3
Logistics investment	28.9	7.7	10.2	0.2	7.4	0.0	0.0
TOTAL	**863.6**	**1,218.2**	**2,248.3**	**43.9**	**1,526.7**	**2,431.0**	**47.4**

Notes:

(1) Translations from Philippine Pesos to U.S. dollars are for convenience only and have been made at a rate of ₱51.25 = U.S.$1.00, the BSP Reference Rate quoted in the BSP's Reference Exchange Rate Bulletin on June 28, 2019.

(2) Capital expenditures for 2019 stores amounts to ₱662.0 million.

(3) Inventory build-up for 2019 stores amounts to ₱628.3 million.

We have historically sourced funding for our capital expenditures from bank loans and capital contributions from our parent company, AllValue. Our capital expenditures for the above periods were related to the development and construction of new stores.

For 2019, we have budgeted ₱1,726.9 million as capital expenditures for new store fit-out and ₱1,633.2 million as working capital for operations and inventories, of which ₱1,290.3 million has been spent for capital expenditures as of June 30, 2019. These primarily relate to new stores planned for 2019. Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change in circumstances and the actual amount of expenditures may vary from the planned amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to expand, we may incur additional capital expenditures.

Indebtedness

We had outstanding loan payables of ₱1,450.0 million, ₱2,900.0 million, ₱4,315.4 million (U.S.$84.2 million) and ₱4,649.4 million (U.S.$90.7 million) as of December 31, 2016, 2017 and 2018, and June 30, 2019, respectively. As of June 30, 2019, we availed of short-term debt with interest rates ranging from 7.00 to 8.75% per annum and long-term debt with interest rates ranging from 6.25% to 6.69%. The short-term debt was obtained to support working capital requirements.

Off-Balance Sheet Arrangements

As of June 30, 2019, there were no off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

KEY PERFORMANCE INDICATORS

We set out below certain performance indicators that we employ in period-to-period analysis and comparison of financial data.

	As of and for the years ended December 31,			As of and for the six months ended June 30,	
	2016	2017	2018	2018	2019
Revenues (₱ millions)	3,430.6	4,896.3	7,192.2	3,028.1	5,055.2
Gross Profit (₱ millions)	928.0	1,324.4	2,130.3	879.2	1,491.8
Gross Profit Margin (%)[(1)]	27.1	27.1	29.6	29.0	29.5
Net Profit (₱ millions)	46.6	112.6	511.4	110.4	434.3
Net Profit Margin (%)[(2)]	1.4	2.3	7.1	3.6	8.6

Notes:

(1) Gross Profit Margin is Gross Profit over Revenues.

(2) Net Profit Margin is Net Profit over Revenues.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

We are exposed to various types of market risks in the ordinary course of business, including interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

Our exposure to changes in interest rates primarily relates to our long-term borrowings. We manage our interest cost by using a combination of fixed rate and variable rate debt instruments. We monitor prevailing market-based interest rates and aim to ensure that the interest rates charged on our borrowings are optimal and benchmarked against the interest rates charged by other banks.

Liquidity Risk

We are exposed to the possibility that adverse changes in the business environment or our operations could result in substantially higher working capital requirements and consequently, a difficulty in financing additional working capital. We manage our liquidity risk by monitoring our cash position and maintaining credit lines from financial institutions that exceed projected financing requirements for working capital.

Credit Risk

Our exposure to credit risk primarily relates to our trade and other receivables. Our receivables are actively monitored by our collection department to avoid significant concentrations of credit risk. We manage the level of credit risk we accept through comprehensive credit risk policies setting out the assessment and determination of what constitutes appropriate credit risk for us. Our policies include setting up of exposure limits by each counterparty or company of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

The information that appears in the executive summary of the independent market research report in this Industry Overview section, including all data (actual, estimates and forecasts) has been prepared by Euromonitor International Limited ("Euromonitor") and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by the Company, the Sole Global Coordinator and Joint Bookrunner, the Joint Bookrunners or the Domestic Underwriters and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

The report includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others. Actual results and future events could differ materially from such forecasts. You should not place undue reliance on such statements, or on the ability of any party to accurately predict future industry trends or performance.

IPO Prospectus Research:
Home and Garden Specialist Retailers and Consumer Appliances Industry in the Philippines

A report compiled by Euromonitor International for
AllHome Corp

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EUROMONITOR INTERNATIONAL

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SOURCES OF INFORMATION

We commissioned a report from Euromonitor to conduct an analysis of, and to report on, the home and garden specialist retailers and consumer appliances industry. A total fee of US$79,000 \ was paid to Euromonitor for the preparation of the report.

Established in 1972, Euromonitor International is the world leader in strategy research for both consumer and industrial markets. The report of Euromonitor has been compiled after thorough and diligent research conducted by Euromonitor's Singapore Office. The market research process was undertaken through a top-down central research and bottom up intelligence to present a comprehensive and accurate picture of the home and garden specialist retailers and consumer appliances industry. Euromonitor's detailed research involved:

- Secondary research, which involved reviewing published sources including National statistics and official sources such as the Philippine Statistics Authority (PSA), Department of Finance, National Housing Authority, Department of Trade and Industry Philippines, Philippine Retailers Associations, World Bank, International Monetary Fund, company reports including audited financial statements where available and independent research reports, and data based on Euromonitor International's own research database.
- Primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.
- Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.
- Review and cross-checks of all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the Philippines market and prepare the final report.

With both primary and secondary research in place, Euromonitor has utilized both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, a test of each respondent's information and views against those of others is applied to ensure reliability and eliminate bias from these sources.

FORECASTING BASES AND ASSUMPTIONS

Euromonitor International based the Euromonitor Report on the following assumptions:

- The Philippine economy is expected to maintain steady growth over the forecast period;
- The Philippine social, economic, and political environments are expected to remain stable during the forecast period;

- Key market drivers such as government support, growing disposable income, growing middle-class, are expected to boost the development of Philippine's home and garden specialist retailing and consumer appliances market;
- There will be no external shock, such as a financial crisis or raw materials shortage, that affects the demand and supply in the home and garden specialist retailers and consumer appliances market;

The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in August 2019 and all statistics in the Euromonitor report are based on information available at the time of reporting. Euromonitor's forecast data comes from analysis of historic development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

DEFINITIONS AND SCOPE

HOME AND GARDEN SPECIALIST RETAILERS – RETAIL CHANNEL DEFINITIONS

No.	Channel	Sub-channel	Definition
1	Home and Garden Specialist Retailers		This is the aggregation of the retail sales of 'Home Improvement and Gardening Stores' and 'Homewares and Home Furnishing Stores' (see below). Business-to-business sales are excluded.
2	Home and Garden Specialist Retailers	Home Improvement and Gardening Stores	• A sub-channel of home and garden specialist retailers. Chained or independent retail outlets with a primary focus on selling one or more of the following categories: Home improvement materials and hardware, Paints, coatings and wall coverings, Kitchen and bathroom, fixtures and fittings, Gardening equipment, House/Garden plants. Home improvement and gardening stores includes Home improvement centres / DIY stores, Hardware stores (Ironmongers), Garden centres, Kitchen and bathroom showrooms, Tile specialists, Flooring specialists. Market size is measured in RSP (Retail Sale Price)
3	Home and Garden Specialist Retailers	Homewares and Home Furnishing Stores	• A sub-channel of home and garden specialist retailers. The retail sales of stores specialising in the sale of home furniture and furnishings, homewares, floor coverings, soft furnishings, lighting etc.
4	Electronics and Appliance Specialist Retailers	Electronics and Appliance Specialist Retailers	The retail sales of stores specialising in the sale of large or small domestic electrical appliances, consumer electronic equipment (including mobile phones), computers or a combination of these. For mobile phone retailers, this excludes revenues derived from telecoms service plans and top-up cards, etc.
5		Store-based retail	The aggregation of the retail sales of grocery retailers (convenience stores, discounters, hypermarkets, supermarkets, traditional grocery retailers, etc.) and non-grocery specialists and mixed retailers (department stores, mass merchandisers, variety stores, warehouse clubs).
6		Non-store based retail	The retail sales of new and used goods to the general public for personal or household consumption from locations other than retail outlets or market stalls. Non-store retailing is the aggregation of Vending, Direct Selling, Homeshopping and Internet Retailing

CONSUMER APPLIANCES - PRODUCT/CHANNEL DEFINITIONS

No	Industry	Category	Definition
1	Consumer Appliances	Consumer Appliances	The aggregation of retail sales of major appliances and small appliances. Major appliances are an aggregate of the following categories: refrigeration appliances, home laundry appliances, dishwashers, large cooking appliances and microwaves. Small appliances are an aggregation of the following categories: food preparation appliances, small cooking appliances, vacuum cleaners, irons, personal care appliances, heating appliances and air treatment appliances.

No	Industry	Channel	Definition
1	Consumer Appliances	Store-based retail	The aggregation of the retail sales of grocery retailers (convenience stores, discounters, hypermarkets, supermarkets, traditional grocery retailers, etc.) and non-grocery specialists and mixed retailers (department stores, mass merchandisers, variety stores, warehouse clubs).
2	Consumer Appliances	Non-store based retail	The retail sales of new and used goods to the general public for personal or household consumption from locations other than retail outlets or market stalls. Non-store retailing is the aggregation of Vending, Direct Selling, Homeshopping and Internet Retailing

PERIOD COVERAGE

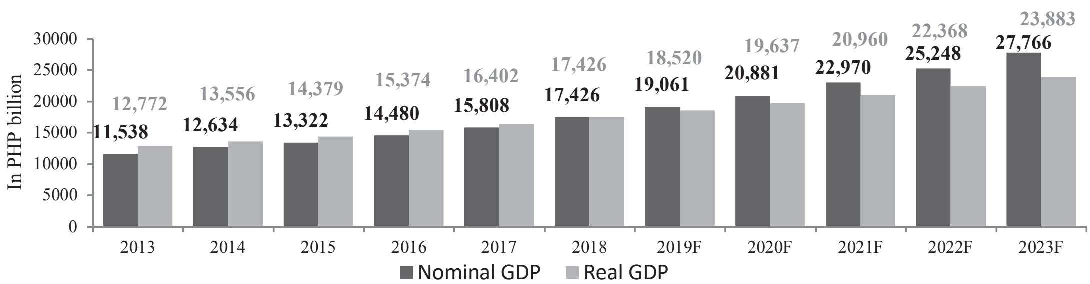
The market review for this report was carried out for the period covering 2014-2023, unless otherwise stated. The 2014-2018 period will be termed the historical or review period, and 2019-2023 will be deemed the forecast period. 2018 will be the report's base year.

MACROECONOMIC ENVIRONMENT IN THE PHILIPPINES

Robust economic growth will help the Philippines become an upper-middle income country

The Philippines has emerged as one of the fastest-growing economies in Asia Pacific, with robust real GDP growth rates above 6% recorded year-on-year between 2013 and 2018. The Philippine government aims for the country to go from being a lower-middle income country with a GNI per capita of US$3,830 in 2018, to becoming an upper-middle income country by 2022. According to the World Bank, the country is likely to achieve this goal in the short term due to a record of sustained annual economic growth rates during the review period. Despite some factors that might decelerate economic growth such as natural disasters and geopolitical risks, the country is backed by sound macroeconomic fundamentals, people-powered policies, and a globally-recognised competitive workforce, which will most likely help reinforce the economy's growth momentum. In 2018, inflation in the Philippines rose to 5.3%, the highest rate since 2013, caused by factors such as a global increase in oil prices, a weakened local currency and the initial effects of tax reforms.

Chart 1 Philippines Gross Domestic Product (GDP) at Current Price, 2013-2023



Real GDP - CAGR 13-18: 6.4% | CAGR 19F-23F: 6.6%

Source: Philippine Statistics Authority, Euromonitor International Passport – Economies and Consumers 2019 Edition

Supported by a young population, the thriving labour market drives consumer demand

According to 2018 estimates by the United Nations, the population of the Philippines stands at 108 million in 2019, making it the second-largest population in Southeast Asia (behind Indonesia). During the review period, the country saw a slowing but continued population growth, with some signs of ageing due to rising life expectancy. As a growing country nonetheless, the Philippines enjoys the advantage of having a large young population – 64% of the population is between 15 and 64 years of age in 2018, and the large workforce contributes to an ever-strengthening and vibrant labour market, attracting both domestic and foreign investment into the country. The number of middle-income households are also on the rise; since the Philippines has a high proportion of young adults, first-time homeowners typically spend on big-ticket items to furnish their new homes.

Traditionally, the country has been characterised by a large outbound pool of skilled or semi-skilled labour that works overseas and contributes to the local economy with remittances, injecting much-needed funds to help the country grow. The continuing stream of remittances of these Overseas Filipino Workers (OFWs) is a key source of funds for private domestic consumer spending.

Government infrastructure projects and increasing urbanisation support growth of construction sector

Despite lingering concerns about the external economic environment, domestic demand fuelled by economic prosperity has spurred growth in the local economy. During the review period, strong performance was recorded by the manufacturing industry, driven primarily by the growth of the construction sector, which, according to PSA, filed a double-digit growth rate of 16.4% in 2018. Under the Duterte administration, the country has experienced an infrastructure boom as the government commits to spending USD180 billion on infrastructure over the next decade. The number of approved building permits increased at 5.6% CAGR between 2013 and 2018, among which 70-80% went to residential buildings. Housing backlog in the Philippines has been an ongoing problem that the government aims to eradicate by 2030 through a 12% annual volume growth target and higher focus on the lower-cost housing segment.

Increasing urbanisation is supported by large numbers of young adults moving to major cities in search of better-paid jobs, which drives the demand for urban offices, retail and residential spaces. As the country prospers, there is more appetite for better quality of life, driving domestic consumption levels. The shift in consumer behaviour and changes in lifestyle, especially of young and busy working adults, have given rise to a corresponding demand for household items which help improve the efficiency of everyday life. This gives a positive outlook for the home-and-garden and consumer appliance industries.

Table 1 Macro-economic Indicators in the Philippines (2013-2023F)

	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F	CAGR 13-18	CAGR 19-23
Consumer expenditure per capita (PHP)	84,636	90,337	95,344	102,096	109,634	119,488	129,073	138,282	149,625	161,859	175,317	7.1%	8.0%
Total population (000)	98,481	100,102	101,716	103,320	104,918	106,512	108,106	109,703	111,303	112,902	114,497	1.6%	1.4%
Population Aged 0-14	32,251	32,515	32,782	33,038	33,285	33,527	33,766	34,004	34,236	34,460	34,674	0.8%	0.7%
Population Aged 15-64	61,877	63,091	64,284	65,462	66,624	67,769	68,901	70,026	71,148	72,268	73,388	1.8%	1.6%
Population Aged 65+	4,352	4,497	4,650	4,820	5,009	5,217	5,439	5,673	5,919	6,173	6,435	3.7%	4.3%
Urban population (000)	45,206	46,140	47,078	48,018	48,978	49,962	N/A	N/A	N/A	N/A	N/A	2.0%	-
Approved Building Permits (unit)	120,775	126,875	132,006	147,998	152,012	158,664	N/A	N/A	N/A	N/A	N/A	5.6%	-
New Residential Permits (unit)	87,767	90,201	97,174	113,097	110,942	125,429	N/A	N/A	N/A	N/A	N/A	7.4%	-
Residential Construction Value (PHP million)	133,784	152,756	160,066	187,600	164,153	292,311	N/A	N/A	N/A	N/A	N/A	16.9%	-
Residential Floor Area (000 sqm)	13,672	14,936	15,724	17,592	16,301	25,806	N/A	N/A	N/A	N/A	N/A	13.5%	-

Source: Philippine Statistics Authority, World Bank, Euromonitor International Passport – Economies and Consumers 2019 Edition

Wealth distribution initiatives increase number of families with higher household incomes

Wealth distribution has been one of the key ambitions of President Duterte, with the introduction of tax reforms under the TRAIN Act, as well as other government initiatives introduced to help the poor benefit from economic growth. In the long run, the Philippines will, if wealth is fairly distributed, be able to sustain a solid economic growth and develop a strong economic infrastructure through sustainable models. According to Euromonitor estimates, the population earning less than US$2,500 annual income is expected to decline at 4.5% CAGR in the next 5 years, while population earning more than US$5,000 is anticipated to record a double digit CAGR in the forecast 2019-2023 period.

Table 2 Population by Income Range (Current Prices) (2013-2023F)

Population by Income Range (000)	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F	CAGR 13-18	CAGR 19-23
Below US$2,500	38,581	39,112	38,585	38,342	38,592	37,723	36,632	35,542	33,967	32,261	30,419	-0.4%	-4.5%
US$2,501-5,000	16,574	17,127	18,159	19,008	19,653	20,666	20,967	21,244	21,575	21,889	22,186	4.5%	1.4%
US$5,001-10,000	7,559	7,785	8,404	8,941	9,284	10,109	11,202	12,292	13,663	15,107	16,626	6.0%	10.4%
US$10,001-15,000	1,755	1,788	1,916	2,032	2,097	2,304	2,785	3,278	3,858	4,479	5,144	5.6%	16.6%
US$15,001-30,000	1,158	1,166	1,230	1,292	1,321	1,447	1,856	2,278	2,753	3,258	3,795	4.6%	19.6%
US$30,001-50,000	281	282	294	307	317	340	438	541	654	773	898	3.9%	19.6%
US$50,001-80,000	139	142	150	156	161	172	204	236	272	309	349	4.4%	14.4%
US$80,001-150,000	97	99	104	109	112	120	137	154	174	195	218	4.3%	12.3%
US$150,001+	86	88	92	96	98	105	120	135	152	171	190	4.0%	12.3%

Source: Euromonitor International Passport – Economies and Consumers 2019 Edition

Growth of Home-and-Garden retailing and Consumer Appliance industries aligned with government initiatives

The Economic Transformation Framework rolled out by the Duterte administration is intended to not only stimulate the economy in order to increase per capita income in the short term, but also to upgrade the country's infrastructure to support long-term economic growth. In the medium-term, the government notably accelerated government spending on infrastructure-building, making government budget allocation on infrastructure *de facto* the highest ever in the country's history. By the end of 2018, 37 out of 75 planned projects under the *Build, Build, Build* Programme, worth an estimated PHP1.6 trillion, have been approved by the National Economic and Development Authority. Furthermore, 14 among the 37 planned projects are, under Duterte's terms, expected to be completed by 2022.

Duterte's flagship infrastructure programme is expected to propel household unit growth. One of the projects under *Build, Build, Build* includes the construction of mixed-income housing in the New Clark City and other provinces, which is expected to provide new housing for newly urbanised young Filipino families. Household growth is predicted to further stimulate the demand for consumer appliances and home-and-garden products including homeware, furniture and home improvement products. As a result, players in related industries will likely benefit from the *Build, Build, Build* programme.

Economic power focused in key regions as government is set on redistributing wealth

During the review period, key regions in the Philippines have shown sustained growth and stability in terms of population, employment rates and average annual income. However, development and economic growth are unevenly distributed: together, the National Capital Region (NCR), Central Luzon, and Southern Luzon are home to more than two thirds of the total population, and account for more than half of the country's total GDP. Outside the National Capital Region (NCR), major regions in Luzon (Region III, IV, and V), the Visayas (Region VI and VII) and Mindanao (Region X) comprise about 65% of the the Philippines's total population. Wealth is still unevenly distributed between regions, with income gaps between the National Capital Region and other regions widening from 2012 to 2015. With national inclusive growth and wealth distribution in mind, the Duterte administration worked for a decentralisation process by redistributing power and resources of the national government to regional governments. President Duterte also assigned key Cabinet Ministers to oversee the development of the regions. The mid-term development plan asserts to provide Filipinos with a *matatag, maginhawa, at panatag na buhay* (translated as a "stable, comfortable, and peaceful life") with three key strategic targets: firstly, to put the Philippines on the path to become an upper middle-income country by 2022; secondly, to promote inclusive growth by reducing poverty rates especially in rural regions; and thirdly, to lower unemployment rates from 5.5% to 3-5% (3% to 5%).

Various flagship infrastructural projects outside the NCR are intended to balance the country's economic development and are devised to help narrowing income gaps, drive job creation, and increase urbanisation in the regions. A rise in income per capita would translate into higher spending for Filipino households on items other than necessities such as food, rent, and utilities.

Table 3 Macro-economic Indicators in Key Regions in the Philippines*

	2015 Population (000)	2018 % Employment	2015 Average Annual Family Income (PHP '000)
National	101,716.4	**94.6%**	**267**
National Capital Region	12,877.3	93.6%	425
Central Luzon (Region III)	11,218.2	94.6%	299
Southern Luzon (Region IV and Region V)	23,175.1	94.4%	240
Western Visayas (Region VI)	4,477.2	94.6%	226
Central Visayas (Region VII)	6,041.9	94.3%	239
Northern Mindanao (Region X)	4,689.3	94.9%	221

Source: Philippine Statistics Authority

**Based on latest data available from the Philippines Statistics Authority during the course of the research*

The Philippines stands out as one of the most dynamic economies in Southeast Asia

The previous Aquino administration established macroeconomic stability as a key governmental priority, and positive results have been reinforced by the current Duterte administration. As a result, the Philippines's economy demonstrated great resilience, remaining stable amid challenging recent global market conditions. From 2013 to 2023, the disposable income per capita in the Philippines remained among the lowest in the region. However, short-term economic forecasts point towards stable growth in household consumption. This growth is driven by a combination of factors including currency depreciation, tax reforms and subdued inflation expectations. Furthermore, the spending power of households receiving remittances from family members who are Overseas Filipino Workers continues to increase as the peso is weakening against a strong USD, and the local value of remittances increases. In addition, under the Tax Reform for Acceleration and Inclusion (TRAIN) Act, Filipinos with an annual income of less than PHP 250,000 are exempted from paying Personal Income Tax (PIT), while those earning less than PHP2 million annually will see reduced PIT rates. According to the Department of Finance, under the TRAIN Act, monthly cash transfers of PHP300 will be issued to the poorest 10 million households in the years 2019 and 2020. Moreover, price levels are expected to revert to previous levels as the initial inflationary pressures from tax reforms dissipate.

Table 4 Disposable Income in the Philippines, Indonesia, Thailand, Vietnam, Malaysia, Singapore, Forecast (2019-2023)

Disposable Income per capita (USD*)	2019	2020	2021	2022	2023	CAGR 19-23
Philippines	2,518.7	2,695.0	2,913.6	3,149.3	3,408.7	7.9%
Indonesia	2,468.3	2,659.5	2,880.1	3,131.5	3,403.0	8.4%
Thailand	3,998.6	4,194.9	4,415.0	4,655.4	4,905.1	5.2%
Vietnam	1,919.4	2,098.2	2,294.8	2,510.7	2,746.0	9.4%
Malaysia	6,445.6	6,967.7	7,516.4	8,118.3	8,680.3	7.7%
Singapore	31,995.4	33,197.8	34,583.6	35,930.2	37,397.1	4.0%

Source: Euromonitor International Passport - Economies and Consumers 2019 Edition

** Note: Applied current prices, fixed 2018 USD exchange rate*

A large young population gives the country an edge over other economies in the region

The population of the Philippines is the second largest in Southeast Asia, below Indonesia. Thailand and Singapore have ageing populations and register very low population growth rates below 1%. While growth has slowed down, the population of the Philippines is expected to continue growing more than other countries under review as life expectancy increases along with rising standards of living.

The young and large population of the Philippines is expected to be one of the main pillars of its economic growth, as young adults form the base of the workforce. Young adults drive domestic demand for housing, especially in urban areas, strongly uplifting the construction economy. They are also more focused on quality-living and upgrading and improving living spaces. This is expected to give the Home and Garden Specialist Retail and Consumer Appliances industries a solid boost in terms of sales over the short-to-medium term.

Table 5 Demographics of the Philippines, Indonesia, Thailand, Vietnam, Malaysia, Singapore, Forecast (2019-2023)

	2019 Population ('000)	2020 Population ('000)	2021 Population ('000)	2022 Population ('000)	2023 Population ('000)	Population CAGR 2019-2023	2018 Median Age
Philippines	108,106	109,703	111,303	112,902	114,497	1.4%	24.7
Indonesia	269,537	272,223	274,854	277,425	279,934	1.0%	28.8
Thailand	69,306	69,411	69,498	69,568	69,621	0.1%	39.3
Vietnam	97,429	98,360	99,284	100,195	101,084	0.9%	31.7
Malaysia	32,741	33,100	33,463	33,827	34,188	1.1%	28.9
Singapore	5,707	5,749	5,786	5,818	5,846	0.6%	43.3

Source: Euromonitor International Passport - Economies and Consumers 2019 Edition

HOME AND GARDEN SPECIALIST RETAILERS IN THE PHILIPPINES

Market Overview

One-stop shop concept increasingly popular due to convenience

Home and Garden specialist retailers comprise two main types of stores, i.e. 'Home Improvement and Gardening stores' and 'Homewares and Home Furnishing stores'. The one-stop shop concept where consumers are able to find multiple goods and services at one place is popular in the Philippines. Poor traffic conditions especially in metropolitan areas limit mobility, thus making convenience essential. Filipinos also value the shopping experience itself and enjoy physical visits to stores, where there are value-added services such as sales support, to make purchases worthwhile.

Culturally, Filipinos are known to like spending their free time in shopping malls with friends and family. Home and garden specialist retailers located in shopping mall outlets have taken advantage of this habit by providing convenient one-stop shop experiences for consumers. On the other hand, home and garden specialist retailers that have stand-alone depot outlets also employ this one-stop shop strategy to attract customers. However, their concept is different in that they are able to give a 'showroom' type of experience for a variety of products, for customers to truly be able to picture how items will look in their homes. Additionally, depots stock many more products so that customers who are renovating or furnishing homes can be confident that they will find all they need in one place. These outlets also typically provide the same services as malls, such as consultation and delivery.

However, smaller traditional non-chain retailers are still widely prevalent in the Philippines. These retailers can be as big as grocery retailers or as small as traditional mom-and-pop stores in terms of size, but they are mostly family owned, have less than 10 outlets, and are popular in their specific locations. Product variety in these retailers is not as wide as mall-based outlets and depots, and typically specific shops are known for specialty items that they stock. Because they are located nearer to residential areas, rent is cheaper and as such, they are able to lower their costs and offer their customers cheaper prices. Most contractors typically prefer to deal with these retailers directly as they are able to get special bulk pricing and more lenient payment terms based on their relationship with the owners.

Overall steady growth over historical period as store-based retail continues to dominate

Retail format wise, non-store based retailing, which comprises internet retailing, home shopping and direct selling, remained small with an estimated retail value share of 0.5% from the total home and garden specialist retailers market in 2018. This is because Filipino consumers are more comfortable going to brick-and-mortar shops in order to inspect products before buying. Consumers have also faced difficulties in terms of shipping, assembly, and the prospect of returns in case of product defects. Consequently, the non-store retail segment grew stronger at 10.1% CAGR between 2014 and 2018, because it was growing from a small base.

Market Outlook

Healthy growth trajectory due to growing construction industry and IKEA's entrance

The continuing strength of the construction industry, stemming from new infrastructure programmes such as *Build Build Build*, and the demand for more residential and commercial spaces, are expected to support economic growth in the Philippines. An increase in tourism will also fuel growth in the hospitality sector. Additionally, the arrival of international chains such as IKEA will enhance competition and provide consumers with more choice through a wider range of products. IKEA is expected to enter the market in 2020. Consumers are highly anticipating this entry, which is set to create an uptick in growth figures through 2023. Home and garden specialist retailers are expected to expand out of Metro Manila to more provincial areas, as well as to the Visayas and Mindanao region.

While overall online retailing is growing, e-commerce sales within the home and garden industry are still at infancy stage as only small wares are typically available in these channels. However, players are increasingly recognising that having an omnichannel could add value to their sales, as consumers would be able to visit offline stores to touch and see products, but at the same time have the time flexibility to make the purchase. Non-store-based outlets, including internet retailing, home-shopping and direct selling, are forecasted to have a stronger CAGR growth at 18.7% for the forecast period as more consumers will take advantage of online retailing for small wares, especially with aggressive promotions from online marketplaces such as Lazada.

Table 6 Retail value (RSP) of Home and Garden Specialist Retailers in the Philippines, (2014-2023)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR 14-18	CAGR 19-23
Total Home and Garden Specialist Retailers (PHP million)	198,945	207,302	215,708	230,390	246,052.9	274,131	308,729	337,451	361,620	385,049	5.5%	8.9%
Store-based	198,130	206,407	214,709	229,310	244,853	272,764	307,129	335,547	359,392	382,476	5.4%	8.8%
Non-store-based	815	895	998	1,080	1,199	1,368	1,600	1,904	2,228	2,573	10.1%	18.7%
Home Improvement and Gardening Stores (store-based)*	77,608	81,284	85,056	92,370	99,361	111,652	126,909	139,545	150,113	160,337	6.4%	9.5%

Source: Euromonitor estimates from desk research and trade interviews

**A sub-channel of home and garden specialist retailers, it includes retail outlets with a primary focus on selling home improvement materials and hardware, paints, coatings and wall coverings, kitchen and bathroom, fixtures and fittings, gardening equipment.*
Please refer to the table of Definitions and Scope for full definitions.

Market Drivers

Continuous growth in infrastructure, residential and commercial construction

Growth in the industry is expected to be supported by President Duterte's push for infrastructure under the *Build, Build, Build* programme, which has allocated budget for more roads, bridges, railways, airports and seaports. There is growing demand for residential condominiums, and there is a pipeline of projects within the upper, mid-level and luxury segments in Makati and Bonifacio Global City.

Rising incomes especially among the middle class

Over the past few years, the Philippines has experienced strong economic growth as evidenced by the annual GDP rise, with real GDP growth rates above 6% recorded year-on-year from 2013 to 2018. Higher incomes, especially among the rising middle class, make way for a lot of aspirational purchases. Consumers are eager to show off their wealth. Within the home and garden industry, this translates into more renovations, home improvement and DIY projects.

Growth in consumer credit with the emergence of alternative lenders

According to Euromonitor estimates, consumer credit gross lending increased by 16% in current value terms to reach PHP1.5 trillion in 2018. There has been continued growth in consumer lending among the unbanked population, mainly made up by millennials. Historically, younger consumers had a hard time accessing credit facilities from financial institutions, as they have no previous record of creditworthiness. However, in recent years, strong economic growth has encouraged new consumer finance companies (e.g. Home Credit and AEON) to enter the Philippines.

Instalment plans are appealing to a market like the Philippines's, where a high proportion of the population still does not own credit cards. More information online on how to apply for credit has also made it easier for millennials gain access to credit facilities.

Market Constraints

Unreliable logistics limits growth for both e-commerce and traditional brick-and-mortar players

Transportation and logistics are essential for economic growth. In a country with more than 7000 islands, the ability to move and receive goods in a timely and efficient manner is essential. However, the logistics industry in the Philippines is still underdeveloped and remains one of the biggest costs of businesses. The Department of Trade and Industry states that in the Philippines, logistical costs account for 24% to 53% of wholesale prices, while shipping and port handling costs cover 8% to 30%, depending on the goods' route, and roughly 5% of the retail price of goods. In addition, the Philippines is known for its inefficient customs border clearance, especially at its ports. Delays due to port inefficiency can also lead to higher inventory costs and even loss of business opportunities. In the home and garden industry, this means that businesses are often reluctant to expand outside Metro Manila, and might have a hard time bringing in imported stock. At the same time, provincial consumers have limited access to retailers and products.

Low online adoption for big ticket items

While the Philippine e-commerce industry is expanding and people buy home and garden products from online market places, people still prefer to go to brick-and-mortar stores to look at and test products when it comes to big ticket items such as large furniture or power tools. Furniture is bought based largely on consumers' personal preferences. Online pictures often do not reflect how products really look like, so buyers prefer to be able to physically check out a product before purchase. People are also very apprehensive when it comes to assembling and installing products themselves, and going to brick-and-mortar outlets means that they get these extra services directly from the retailers.

Limited retail space expansion

Since most retailers are already present in Metro Manila and in the Luzon region, retail outlet expansion may mean having to open in Visayas and Mindanao. However, expanding at a mall outlet often means awaiting retail space availability or having to purchase a large piece of property to develop depot outlets. Finding rental space in retail malls is often difficult, and buying and developing land takes considerable time and investment. Expanding into provincial areas could also potentially translate into additional logistic issues.

COMPETITIVE LANDSCAPE IN HOME IMPROVEMENT AND GARDENING STORES

Leading companies provide a variety of products and services

Retail formats across players in home improvement and gardening stores vary. Some are depots and others are mall-based stores. While a significant proportion of consumers still purchase hardware tools in the fragmented segment of small independent stores, many shift to bigger retailers because of the wider availability of various brands, warranty, and the possibility to use credit cards or other instalment plans for payment — something that small independent stores generally do not offer. Consequently, the market is expected to move towards consolidation in the long run. However, the shift is expected to be relatively slow as consumers are still mostly familiar with buying tools from small independent stores.

The top players in the industry typically market themselves as one-stop shops that have a variety of products ranging from hardware tools, plumbing, tiles or flooring, electrical, lighting, furniture, housewares, appliances, paints, and other building materials. They also provide services that improve customer experience. These typically include, but are not limited to, customer service hotlines, consultation and design proposals, free delivery, warranty services, installation and loyalty privileges.

Most leading companies are also typically vertically and/or horizontally integrated in their value chain. The top player has internal manufacturing capabilities and produces their own product lines and in-house brands as well as exclusive franchise agreements that include exclusive distribution agreements on select product lines. The other leading players are affiliated with large conglomerates and are horizontally integrated, in that they are exclusive tenants in malls and can tag onto the malls retail, logistics, marketing, sourcing, and other promotional activities. These outlets also often have consignment partnerships with other suppliers so that they do not need to keep products in the warehouse, but suppliers ship and supply products directly to outlets.

Table 7 Leading companies in terms of Retail Value Sales – Home Improvement and Gardening Stores, 2014 and 2018

Brand	Market Share, 2014	Market Share, 2018
Brand A	17.5%	21.2%
Brand B	13.3%	15.4%
Brand C	7.7%	10.5%
AllHome	0.9%	7.2%
Brand D	4.1%	5.4%

Source: Euromonitor estimates from trade interview and desk research
Note: The ranking reported above has been determined via a fieldwork program consisting of desk research and trade interviews. Audited data if available is usually not industry / service specific and includes other products / services. Leading industry players' ranking will therefore be estimated on publicly available data and the trade opinion survey (not just the companies themselves).

CONSUMER APPLIANCES INDUSTRY IN THE PHILIPPINES

Market Overview

Local companies to dominate in smaller appliances due to competitive pricing

The customer base of the consumer appliances industry in the Philippines comprise price sensitive consumers who tend to place greater importance on value-for-money appeal and functionality rather than design or innovation. Sales turnover is growing not because of significant increased demand but rather because consumer appliances spoil easily and have to be replaced often. The short replacement cycle means good sales opportunities for local manufacturers or importers.

Local manufacturers have proliferated and dominated the market of small appliances while international brands dominate bigger appliances. Within the local consumer appliances industry, local manufacturers have proven to be more agile, launching different product models in various colours and at lower price points to appeal to different segments of the consumer market. On the other hand, international brands often have the technological expertise and financial resources to embark on comprehensive research and development, allowing them to introduce innovative and often more highly-priced products.

Strong historical performance driven by both supply-side and demand-side factors

The consumer appliance industry continues to benefit from the strong performance of the Philippines economy, driven by positive catalysts such as robust domestic demand, low inflation, affordable and flexible financing costs and the middle class's higher purchasing power. Store-based retail formats still account for more than 95% of the total retail value throughout the review period, while non-store-based formats account for an extremely small share of less than 0.1%. Filipino consumers prefer to be able to see and touch the products for higher ticket purchases, and seek advice from store staff. Store-based retailers of consumer appliances in the Philippines include electronics and appliance specialist retailers, mixed retailers (department stores, variety stores), home and garden specialist retailers, grocery stores, etc.

As the main store-based retail format, electronics and appliances specialist retailers are estimated to capture more than 70% of the total retail sales value of consumer appliances. However, in recent years, home and garden specialist retailers have also started to offer consumer appliances, in a bid to increase the time a visitor spends at their stores. The variety of consumer appliance products stocked in a home and garden specialist retailer may be limited as compared to an electronics and appliance specialist retailer. This is because a home and garden specialist retailer may limit the range of products to those sourced from preferred partners or suppliers, or select products which are more aligned with products in other categories, in terms of quality, aesthetics and design, or price.

Market outlook

Expansion into high-growth provincial cities and growth in ecommerce will provide vast opportunities

While the bulk of the retail value of the consumer appliance industry is generated in the NCR during the review period, expansion to provincial areas is expected to be the key driver of growth for the forecast period. Markets in key cities are becoming increasingly saturated, and retailers are expected to shift their attention to fast-growing second-tier cities and under-served provincial areas. As consumers in such cities become financially ready for their first big-ticket purchases, the consumer appliance industry is expected to enjoy tremendous growth opportunities.

Store-based retailing is expected to dominate the industry, but ecommerce in the Philippines is also expected to experience rapid growth during the forecast period, as consumers start to get comfortable with online purchases of low-value items such as clothing and cosmetics or electronic accessory products. As after-sales service and returns terms and conditions improve, Filipino consumers are expected to gain greater confidence in purchasing high-value items online (such as consumer appliances). In turn, it will create great opportunities for retailers who have a comprehensive online presence and can reach out to regions or areas in which they do not have a physical presence.

Table 8 Retail value (RSP) of Consumer Appliances in the Philippines, Historic (2014-2023)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR 14-18	CAGR 19-23
Total Consumer Appliances (PHP million)	62,493	66,810	71,628	77,517	84,366	90,374	96,704	103,133	109,694	116,256	7.8%	6.5%
Store-based channels	62,199	66,496	71,284	77,137	83,944	89,895	96,172	102,534	109,014	115,512	7.8%	6.5%
Non-store-based channels	294	314	344	380	422	479	532	598	680	744	9.5%	11.6%

Source: Euromonitor International estimates from trade interviews and desk research

Market Drivers

Rising number of small households and working population push the growth of consumer appliance industry

As the country prospers and disposable income rises, consumers demand a higher standard of living. New couples account for a large proportion of the rising number of smaller-sized households. The trend for new couples is indeed to move out of their family homes and getting their own places. At the individual level, first-time homeowners are often young working adults and form dual-income households. Combined income provides these households with financial capacity and purchasing power. Coupled with the demand for a high quality of life, these first-time homeowners also have higher willingness to spend on premium consumer appliances for their homes as compared to the previous generations.

The addressable market for the consumer appliance industry in the Philippines is growing. The working-age group of 15-64 years, which is more attuned to lifestyle and technological trends, constitutes 64% of the total population in the Philippines in 2018 and provides the most opportunity for the consumer appliance industry. In fact, first-time homeowners and knowledgeable consumers seek high-quality and technologically advanced products.

Consumers' increasing preference for energy-efficient products drives manufacturers to innovate

Filipino consumers are generally careful with their spending, and replacing working consumer appliances is likely only for consumers if new products provide significant value in the long-term; for example, cutting down future household utilities bills. Consumers are increasingly environmentally conscious, and purchasing patterns show an increasing demand for eco-friendly and energy-efficient consumer appliances. Concern for the environment is also gaining traction among manufacturers, who wish to adapt to consumer trends and simultaneously need to comply with government regulations and product standards. Newly introduced regulations, such as the Enercon Act (pending for approval), are expected to facilitate the adoption of energy-efficient appliances soon.

Shortening product lifespans and quicker replacement cycle due to better technologies

The rise of new and better technologies enhances product obsolescence and shortens product lifespans, as working consumer appliances sometimes have to be replaced, not because they do not work anymore, but simply because they do not support new technologies in place or are deemed too "old" as parts required for repair are no longer manufactured.

The Philippines has a strong replacement market in smaller and lower-value consumer appliances, which are generally of low quality and not built to last. They typically require replacing every 1 to 2 years. However, the replacement cycle is relatively long in high-value appliances like air conditioning sets, refrigerators and washing machines. Based on estimates by Euromonitor, their traditional replacement cycle of such high-value applicances is of around 10 years,. Overall, the replacement cycle is expected to shrink as consumers wish to stay up-to-date with product upgrades and improvement in consumer appliance technology.

Market Constraints

Poor transport infrastructure and the presence of independent local operators pose challenges in provincial areas

Developing an extensive logistics supply chain to source, store and distribute consumer appliances has become increasingly critical to the success of a business. However, it can be extremely costly and can be a huge financial burden, especially to small-scale local manufacturers. Beyond the logistics and transport infrastructure of the country, logistics costs may be affected by volatile oil prices. Transportation is particularly sensitive to higher petrol prices, and any upward movement would have immediate negative impact on the costs of both manufacturers and retailers in the consumer appliance industry.

The retail markets for appliances in emerging provincial areas are dominated by independent local operators. Expansion into these areas exposes appliance companies to operational and logistical risks of doing business in new areas. There is a high likelihood of encountering difficulties in obtaining local government permits for new retail stores, due to a lack of understanding of local requirements and procedures.

Market saturation in the NCR and other first-tier cities

Previously, the growth of the consumer appliances industry in the Philippine market was driven by first-time purchases as consumers gained purchasing power. For big-ticket such as washing machines and dishwashers, first-time purchases continue to be common even in the National Capital Region (NCR) and other key cities. However, products in these categories are unlikely to be replaced often, and the sales turnover of the industry is largely dependent on small appliances, which are of lower price points and offer more basic functions. In addition, the market is saturated for small household appliances, and demand for such products has plateaued as such products, including rice cookers, electric fans, toasters, ovens, gas stoves, are considered must-haves in any households, and the market penetration is high, especially in urban areas.

High seasonal demand for small consumer appliances will prove a challenge for both manufacturers and certain retailers

Filipino consumers typically go on spending sprees for special occasions and in certain seasons (for example Christmas), which are particularly important sales periods. During such occasions, small household consumer appliances such as food processors, blenders, and oven toasters are particularly popular, and total sales during those specific months may exceed that of the rest of the entire year. However, for retailers like home and garden retailers who stock a high number of SKUs, consumer appliances are not the main product offering when consumers visit such stores. There is therefore a risk for them to be stuck with leftover inventory if stocked consumer appliance products do not sell out during peak seasons. Moreover, consumer appliances are becoming obsolete as new models with new features or design are continuously introduced.

ALLHOME’S KEY COMPETITIVE STRENGTHS

AllHome prides itself as a convenient one-stop-shop. As compared to its peers, AllHome has one of the widest product offerings in that it does not only carry home improvement and gardening products, but also homewares and furnishing, as well as consumer appliances. Its full product offerings include furniture, appliances, homewares, linens, hardware tiles and sanitary, as well as construction materials. AllHome offers 250,000 SKUs across its categories, higher than that of its competitors.

Six years after its launch, AllHome had 27 outlets in 2019 in key regions including the NCR, Luzon, the Visayas and Mindanao. With growth potential in second and third tier cities, the company plans to continue expanding into the provinces. Outlets are generally located in residential areas to be closer to consumers. AllHome’s affiliation with the Villar Group, which includes Vista Land, Golden Bria and retail concepts under AllValue, allows it to enjoy synergies from these collaborations.

With increasing competition, AllHome plans to create more in-house brands to provide customers with a wider product selection while ensuring better profit margins as it becomes less dependent on manufacturers and distributors. Taking into consideration the increasing demand for construction in the Philippines, one of AllHome’s marketing strategies is to establish connection with construction companies or contractors, which would open doors not just to residential, but also to commercial construction and the furnishing market.

Based on data provided by AllHome Corp and Euromonitor’s market estimates, the company had a 7.2% market share in the home improvement and gardening stores in the Philippines in 2018. AllHome has been one of the fastest growing home improvement and gardening stores in the Philippines over the last 5 years. As a testament to the strength of its platform, AllHome’s market share has grown by 6.3% over the last 5 years, the fastest compared to its key competitors.

OVERVIEW

AllHome Corp. is a pioneering "one-stop shop" home store in the Philippines – from building your home to furnishing it, we believe we have all your home needs. Since our incorporation in 2013, we have grown to 25 stores as of June 30, 2019, having an aggregate net selling space of approximately 196,327 sqm across 20 cities and municipalities. In the month of July 2019, we opened two more stores, increasing our total number of stores to 27 with an aggregate net selling space of approximately 215,994 sqm across 22 cities and municipalities. Our product offering spans seven key categories from over 800 local and international brands, including 18 in-house brands. These product categories are furniture, hardware, appliances, tiles and sanitary wares, homewares, linens and construction materials.

We believe that we offer our customers a unique shopping experience for the home in a comfortable and convenient setting. Currently, we have three store formats in operation: (1) large mall-based store, ranging from 2,902 sqm to 12,267 sqm in net selling space with an average net selling space of over 9,000 sqm; (2) large free-standing store, ranging from 4,903 sqm to 9,369 sqm in net selling space with an average net selling space of over 8,200 sqm; and (3) small specialty store, ranging from 171 sqm to 696 sqm in net selling space with an average net selling space of over 380 sqm, all under the "AllHome" name. We expect to introduce a fourth store format, the "AllBuilders" store, before the end of the year. Our AllBuilders store format will offer a more extensive selection of hardware, tiles and sanitary wares, and construction materials. We believe that our range of store formats appeal to homeowners, in-house design consultants, architects and contractors and help them to realize their vision of creating their dream homes and living spaces.

To complement our product offerings, we provide special services including styling consultations with in-house design consultants, ready-for-occupancy home furnishing services, delivery, customizable furniture, gift registry services and customer lounges where homeowners, in-house design consultants, architects and contractors can meet to discuss their plans.

We primarily serve and target customers within the upper middle income to upper income segment, which according to a study by the Philippine Institute of Development Studies ("**PIDS**"), have an average monthly household income of approximately ₱70,000 and above.

Our large mall-based and large free-standing stores carry over 250,000 SKUs while our small specialty store carries over 10,000 SKUs. We believe that our wide assortment of products and special services together with our knowledgeable and accommodating staff, provide value for money and deliver a truly one-stop shop experience for all home needs.

As of June 30, 2019, we had a total of 25 stores in operation, 19 of which are located in Mega Manila, three in Luzon (outside Mega Manila) and three in Visayas and Mindanao. We opened two new stores in the first half of 2019 and for the second half of 2019, we aim to open 20 more stores, comprising four large mall-based stores, four large free-standing stores, six small specialty stores and six AllBuilders stores. As of July 31, 2019, two of the four large mall-based stores planned for the second half of 2019 were opened.

AllHome is a member of the Villar group of companies (the "**Villar Group**"), which also includes Vista Land and Lifescapes, Inc. ("**Vista Land**") and Golden Bria Holdings, Inc. ("**Golden Bria**"). Vista Land is one of the largest integrated property developers in the Philippines, providing a range of housing products to customers across all income segments. Golden Bria, through its subsidiary, Bria Homes, Inc. is the largest mass market housing developer in the Philippines. Since commencing operations in 1977, the Villar Group has built about 500,000 homes as of June 30, 2019. Vista Land owns and operates various retail malls and commercial centers in key cities and municipalities in the Philippines under the names "Vista Mall" and "Starmalls." As of June 30, 2019, Vista Land's portfolio of retail malls and commercial centers included 31 Vista Malls and Starmalls as well as seven offices and 52 commercial centers.

For each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, our revenues were ₱3,430.6 million, ₱4,896.3 million, ₱7,192.2 million (U.S.$140.3 million) and ₱5,055.2 million (U.S.$98.6 million), respectively. For each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, our net profit was ₱46.6 million, ₱112.6 million, ₱511.4 million (U.S.$10.0 million) and ₱434.3 million (U.S.$8.5 million), respectively.

STRENGTHS AND STRATEGIES

Competitive Strengths

We believe that we benefit from the following strengths.

Strengths

Pioneering "one-stop shop" home store offering a comprehensive selection of products in a fast-growing segment of the retail sector in the Philippines

We believe that we are the only "one-stop shop" home store in the Philippines. Our product offerings span seven key categories (furniture, hardware, appliances, tiles and sanitary wares, homewares, linens and construction materials) and two retail segments – the home and garden specialist retail segment and the electronics and appliance specialist retailer segment (collectively, the "**Home Improvement and Consumer Appliances Markets**"). According to Euromonitor, retail sales in the Home Improvement and Consumer Appliance Markets amounted to ₱430.2 billion in aggregate. We are capitalizing on this opportunity, having entered the Home Improvement and Consumer Appliances Markets in 2013 and grown our store network to 27 stores as of July 31, 2019. According to Euromonitor, the home and garden specialist retail market is expected to grow at a CAGR of 6.1% from ₱244.8 billion in 2018 to ₱328.5 billion in 2023 and the electronics and appliance specialist retail market is expected to grow at a CAGR of 4.9% from ₱185.3 billion in 2018 to ₱235.7 billion in 2023. We offer customers the convenience of fulfilling all their home furnishing and home improvement needs in one location by providing a broad selection of brands and value-for-money products, which differentiates us from our competitors, who offer only a limited number of product categories. Our primary store formats–the large mall-based store and the large free-standing store–carry over 250,000 SKUs, enabling us to offer a wider range of products catering to a broad customer base and varying household needs of homeowners.

We believe that the combined size and scale of our stores, comprehensive product offerings and the "one-stop" shopping experience sets us apart from our competitors. Leveraging on our store network and unique "one-stop shop" proposition, we believe that we are well-positioned to take advantage of the sustained growth of the home improvement retail sector in the Philippines

Strategic and sustainable expansion plan arising from synergistic relationship with the country's leading homebuilder

Our relationship with the Villar Group, including Vista Land and Golden Bria, allows us to locate and launch new stores in parallel with the development of the residential and commercial projects of the Villar Group. This enables us to strategically pursue our expansion plans to cater to home builders and new homeowners, our key customer base, allowing us to allocate and utilize capital more efficiently. We also have access to contractors with whom the Villar Group has long-term strategic partnerships who are committed to the Villar Group's projects, including AllHome's expansion, in the coming years.

The Villar Group is one of the largest integrated property developers in the Philippines with a presence in more than 145 cities and municipalities nationwide and a land bank of over 3,000 hectares across the country as of June 30, 2019, located in areas in proximity to major roads and primary infrastructure. We believe that the demand for home improvement products from homeowners of the Villar Group provide a large customer base for our stores. As a member of the Villar Group, we have direct access to homeowners as well as access to information on a significant share of the Philippine home market, giving us an in-depth understanding of customer preferences and the demographics of where a store is located. Our extensive knowledge allows us to customize our product offerings and offer packages based on a homeowner's budget and specifications. Our stores are typically located in what we believe are high retail traffic locations, including shopping malls and residential communities of the Villar Group. As of June 30, 2019, approximately 92% of our stores were located on properties leased from the Villar Group, all of which were located near Villar Group residential projects, and as of the same date, 22 of our stores are mall-based and are located at Vista Malls or Starmalls.

In addition, as a member of the Villar Group, we also have access to a pool of contractors and have established a long-term relationship with a contractor accredited with the Philippine Contractors Accreditation Board ("**PCAB**"), which has a "AAAA" rating from the PCAB. Our relationship provides us strategic access to a manpower complement of over 25,000 persons that can be deployed to commence building and fit-out of a new store site. We believe that we are well-positioned to continue to benefit from the Villar Group's land bank, extensive project pipeline, in-depth knowledge and resources to select and open new stores strategically and systematically.

Strong operational expertise and a scalable business model for future expansion

We have steadily expanded to operate a network of 27 stores nationwide as of July 31, 2019 since AllHome's incorporation in 2013. We believe that we have accumulated the know-how to efficiently set up and effectively operate a home store. For each of our store formats, we have established operational principles in terms of store layout and design, inventory management, logistics, staff training system and policies, which can be readily applied to our stores, allowing us to open new stores efficiently while providing a consistent shopping experience to our customers across our store formats. In addition, we have product category specialists for merchandising that ensure the quality and relevance of our product offerings. We also have store operations managers whose knowledge and expertise deliver better customer service and overall customer experience. We believe that as we pursue our expansion strategy, our operational expertise and know-how could reduce store opening costs and timelines, accelerating the ramp up of new stores across the Philippines.

Differentiated customer shopping experience in a retail ecosystem

AllHome is part of AllValue (the Villar Group's holding company for its investments in retail businesses), which operates AllDay supermarket, AllDay convenience stores and Coffee Project, among other retail concepts. AllValue Stores are typically located near each other in the same shopping center and in particular, there is a Coffee Project near almost all of our existing AllHome stores. We believe that the diversified retail offerings provided by AllValue, together with other entertainment and lifestyle establishments offered by the Villar Group (such as Vista Cinemas and Market Liberty), create a retail ecosystem that addresses the various needs of the surrounding residential communities, thereby increasing customer traffic and enhancing the overall shopping experience.

We offer differentiated services to our customers including free interior design consultation, delivery and installation services, customizable furniture, customer lounges and gift registry services. Our in-house design consultants and staff are familiar with the specifications and configurations of the housing models of the surrounding Villar Group communities, allowing customers to conveniently select and customize their preferred design to suit the exact layout and measurements of their homes. We also offer "ready-for-occupancy" home furnishing packages where customers can choose to have AllHome fully furnish and outfit their new home or certain living spaces based on their budget and selected color palette. These fit-out packages range from approximately ₱25,000 for a basic living room showcase to approximately ₱150,000 for a living and dining room package.

We also continuously upgrade and innovate to optimize our store layout and design to maximize space and feature a wider selection of products. For example, we stack furniture and tiles allowing us to maximize our space and display a greater number of products, through which a customer can easily view and compare our offerings, which we believe can yield higher sales. We also use vignettes to showcase our furniture and give our customers design ideas. We believe that these initiatives improve our brand image and enhance the overall shopping experience of our customers.

Track record of significant growth and profitability

We believe that by leveraging on our expanding store network and business scale, we are able to maximize our bargaining power with our suppliers to reduce procurement costs as the volume purchased from suppliers increases. We are also able to reduce operating costs by negotiating for marketing support from suppliers for our new stores, including promotional support and headcount, among others, to improve our profit margin.

We actively analyze our sales data to identify fast moving, slow moving and non-moving items under each product category to identify opportunities for in-house brand development and to eliminate unpopular products.

We believe that our extensive and diverse range of products allows us to maintain flexibility to fine-tune the product mix of a given store with a view to capitalize on the customer demographics and preferences of a particular location.

Having opened 27 stores over a period of over six years, we believe that we have gained the expertise to grow quickly and efficiently. We constantly strive to improve our margins, productivity and optimize our inventory.

We believe that our rapidly expanded store network and operational efficiency have delivered strong revenue and net profit growth in the last three years. Our revenues have increased year-on-year at a CAGR of 44.8%, from ₱3,430.6 million for the year ended December 31, 2016 to ₱7,192.2 million for the year ended December 31, 2018. Our net profit has increased at a CAGR of 231.4% from ₱46.6 million for the year ended December 31, 2016 to ₱511.4 million for the year ended December 31, 2018. During this period of growth, we have significantly improved our net income margins from 1.4% in for the year ended December 31, 2016 to 7.1% for the year ended December 31, 2018. For the period 2016 to 2018, our EBITDA increased at a CAGR of 107.5% from ₱221.6 million for the year ended December 31, 2016 to ₱954.4 million for the year ended December 31, 2018.

Experienced and founder-led management team with extensive knowledge of homebuilding markets

We have an experienced and dedicated management team led by our founder and Chairman, Mr. Manuel B. Villar, Jr., and his children, Mr. Manuel Paolo A. Villar and Ms. Camille A. Villar, all three of whom have a proven track record of success. Mr. Manuel B. Villar, Jr. founded Camella Homes in the early 1970s and successfully managed the company over the years, to become the largest homebuilder in the Philippines now known as Vista Land and the Villar Group. Mr. Manuel Paolo A. Villar has been Chief Executive Officer and President of Vista Land & Lifescapes Inc. since 2011. Ms. Camille A. Villar has been managing all the retail business operations of the Villar Group under AllValue, and together with our Chairman has overseen the rapid growth and expansion of the AllValue group of companies, over the last six years. The vision and entrepreneurial spirit of our management team have played a critical role in establishing the AllHome brand and developing our business.

Strategies

Further expand the store network across the Philippines

We intend to grow our business aggressively through the opening of new retail stores, both in cities where we have an existing presence and in other fast-growing cities across the Philippines, especially within Mega Manila. We intend to leverage our experience from our operations and continue to replicate our success as we expand our store network. We currently have a robust pipeline of 20 sites for new store openings in the second half of 2019 and plans for another 25 sites for new store openings in 2020.

Our relationship with the Villar Group, with its substantial land bank and expanding project portfolio, provides us with strategic access to a significant pool of potential sites for our expansion. We are also actively looking for expansion opportunities in other sites and areas with high growth potential and attractive market attributes.

We aim to increase our market penetration and establish a well-balanced geographic footprint to capture the growth trend in the home improvement retail market in the Philippines.

Continue to expand our offering of in-house brand products

Our in-house brands currently represent 4.7% of total sales for the year ended December 31, 2018. We plan to continue expanding our selection of in-house brands across our product categories in the next two years and beyond to comprise up to 10% to 20% of our revenues, further diversify our brand portfolio, optimize our product mix and enhance profit margins as our in-house brands have gross profit margins that are approximately 15% to 25% higher than the margins from the sale of third-party brands. We have successfully launched 18 in-house brands across various product categories as of June 30, 2019, including Rossio and Lustro for tiles, Brauhn and Teuer for sanitary products, Markel for hardware and Kreativ, Urban Reluxur and LiveArt for furniture. We will continue to leverage on our direct access to customers and unique insights into customer preferences to continue developing in-house products that are tailored and customized to our specifications. We have engaged various manufacturers for the production of our own in-house products which are sold exclusively in our stores.

We believe that our in-house brand product offering will help improve our margins and strengthen customer loyalty by offering high quality and exclusive products at competitive prices. We will continue to capitalize on opportunities to roll out new in-house brands and increase revenue contribution from them.

Introduce new format to expand our customer base

To further capitalize on the strong growth in the construction and housing market, we intend to take advantage of our sourcing network and scale to expand our target customer base by acquiring market share in new customer segments. Through our strong collaboration with the Villar Group, we believe that we have developed a deep understanding of builders and construction contractors in the Philippines. Based on this understanding, extensive experience and past success, we are introducing the AllBuilders format. We aim to open six AllBuilders stores in the second half of 2019.

The AllBuilders store format, with a focus on contractors and builders, offers a more extensive selection of hardware, tiles and sanitary wares, and construction materials. AllBuilders stores will primarily be located outside of Mega Manila, where we believe there is significant growth in construction activities and therefore demand for one-stop shop solution for a full range of construction related products in the coming years. We believe that contractors and builders' bulk orders and higher transaction values will support our Company's growth.

Continue to invest in technology and supply chain solutions

Through AllValue's AllRewards loyalty program, we have access to customer data which we analyze to understand customer demographics, shopping frequency, spending power, tastes and preferences. We believe that this information assists us in fine-tuning our product offering as we are able to identify and anticipate customer needs and buying patterns, among others. We intend to invest in store data systems to strengthen our understanding of customer behavior, payment methods, and goods delivery options to enhance transaction-related services and identify trends to enable us to conduct more customized and targeted marketing to our customers. We believe that investing in technology will allow us to enhance customer loyalty and acquire more customers.

As we expand our operations, we plan to invest in our logistics system to allow us to efficiently manage our inventory and delivery operations. In particular, we believe that this will allow us to maintain an optimal level of inventory and properly time stock replenishment at our warehouses and retail stores. We will continue to work closely with our logistics service providers to scale their capacity in operations and intend to make investments to ensure sufficient capacity to support our new stores and the expanding store network.

Continue to enhance shopping experience to grow and retain customer base

We intend to continue introducing initiatives to enhance the overall shopping experience across each of our store formats. In order to improve customer loyalty and satisfaction, we plan to offer differentiated value-added services. Currently, we offer interior design consultations and provide recommendations on AllHome products to suit a customer's specific needs. We also offer door-to-door delivery and installation services at the customer's convenience. We believe that personalized customer services improve our brand image and strengthen customer loyalty by fulfilling the diverse needs of customers. We are also developing a training academy to educate all in-store staff which presents them with an up-to-date understanding of the evolving needs and tastes of customers, and to provide them with the necessary skills with respect to customer engagement.

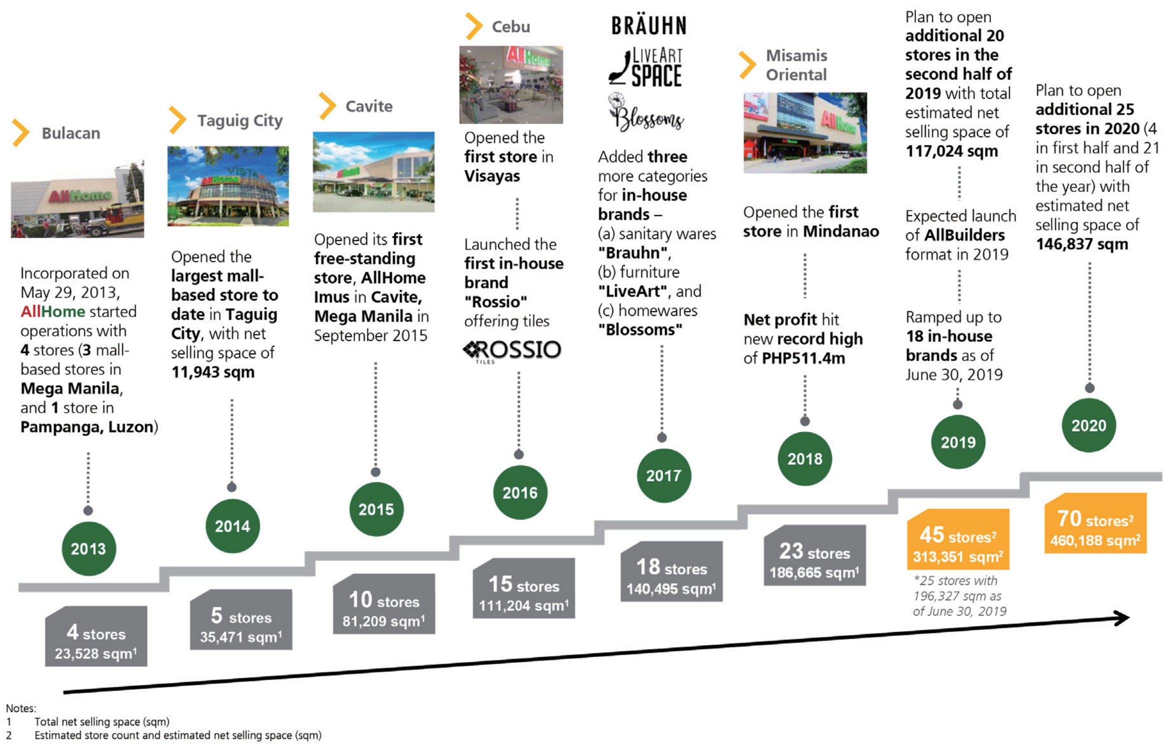
In response to changing customer needs and preferences, we will continue to regularly review and update our store layout, optimize shelf space and upgrade store decoration to further improve the flow of traffic inside a store. We also plan to host do-it-yourself workshops and similar events to introduce new products and share knowledge and experience on certain home improvement processes and products. We intend to create more co-branding partnerships with our well-known suppliers to offer mutually beneficial promos that will also enable us to use our suppliers' brand equity to increase our own brand awareness and affinity.

Finally, we plan to strengthen our online presence by launching our own e-commerce platform to reach a broader audience and cater to consumers in the digital era. We believe that establishing our own online sales channel will offer greater convenience to our customers, allowing them to view and purchase products, which would, in turn, complement our physical store network where our customers can see and touch our products and interact with our onsite staff. We believe that this strategy will provide a seamless experience across both the online and offline space and will lead to increases in sales.

CORPORATE HISTORY AND MILESTONES

AllHome was incorporated on May 29, 2013 and started operations with four stores. We opened our first store in the Visayas region, AllHome Talisay in Cebu, in June 2016 and our first store in Mindanao, AllHome Cagayan de Oro, in July 2018. In a span of just over six years, we have steadily grown and now operate 27 stores nationwide as of July 31, 2019. We expect to introduce a new store format, AllBuilders, within the fourth quarter of 2019. The first AllBuilders store will be located in Dasmariñas, Cavite.

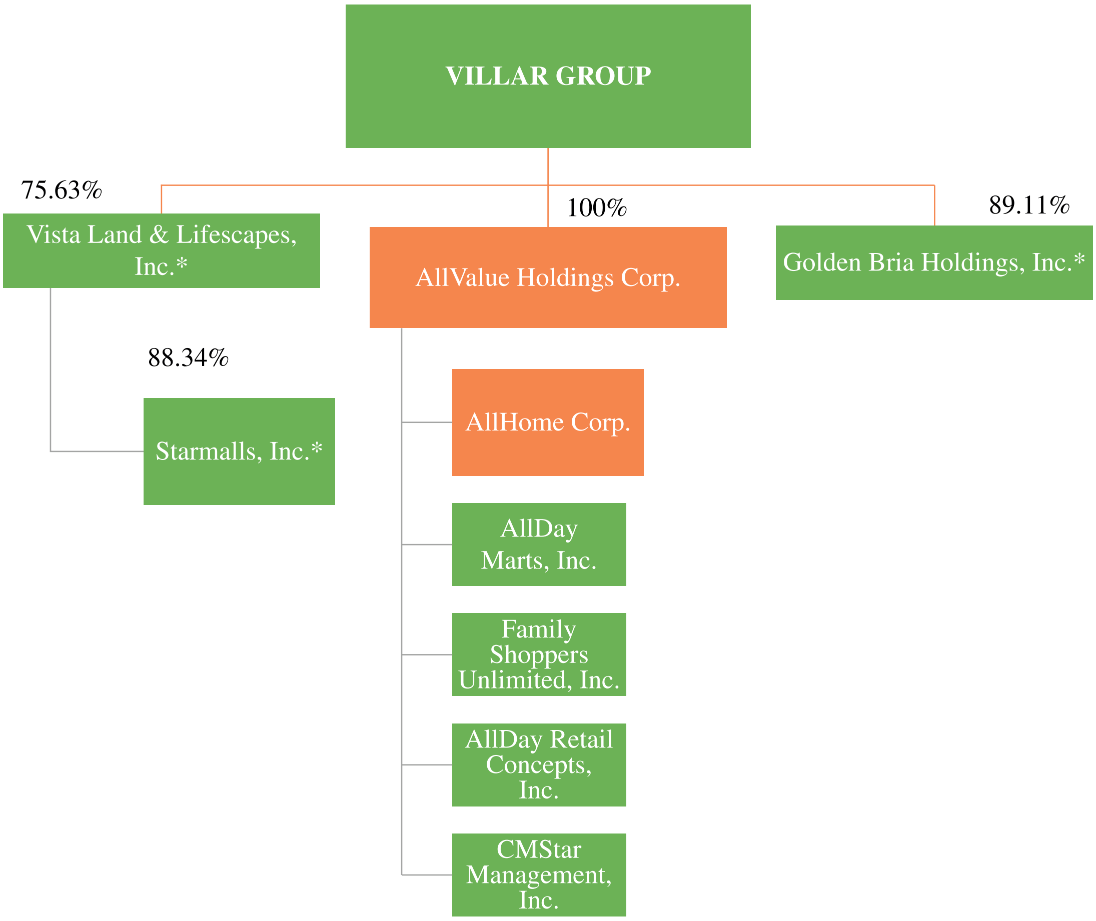
Our key milestones are set out below:



CORPORATE STRUCTURE

AllHome is part of the Villar Group under AllValue Holdings Corp. ("**AllValue**").

Our structure in respect of our relationship with the Villar Group as of June 30, 2019 is set forth below:



* Percentage ownership reflects direct and indirect ownership based on public ownership reports available on the PSE as of June 30, 2019.

As of the date of this Prospectus, AllHome does not have any subsidiary.

AllValue

AllValue is the Villar Group's holding company for its investments in the retail business. As of the date of this Prospectus, AllValue is the sole shareholder of AllHome and through its other subsidiaries owns and operates AllDay convenience stores, AllDay Supermarket, AllToys, AllSports, Finds Finds, Gastroville, KinderCity, Bake My Day and Coffee Project (collectively with AllHome, the "**AllValue Stores**"). As with AllHome, these are located primarily in Vista Land developments.

Villar Group

Other companies under the Villar Group, which are listed on the PSE, include Vista Land (Stock Code: VLL), Starmalls, Inc. (Stock Code: STR) and Golden Bria Holdings, Inc. (Stock Code: HVN).

BUSINESS OPERATIONS

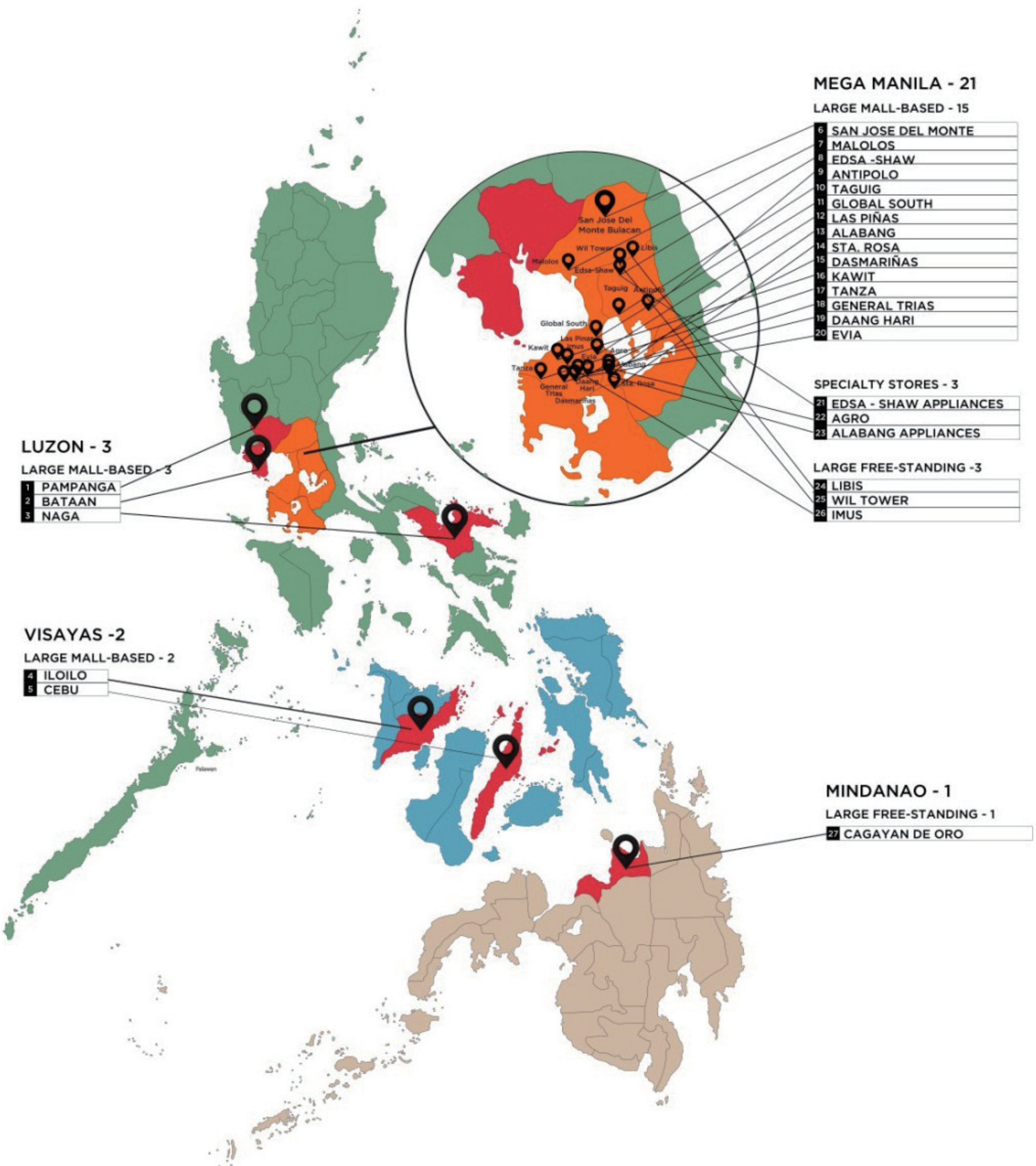
Our Stores

As of June 30, 2019, we had a total of 25 stores located in 20 cities and municipalities across the Philippines. Nineteen of our stores are located in Mega Manila, which we believe is a significant market for home improvement products and services. Three stores are in Luzon (outside Mega Manila) and three stores are in Visayas and Mindanao.

We opened two new stores in the first half of 2019 and for the second half of 2019, we aim to open 20 more stores. We opened two stores (out of the 20 planned stores for the second half of 2019) in the month of July 2019. The table below sets out the number of new stores opened as well as the corresponding growth in aggregate net selling space in the years 2016, 2017 and 2018 and for the six months ended June 30, 2019.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
No. of Stores	15	18	23	25
Aggregate Net Selling Space (sqm)	111,204	140,495	186,665	196,327

The map below shows where our 25 stores as of June 30, 2019 are located:



Store Formats

Our brick and mortar stores are our primary sales channel and point of contact with our customers. We believe that providing a shopping mall atmosphere, where customers can view items in an air-conditioned and well-lit setting, is important to enhancing the customer experience and the majority of our stores are located within a shopping center. As a result of our presence in shopping malls, we believe that we benefit from the additional foot traffic from mall-goers. We continuously develop and refine our store formats to address the needs of our target customers. Our stores are located in proximity to residential and other real estate property developments, including Villar Group developments. For the sale of selected products, we are currently utilizing online sales channels such as Lazada, Hubware and Shopee. We also plan to strengthen our online presence by launching our own e-commerce platform to reach a broader audience.

We currently have three store formats under the AllHome name, as follows: (1) large mall-based store; (2) large free-standing store; and (3) small specialty store. In addition, we have plans to introduce a fourth store format, the "AllBuilders" store.

The table below sets out key details on each of our store formats:

	For the year ended December 31, 2018		For the six months ended June 30, 2019	
	Net selling space (sqm)	% Contribution to Revenues(1)	Net selling space (sqm)	% Contribution to Revenues(1)
Large mall-based	152,384	86.0	162,046	85.0
Large free standing Store	33,126	11.6	33,126	13.0
Small specialty store	1,155	2.4	1,155	2.0

Note:

(1) Revenues from in-store sales only, which excludes corporate sales.

The following table provides details on our stores as of June 30, 2019:

No.	Name	Location	Operation Date	Net selling space (sqm)	Store Format
Mega Manila					
1.	AllHome Starmall San Jose del Monte	Bulacan	May 2013	7,489	Large mall-based
2.	AllHome Agro	Muntinlupa	May 2013	696	Small specialty store
3.	AllHome Starmall Alabang	Muntinlupa	November 2013	5,845	Large mall-based
4.	AllHome Vista Mall Taguig	Taguig City	May 2014	11,943	Large mall-based
5.	AllHome Vista Mall Daang Hari	Cavite	January 2015	11,546	Large mall-based
6.	AllHome Vista Mall Sta. Rosa	Laguna	April 2015	12,267	Large mall-based
7.	AllHome Starmall Las Piñas	Las Piñas	July 2015	7,653	Large mall-based
8.	AllHome Imus	Cavite	September 2015	9,369	Large free-standing
9.	AllHome Vista Place Quezon City	Quezon City	November 2015	4,903	Large free-standing
10.	AllHome Alabang Appliances	Muntinlupa	March 2016	288	Small specialty store
11.	AllHome Vista Place Antipolo	Rizal	July 2016	8,400	Large mall-based
12.	AllHome Shaw Appliances	Mandaluyong	October 2016	171	Small specialty store
13.	AllHome Vista Mall Kawit	Cavite	September 2017	9,951	Large mall-based
14.	AllHome Vista Mall Global South	Las Piñas	December 2017	10,556	Large mall-based
15.	AllHome Libis	Quezon City	December 2017	8,784	Large free-standing

No.	Name	Location	Operation Date	Net selling space	Store Format
				(sqm)	
16.	AllHome Vista Mall General Trias	Cavite	October 2018	9,165	Large mall-based
17.	AllHome Vista Mall Tanza	Cavite	November 2018	9,922	Large mall-based
18.	AllHome Evia	Las Piñas	March 2019	6,761	Large mall-based
19.	AllHome Starmall Shaw	Mandaluyong	June 2019	2,902	Large mall-based
Luzon					
20.	AllHome Paseo	Pampanga	August 2013	9,498	Large mall-based
21.	AllHome Vista Mall Bataan	Bataan	April 2016	10,644	Large mall-based
22.	AllHome Vista Mall Naga	Camarines Sur	June 2018	8,350	Large mall-based
Visayas and Mindanao					
23.	AllHome Starmall Talisay	Cebu	June 2016	10,492	Large mall-based
24.	AllHome Vista Mall Iloilo	Iloilo	May 2018	8,664	Large mall-based
25.	AllHome Cagayan de Oro	Misamis Oriental	July 2018	10,070	Large free-standing
TOTAL				**196,327**	

AllHome Large Mall-Based Stores

As of June 30, 2019, we have 18 large mall-based stores and expect to open four more mall-based stores in the second half of 2019. Our large mall-based stores are located within shopping malls with an average net selling space of over 9,000 sqm, offering our full product line-up comprising over 250,000 SKUs. The selection of products at our mall-based stores are tailored to the needs of the community being served by the relevant mall. Sales from our large mall-based stores contributed 86.0% of our revenues for the year ended December 31, 2018 and 85.0% of our revenues for the six months ended June 30, 2019.

AllHome Large Free-Standing Stores

As of June 30, 2019, we had four large free-standing stores and expect to open four more large free-standing stores in the second half of 2019. Free-standing stores are large-scale retail locations with an average net selling space of over 8,200 sqm. Similar to our large mall-based stores, our large free-standing stores offer our full product line-up, carrying over 250,000 SKUs. Sales from our large free-standing stores contributed 11.6% of our revenues for the year ended December 31, 2018 and 13.0% of our revenues for the six months ended June 30, 2019.

AllHome Small Specialty Stores

As of June 30, 2019, we had three small specialty stores and expect to open six more small specialty stores in the second half of 2019. Our specialty stores are small format stores focused on offering select product categories. Currently, the three small specialty stores we operate are appliance and hardware stores. Our appliance stores offer home and kitchen appliances, TV and entertainment products as well as digital and mobile devices, carrying over 10,000 SKUs. Sales from our small specialty stores contributed 2.4% of our revenues for the year ended December 31, 2018 and 2.0% of our revenues for the six months ended June 30, 2019.

AllBuilders Stores

AllBuilders

Our AllBuilders store format will offer our full product line-up carrying over 120,000 SKUs, and will have a more extensive selection of hardware, tiles and sanitary wares, and construction materials. This format will focus on catering to the needs of contractors and builders with an expected net selling space of over 4,410 sqm. AllBuilders stores will primarily be located outside of Mega Manila and may be situated alongside an AllHome store. We expect to open six AllBuilders stores in the second half of 2019.

The following table sets out operating information on our store network for the periods indicated:

	For the years ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
Revenues (₱ million)	3,430.6	4,896.3	7,192.2	5,055.2
No. of Stores	15	18	23	25
Same store sales growth (%)[1]	N/A	31.7	16.3[2]	26.5
Average transaction size (₱)	1,909	2,285	2,540	2,784
No. of transactions (thousands)	1,633	2,049	2,547	1,568
Average no. of transactions per store for the relevant period (thousands)	109	114	111	63

Notes:

(1) Same store sales growth refers to the comparisons of net sales between two periods generated by the relevant stores. The stores that are included in the comparisons are those that have been in operation for at least 24 months preceding the beginning of the reporting period and for the entirety of the two periods of comparison. The comparison for each store takes into account net sales by that store during the same period it was in operation in both the reporting period and the period of comparison. The net sales of all the relevant stores in the relevant period are then aggregated and compared. Revenues generated by the relevant stores exclude corporate sales.

(2) Same store sales growth ("**SSSG**") reported in 2018 includes same store sales of older stores which were opened prior to December 31, 2015 (the "**pre-2016 stores**"), which registered SSSG of 12.9%. Pre-2016 stores SSSG for the six months ended June 30, 2019 is currently at 23.5%. The improvement in the reported SSSG was primarily due to the calibration of the inventory levels of the of the pre-2016 stores.

Store Network Expansion Plan

We plan to open up to 20 stores in the second half of 2019 and up to 25 new stores for 2020. As indicated in the table below, a number of these stores are under construction with signed leases in place, while the remaining stores are covered by signed lease agreements. These lease agreements are with various members of the Villar Group as lessor, and have been entered into on an arm's length basis. A substantial number of the stores we plan to open in 2020 are expected to be completed and opened in the second half of 2020. Our plans and strategy are as of the date of this Prospectus and are subject to various factors, including market conditions, the general state of the Philippine economy and our operating performance. See "*Risk Factors – Risks Relating to Our Business – We may not be successful in implementing our growth strategy, including plans to expand our store network and product offerings, and we may not be able to manage future growth efficiently*."

The details of planned stores for the second half of 2019 and for 2020 are set forth below.

No.	Store Format	Location	Estimated Net Selling Space (sqm)	Status
Planned Stores for Second Half of 2019				
1.	Large mall-based	Malolos, Bulacan (Mega Manila)	9,785	Store opened in July 2019
2.	Large mall-based	Dasmariñas, Cavite (Mega Manila)	9,882	Store opened in July 2019
3.	Large mall-based	Bacoor, Cavite (Mega Manila)	11,951	Lease agreement signed and under construction
4.	Large mall-based	Alabang, Muntinlupa (Mega Manila)	6,495	Lease agreement signed and under construction
5.	Large free-standing	Silang, Cavite (Mega Manila)	12,057	Lease agreement signed and under construction
6.	Large free-standing	Santiago, Isabela (Luzon)	11,758	Lease agreement signed and under construction

No.	Store Format	Location	Estimated Net Selling Space	Status
			(sqm)	
7.	Large free-standing	Cabanatuan, Nueva Ecija (Luzon)	12,143	Lease agreement signed and under construction
8.	Large free-standing	Butuan, Agusan Del Norte Caraga Region (Mindanao)	11,873	Lease agreement signed and under construction
9.	AllBuilders	Vibal Dasmariñas, Cavite (Mega Manila)	7,530	Lease agreement signed and under construction
10.	AllBuilders	Gapan, Nueva Ecija (Luzon)	4,410	Lease agreement signed and under construction
11.	AllBuilders	San Ildefonso, Bulacan (Mega Manila)	4,410	Lease agreement signed and under construction
12.	AllBuilders	Koronadal, South Cotabato (Mindanao)	4,410	Lease agreement signed and under construction
13.	AllBuilders	General Santos City, South Cotabato (Mindanao)	4,410	Lease agreement signed and under construction
14.	AllBuilders	Tagum, Davao Del Norte (Mindanao)	4,410	Lease agreement signed and under construction
15.	Small specialty store	San Jose Del Monte, Bulacan (Mega Manila)	250	Lease agreement signed
16.	Small specialty store	Balanga, Bataan (Luzon)	250	Lease agreement signed
17.	Small specialty store	Bacoor, Cavite (Mega Manila)	250	Lease agreement signed
18.	Small specialty store	Antipolo, Rizal (Mega Manila)	250	Lease agreement signed
19.	Small specialty store	Imus, Cavite (Mega Manila)	250	Lease agreement signed
20.	Small specialty store	General Trias, Cavite (Mega Manila)	250	Lease agreement signed
TOTAL			117,024	

No.	Store Format	Location	Estimated Net Selling Space	Status
			(sqm)	
Planned Stores for First Half of 2020				
1.	Large free-standing	Bacolod, Negros Occidental (Visayas)	11,677	Lease agreement signed and under construction
2.	Large free-standing	Sto. Tomas, Batangas (Luzon)	9,899	Lease agreement signed and under construction
3.	AllBuilders	Bulakan, Bulacan (Mega Manila)	6,392	Lease agreement signed and under construction
4.	AllBuilders	Cauayan, Isabela (Luzon)	4,410	Lease agreement signed and under construction
Planned Stores for Second Half of 2020				
1.	Large mall-based	Sta. Maria, Bulacan (Mega Manila)	10,723	Lease agreement signed and under construction
2.	Large mall-based	Davao City, Davao Del Sur (Mindanao)	10,924	Lease agreement signed and under construction
3.	Large free-standing	Tacloban, Leyte (Visayas)	10,960	Lease agreement signed

No.	Store Format	Location	Estimated Net Selling Space	Status
			(sqm)	
4.	Large free-standing	Mactan, Cebu (Visayas)	6,550	Lease agreement signed
5.	Large free-standing	Lipa, Batangas (Luzon)	10,960	Lease agreement signed
6.	Large free-standing	Las Piñas City, Metro Manila (Mega Manila)	6,550	Lease agreement signed
7.	Large free-standing	Subic, Zambales (Luzon)	6,550	Lease agreement signed
8.	AllBuilders	Sariaya, Quezon (Luzon)	4,410	Lease agreement signed
9.	AllBuilders	Vigan, Ilocos Sur (Luzon)	4,410	Lease agreement signed
10.	AllBuilders	Solano, Nueva Vizcaya (Luzon)	4,410	Lease agreement signed
11.	AllBuilders	Zamboanga City, Zamboanga Del Sur (Mindanao)	4,410	Lease agreement signed
12.	AllBuilders	Toril, Davao del Norte (Mindanao)	4,410	Lease agreement signed
13.	AllBuilders	Tuguegarao, Cagayan (Luzon)	6,392	Lease agreement signed
14.	AllBuilders	Sapang Palay, Bulacan (Mega Manila)	4,410	Lease agreement signed
15.	AllBuilders	Balayan, Batangas (Luzon)	4,410	Lease agreement signed
16.	AllBuilders	Mactan, Cebu (Visayas)	4,410	Lease agreement signed
17.	AllBuilders	Las Piñas City, Metro Manila (Mega Manila)	4,410	Lease agreement signed
18.	AllBuilders	Subic, Zambales (Luzon)	4,410	Lease agreement signed
19.	Small specialty store	Taguig City, Metro Manila (Mega Manila)	250	Lease agreement signed
20.	Small specialty store	Sta. Rosa, Laguna (Mega Manila)	250	Lease agreement signed
21.	Small specialty store	Makati, Metro Manila (Mega Manila)	250	Lease agreement signed
TOTAL			146,837	

New Store Development

Our business development group is responsible for identifying sites for the construction of new stores, which in many cases are sites that are within the Villar Group's properties, including the Vista Mall and Starmalls shopping centers. The business development group determines the viability of a potential location for a new store based on a number of factors, including the demographics of the area, the size of the population, its income levels, local government and local infrastructure and support, and, in particular, proximity to residential developments. We also evaluate the presence of other retail developments and competitors in the area. Before opening any new stores, we carry out discussions with our business development and sales teams to ascertain the market trends and the latest market preferences.

The location for a store should ideally have a significant presence of families in our target market, the upper middle income to upper income segment, which according to a study by the PIDS has an average monthly household income of approximately ₱70,000 and above.

Once a location is selected, construction and fit-out of a store takes approximately four months. A large mall-based store costs approximately ₱170 million to ₱180 million to establish and fit out; a large free-standing store costs approximately ₱160 million to ₱180 million to establish and fit out; and a small specialty store costs approximately ₱5 million to ₱10 million to establish and fit out. We estimate that an AllBuilders store will cost approximately ₱42 million to ₱72 million to establish and fit out. Costs for establishment and fit-out of a store exclude initial inventory. Generally, store refurbishments are undertaken after five years, depending on the maturity of the mall and the market.

A key factor in our expansion strategy is the Villar Group's property development plans generally. In particular, we plan to locate alongside Vista Land communities across the country. We believe that Vista Land provides business development opportunities for AllHome and where Vista Land breaks new ground or develops new projects or communicities on existing developments, there will be new homeowners to whom we can offer our products and services. In the second half of 2019, we aim to open 12 new stores in Mega Manila, four in Luzon (outside Mega Manila) and four in Mindanao, for a total of 20 new stores. As of July 31, 2019, we have opened two of the 12 planned new stores in Mega Manila (AllHome Malolos, Bulacan and AllHome Dasmariñas, Cavite).

Store Layout

The design of each store is tailored to suit and address the needs of the relevant target market where the store is located. The store layout implemented across all store formats adheres to the following principles:

- each product category is allocated a certain percentage of selling space;
- approximately 10% to 15% of a store's gross floor area is allocated as warehouse space;
- uniform signage is maintained to guide customers across the floor;
- vertical displays or stacking of products is utilized to maximize air space; and
- showroom displays and vignettes are regularly updated.

Store Management and Operation

Each store is headed by a manager responsible for overseeing the sales performance targets and daily performance of the store. In addition, there is an in-store supervisor per product category and concessionaires supply sales personnel to help market their products. We have operational procedures and training covering customer service, monitoring inventory, returns, security and cash handling and our supervisors oversee compliance with these procedures. Staff are also apprised of well-defined sales performance targets and other performance indicators.

Corporate Sales

For the six months ended June 30, 2019, 10.9% of our revenues were generated from sales to corporate clients, such as contractors and small developers. These sales are not in-store sales.

Our Products and Services

Products

AllHome offers a complete line of products for home improvement and construction – including for maintenance, repairs and renovations and decorating. The following provides an overview of our key product categories, products and brands.

Category	Products Offered	Selected Brands	In-House Brands
Furniture................................	Office, living, dining, bedroom, outdoor and children's furniture	Ambassador mattress, Salem, Uratex, Slumberland, Delofoam, Homsuite, Icons	KREATIV, URBAN RELUXUR, LIVE ART SPACE

Category	Products Offered	Selected Brands	In-House Brands
Hardware	Electrical supplies and accessories, lighting, plumbing, paints and sundries, hardware, power and hand tools, automotive, lawn and garden products	Nippon Paint, Boysen, Davies, Hansgrohe, American Standard, Teka, Hafele, Philips, G.E., Diager, Bosch, Stanley, Yale	leuchte, MARKEL
Appliances	Air-conditioners, refrigerators and freezers, washing machines, TVs, sounds systems, kitchen appliances, small appliances, digital items (including mobile phones and gadgets)	LG, Samsung, Sharp, Carrier, Condura, Whirlpool, La Germania, G.E., Philips	N/A
Tiles and Sanitary Wares	Indoor and outdoor tiles, decorative tiles, mosaic tiles, engineered wood, laminated flooring, vinyl, pavers, decking, Water closets and lavatories, bath tubs, shower enclosures and partitions	Mariwasa, Gani Marble Tiles, Niro Tiles, Tenxen Tiles, Eurotiles, Kent Wood, Puyat Floorings, Mawood, Bisazza, European Tiles, Braun, Inax, American Standard, HCG	BRÄUHN, EISEI, TEUER, LUSTRO TILES, ROSSIO TILES, CASTEL
Homewares	Tableware, kitchenware, storage and organizers, décor	Noritake, Luminarc, Corelle, Corningware, Ramontina, Rubbermaid, Lodge, Lock&Lock	Blossoms, ELEMENTS, EZ SPACE
Linens	Comforters, duvets, bedsheets, curtains, pillows	Canadian, Linens and Things, Joyce and Diana, Modern Linens	HOME THREADS
Construction materials	Building materials, wood and mouldings	ABC, Bayer Makrolon, Solarlite, James Hardie, Matwood	Finestra UPVC Windows, kernïg, TERRAWOOD

We offer products from over 800 brands, consisting of over 200 international brands and over 580 local brands, of which 18 are our in-house brands, across all categories. Our in-house brands accounted for 4.7% of total sales as of December 31, 2018 and provide a gross profit margin that is approximately 15% to 25% higher than the margins obtained from the sale of third-party brands. We carry over 250,000 SKUs and in the year ended 2018, furniture, appliances, homewares, and linens accounted for approximately 10%, 3%, 32% and 9% of SKUs, respectively, and hardware, tiles and sanitary wares, and construction materials accounted for approximately 37%, 6% and 3% of SKUs, respectively. We plan to continue expanding our selection of in-house brands across our product categories to further diversify our brand portfolio and optimize our product mix.

For the year ended December 31, 2018, sales of furniture contributed approximately 23% of our revenues, hardware contributed approximately 25% of our revenues, appliances contributed approximately 24% of our revenues and tiles and sanitary wares contributed approximately 13% of our revenues. Sales of homewares, linens and construction materials contributed approximately 8%, 3% and 4%, respectively, of our revenues for the year ended December 31, 2018.

Services

To complement our product offerings, we provide services to support the needs of our customers. These include interior design consultations and providing recommendations on AllHome products to suit a customer's specific needs, door-to-door delivery and installation services, customizable furniture (e.g., closets), free furniture assembly services and other services such as delivery and gift registry.

Our in-house design consultants are available to our customers for complimentary one-on-one consultations. They are also very familiar with Vista Land homes and developments within their area. We pride ourselves on our knowledgeable and accommodating staff who are trained to address the in-store needs and questions that customers may have with regards to our diverse range of products and services. In addition, each large-format store also maintains a customer lounge that provides a venue for in-store meetings between architects, contractors, designers and homeowners.

Product, Brand Selection and Merchandising

We offer a combination of imported and locally manufactured products across a spectrum of home improvement items representing over 250,000 SKUs, that are reviewed on a regular basis to keep track of fast/slow/non-moving products. We source our products from over 500 suppliers (including concessionaires) in the Philippines and nine countries, including China, Japan, neighboring Southeast Asian countries, the U.S. and countries in Europe.

We tailor our product selection to match our target market's requirements. Our sourcing team constantly observes the offerings of suppliers, concessionaires and competitors, participates in trade shows and fairs outside the Philippines, obtains customer feedback to understand what they are looking for, and identifies new trends to ensure our product offerings are broad and remain relevant. Our suppliers also provide us with new products to include in our stores.

All products, whether forming part of outright sales or concession sales, are displayed together. For the six month period ended June 30, 2019, we had a product mix of approximately 52% from outright sales and 48% from concession sales. The costs of and the risks associated with holding inventory provided by concessionaires are borne by them until the product is sold, which helps us to minimize our inventory costs and risks.

Pricing

We have pre-set retail prices for the products sold at our stores, ensuring that prices are consistent across our stores. We set our retail prices based on the suggested retail price from the supplier, competitive benchmarking on similar products and other factors, including market conditions, the historical and forecasted sales performance of each particular product and the inventory level of that particular product. We also monitor prices of our competitors and previous customer behavior. We believe that this helps us set prices that provides good value to our customers while helping us derive maximum value for our products. In addition, store managers may be authorized to provide discretionary discounts based on volume purchases and subject to certain limits.

Quality Control

We believe that reliability and product quality are important in ensuring that our customers are satisfied with their shopping experience. New suppliers undergo a strict audit process before we include their products in our stores and must conform to the standards set out in the terms of our contract. These standards include a commitment to timely and reliable delivery of products, meeting the required specifications, and adherence to relevant laws and regulations. Suppliers provide warranties for their products and for our private labels and our consolidators conduct a quality control inspection prior to shipping these to our AllHome stores or warehouses.

We also undertake regular onsite compliance and quality checks. Upon arrival of the relevant products at our warehouse, our quality control teams check the products against the specifications as set out in our relevant purchase orders, and then carry out a sample check on the quality of the products by visual inspection. Upon discovery of any apparent defects, we contact the relevant supplier and reach a mutually agreed mechanism for return or exchange of the products concerned. Suppliers or products that fail to meet our standards are removed from our supplier list and inventory.

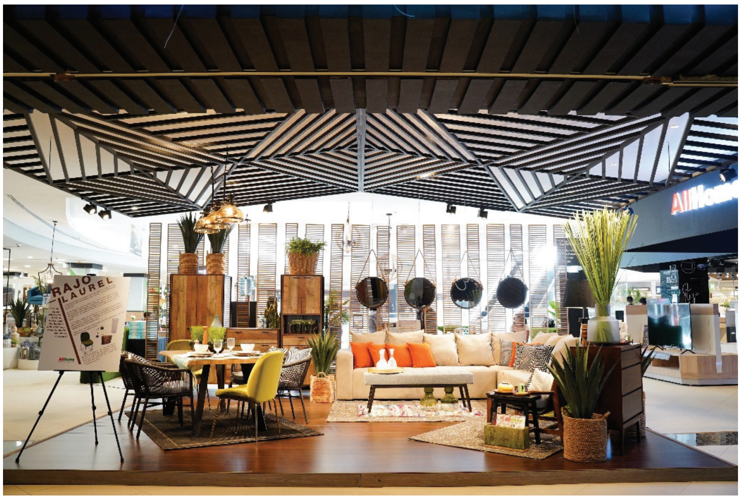
In addition, prior to the delivery or display of the products in our stores, our quality control teams conduct a sample check of the products by visual inspection.

We do not provide warranties for the products sold and many of our products are covered by the manufacturer's warranty. We allow our customers to return defective goods and in general, allow for exchanges of unused goods within seven days of purchase.

Sales and Marketing

We believe that given the nature of our products, customers generally prefer shopping, trying and testing products and making their choices at our stores. By maintaining a portfolio of stores with attractive showroom displays in convenient locations with product and service offerings tailored to the needs of our customers and the surrounding community, we believe we can build significant brand loyalty and cultivate repeat customers. We also employ a variety of marketing and advertising channels, and leverage our stores' proximity to Vista Land's communities as well as the traffic created by the AllValue retail affiliates located next to most of our various store formats.

Showroom Display



We currently utilize the in-store shopping experience as our primary means of attracting and stimulating a customer's purchase. We place strong emphasis on the design and product layout of each of our stores. Our large-format mall-based and free-standing stores are typically divided into seven sections representing our seven product categories: furniture, appliances, hardware, tiles and sanitary wares, homewares, linens and construction materials. We display products through mock-ups (vignettes) of living spaces, taking each customer through a unique shopping journey across the various parts of the home, including the living room next to our appliances to feature entertainment center appliances, the dining area, kitchen and homewares section, the bathroom, then transitioning to outdoor spaces and finally, the tiles and sanitary wares, hardware and construction materials areas. We believe that this enables our customers to experience our products in a real-life setting.

We believe our showroom displays give us vital consumer exposure which we would not be able to obtain solely through media marketing campaigns and hence, constitute a key contributing factor to our success.

Marketing Materials, Online Marketing and Social Media

We publish catalogues twice a year, during the summer season and the Christmas season, presenting our latest products, design ideas and inspirations and offering seasonal promotions and discounts. Product catalogues from our suppliers are also available for customers' reference at our stores. Our print materials are provided free of charge at our stores and uploaded to our website for instant viewing.

We also have continuous local store marketing that consists of flyering, SMS and email blasts, out-of-home advertisements (billboards, lamp post banners) and above the line advertisements on local radio, especially for provincial stores.

We also have an online presence and in particular, have Facebook pages and an Instagram account to promote our stores and products, which are updated regularly. For the sale of selected products, we are currently utilizing online sales channels such as Lazada and Hubware. We also highlight our promotions through these accounts to encourage customer engagement. For example, we offer quarterly and annual raffles over our Facebook and Instagram accounts with prizes ranging from gift certificates and free cinema tickets to a house and lot in partnership with Vista Land. We also enter into agreements to engage local designers and celebrities, including influencers and bloggers, to promote our stores and merchandise.

Partnerships and Promotions

AllHome offers Vista Land homeowners a "ready for occupancy", special fit-out service where they can choose to have AllHome fully-furnish and outfit their new home or certain living spaces based on their budget and selected color palette. These fit-out packages range from approximately ₱25,000 for a basic living room showcase to approximately ₱150,000 for a living and dining room package.

As a member of the network of AllValue Stores, customers earn points for purchases at AllHome under AllValue's AllRewards membership program. Once the minimum balance of points is reached, the points can be used as payment for purchases at any AllValue Store. As of June 30, 2019, we have over 293,000 AllRewards cardholders.

We also enter into partnerships with credit card and financing companies offering monthly installment payment promotions for certain products or classes of products based on general themes or occasions, such as 0% interest promotions for installments of three months or six months.

Seasonality

While home improvement products are less affected by short-term fashion and style trends, our business is subject to seasonal influences. In particular, our sales tend to peak in the fourth quarter, primarily attributable to the Christmas and New Year holidays.

Customers

Our customers comprise homeowners and renters, contractors, architects and interior designers belonging to the upper middle income to upper income market. We are not dependent on any single customer or a few customers and the loss of any of our customers would not have a material adverse effect on our operations.

For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, our trade receivables turnover days were approximately 39 days, 42 days and 31 days, respectively. Trade receivables turnover days refers to the average opening and closing trade receivables divided by revenues and multiplied by 180 days (for the six months ended June 30, 2019) and 365 days (for the year ended December 31, 2017 and December 31, 2018). The decrease in trade receivables turnover days in the first half of 2019 was due to tightened collection of corporate sales and accreditation of corporate customers to prevent and minimize doubtful accounts.

Suppliers

We have steadily expanded our network of suppliers and concessionaires since commencing operations. As of June 30, 2019, we maintained a sourcing network comprising an aggregate of over 500 suppliers (including concessionaires). Products manufactured outside the Philippines are purchased from distributors located in the Philippines or through other third parties who import these products into the Philippines.

We select our suppliers based on a number of criteria including their reputation in the industry, quality and standards, reliability of delivery, exclusivity and price.

Our three largest suppliers each accounting for at least 5% of our total purchases for the six months ended June 30, 2019 are TKH Marketing, LG Electronics Philippines Inc. and Samsung Electronics Philippines. None of these suppliers is a related party. We do not rely on any single supplier as we maintain a wide network of suppliers. As the home improvement industry is susceptible to changes in the market trends and customer preferences, we strive to continuously source new products and we normally source from different suppliers from time to time.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our five largest suppliers accounted for approximately 26%, 25% 27% and 33% of our total purchases, respectively.

For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, our trade payables turnover days were approximately 50 days, 20 days and 17 days, respectively. Trade payables turnover days refers to the average opening and closing trade payables divided by cost of goods sold and multiplied by 180 days (for the six months ended June 30, 2019) and 365 days (for the year ended December 31, 2017 and December 31, 2018). The continued decrease in trade payables turnover days was due to advance payments to suppliers to guarantee supply.

We generally do not enter into long term agreements with our suppliers. Our purchase price of a product is agreed between the supplier and us by reference to the supplier's wholesale price and our purchase quantity. In general, most of our suppliers grant us approximately 30 to 60 days' credit terms after date of delivery pursuant to the purchase orders. Under our trade terms agreements, our suppliers can provide volume-based incentives, marketing support and store opening support.

Inventory and Logistics Management

In order to manage our inventory level by placing orders with our suppliers at appropriate times and in appropriate quantities, we estimate the quantity of products to be ordered from our suppliers based on our sales projections (which are normally determined according to historical sales figures as well as projected market trends). For concession arrangements, we do not bear inventory risk. The costs of and risks associated with holding inventory provided by concessionaires are borne by them until the product is sold.

All our inventories are stored in two distribution centers and in store warehouses located at the back of each store. Our suppliers are responsible for packing and delivering the products to our distribution centers located in Muntinlupa and Laguna (for onward delivery to our provincial stores outside of Mega Manila) or directly to the warehouses located at the back of each store in Mega Manila. Currently, the utilization rate of the distribution centers is approximately 90%. We believe that centralizing storage in our distribution centers allows us to make appropriate adjustments to our product portfolio based on customer preferences in diverse store locations, adopt different marketing plans to accelerate sales of slow-moving stocks, and maintain healthy inventory and control over cash flow. We typically replenish products three times per week, depending on store location and need.

For the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2019, our average inventory turnover days were approximately 128 days, 132 days, 151 days and 177 days, respectively. Inventory turnover days refers to the average opening and closing inventory divided by cost of goods sold and multiplied by 180 days (for the six months ended June 30, 2019) and 365 days (for the year ended December 31, 2017 and December 31, 2018). The increase in inventory days over the years are a result of the increase in our product offerings as we increase our store network and to ramp up existing stores, which we believe is consistent with our industry. By regularly monitoring our inventory turnover, we believe that we can make appropriate adjustments to our product portfolio in order to capture customer preference based on the latest market information and we may adopt different marketing plans to accelerate the sales of slow-moving stocks. To ensure we maintain healthy inventory control and cash flow, we adopt a flexible pricing strategy that is reviewed from time to time taking into account our inventory balance and inventory aging.

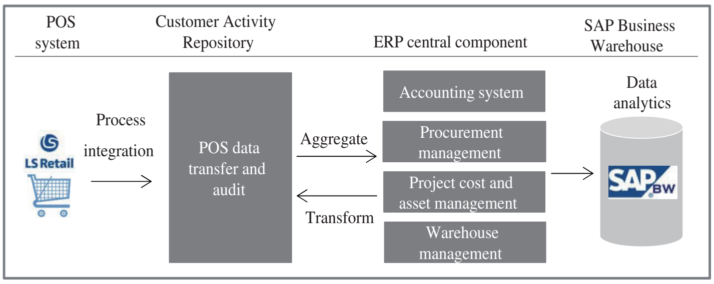
In addition, we manage inventory losses due to obsolescence, theft, pilferage, spoilage and other damage in numerous ways. These include conducting monthly cycle inventory counts for certain product categories, an annual wall-to-wall inventory count, quality audit and controls at our receiving areas for items received from suppliers, security checks through both physical and electronic means (including the use of CCTV cameras and assigning security guards to our stores), regular audits and on-hand checks of inventory through various system reports, and quality and audit control at our checkout counters. Consigned products are also bar coded for monitoring.

Unless the customers purchase or pick up the products at our stores, we generally offer delivery services for our products, subject to minimum spend amounts. We believe that we have strong and stable relationships with reliable third party logistics service providers with sufficient logistics resources for the distribution and delivery of our products to our stores and have arrangements for certain delivery trucks to be designated for AllHome's exclusive use.

Information Technology Systems

AllHome uses an up-to-date integrated system of SAP Hana Enterprise Cloud ("**HEC**") with SAP Customer Activity Repository ("**CAR**"). SAP and HEC covers all our back-end financial and inventory processes, which enables us to monitor inventory levels and enhance operational efficiency. The system also allows analysis of sales per SKU to enable the merchandising group to make adjustments to our product offering, in a timely and efficient manner.

For our point of sale ("**POS**") system, we use LS retail, which is integrated with SAP, using the CAR module. We believe that this integrated system allows real-time monitoring and analysis of sales and margin, store and category performance, SKU performance, inventory levels and flow, stock aging and supplier performance. A diagram representing our IT system is presented below.



Cash Management and Internal Control

Our customers make their payments by cash or by credit cards. Due to the nature of our retail business, we deal with a large amount of cash transactions on a daily basis. As a result, we have developed and implemented a strict uniform cash management system across all of our stores. Each store has a head cashier responsible for counting all cash and checks on a daily basis and then depositing all funds in a vault for bank pick-up. Head cashiers reconcile daily cash and check collections with store controllers. After reconciliation, head cashiers send a report to the corporate treasury for inclusion in daily deposits reports.

Internal controls have been established to prevent any mishandling of cash and to protect our assets. Our Internal Audit Group is responsible for documenting all processes, including financial and operational matters, and ensuring the proper internal controls are in place. The Internal Audit Group also regularly examines our internal control policies and provides us with recommendations for improvement of processes. Our Treasury Group is responsible for monitoring cash flow to ensure proper funding of daily disbursements and investing free cash under the best available yield and terms in the market.

COMPETITION

We compete with different retailers in each of our product categories based on price, store location, product assortment, quality and availability, customer service, customer shopping experience, attractiveness of stores, presentation of merchandise and brand recognition, or a combination of these factors. The home improvement retail market is highly competitive and we face competition from national and local retailers, including smaller-format hardware stores, mall-based stores, and established retailers with depots. In furniture, our competitors include Blims and Our Home; for appliances, competitors are SM Appliances, Abenson and Anson's. One of our key competitors offering construction materials, hardware, tiles and sanitary products is Wilcon Depot. In the hardware category, we also compete with Ace Hardware and Handyman. For homewares and linens, competitors include SM, Homeworld and Landmark. We believe that we are well positioned to face increased competition in the home improvement retail industry given our competitive advantages including, among others, a diverse products and services mix and a synergistic relationship with the Villar Group.

HUMAN RESOURCES

As of June 30, 2019, we had 418 employees broken down by function as follows:

Function	Number of Employees
Executive	2
Managerial	33
Supervisory	202
General Staff	181
TOTAL	**418**

In addition to our regular employees, we engage third-party manpower service providers (security and manpower agencies) to support the personnel requirements of our business.

We recognize the need to hire additional personnel to handle our expansion plans and we expect to hire approximately 240 new employees in the next 12 months, subject to the changing needs of our business and prevailing market conditions.

We have no collective bargaining agreement with any employee and none of our employees belongs to a union. We believe that we have a good relationship with our employees and no key employee have left the Company during the past three years.

Employee Benefits

We strive to position ourselves as an employer of choice in the Philippine home improvement industry by offering what we believe to be competitive salary and benefits packages that allow us to compete in the job market.

We also provide employees with training and other development programs to enable them to effectively carry out their jobs and prepare them for career advancement in the Company. In particular, we are developing a training academy to improve our operational efficiency and help build relationships with our customers by providing employees with the necessary information and understanding of our products and services to enhance the customer experience. We believe that through our various training and development, team building and employee and awards initiatives, we have created an environment to support our employees and keep them engaged. We take measures to control our labor costs with improved productivity through cross-training personnel to enable them to handle multiple areas of operation.

As of the date of this Prospectus, we do have not have an employee stock option plan.

SAFETY

We are committed to maintaining a safe shopping and working environment for our customers and employees. Employees are advised at trainings of the safety procedures and standards to promote physical safety and awareness of merchandising safety standards.

INTELLECTUAL PROPERTY

We have a number of registered trademarks registered with the Philippine Intellectual Property Office as well as applications for the registration of various trademarks for AllHome and its private labels. Registered trademarks include “AllHome,” “Beyond Basic,” “AllElectrics,” “Rossio,” “Lustro,” “Castel,” and “EZ Space”. These trademarks are important because name recognition and exclusivity of use are contributing factors to our success.

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the consent of the owner from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the ownership of the mark of the registrant. A certificate of registration shall remain in force for an initial period of 10 years and may be renewed for periods of ten 10 years at its expiration.

Set out below is a list of our marks registered or pending registration with the Philippine Intellectual Property Office:

Trademark	Date of Registration	Expiration
AllHome One-stop shop for your home	March 17, 2019	March 17, 2029
Beyond Basic AllHome	August 31, 2017	August 31, 2027
AllElectronics	April 19, 2018	April 19, 2028
CROSSIO TILES	March 15, 2018	March 15, 2028
LUSTRO TILES	March 15, 2018	March 15, 2028
CASTEL	December 9, 2018	December 9, 2028
EZ SPACE	December 9, 2018	December 9, 2028

As of the date of this Prospectus, we have five applications pending with the Intellectual Property Office and six applications are being prepared for filing.

INSURANCE

We obtain and maintain appropriate insurance coverage on our properties, assets and operations in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and using similar properties in the same geographical areas as those in which we operate. We maintain comprehensive general liability insurance and insurance policies covering the following risks: fire and lightning, earthquakes, typhoons, riot/strike, malicious damage, robbery and burglary. Our insurance providers are large domestic insurers.

MATERIAL CONTRACTS

We do not have any other material contracts except for the lease contracts identified in the section "*Description of Property*."

LEGAL PROCEEDINGS

We are not currently involved in any material litigation, arbitration or similar proceedings, and we are not aware of any such proceedings pending or threatened against us or any of our properties, which are or might be material in the context of the Offer.

DESCRIPTION OF PROPERTY

As of the date of the Prospectus, we do not own any land and have no ongoing process for the acquisition of any property. We lease spaces for all of our retail stores primarily from our related parties.

As of the date of this Prospectus, we leased 33 properties in the Philippines for our existing store operations and warehouses and 43 additional properties for our planned store network expansion. The lease rates and terms for these properties follow standard market rates and practices for similar businesses. The lease rates are generally based on a percentage ranging from 5% to 6% of gross sales or on an agreed minimum guaranteed rate generally ranging from ₱180/sqm to ₱200/sqm (whichever is higher), which are subject to annual escalation rates in line with market standards. In addition, the rates are generally inclusive of common use service area fees, as may be agreed upon between parties.

A summary of our leased properties for our existing store operations and warehouses is set out below.

No.	Leased Area	Location	Gross Floor Area (sqm)	Remaining Term
Mega Manila				
1.	AllHome Starmall San Jose del Monte	Bulacan	9,701	10 years
2.	AllHome Agro	Muntinlupa	967	10 years
3.	AllHome Starmall Alabang	Muntinlupa	6,976	10 years
4.	AllHome Vista Mall Taguig	Taguig City	14,068	10 years
5.	AllHome Vista Mall Daang Hari	Cavite	15,898	10 years
6.	AllHome Vista Mall Sta. Rosa	Laguna	15,515	10 years
7.	AllHome Starmall Las Piñas	Las Piñas	8,869	8 years
8.	AllHome Imus	Cavite	12,309	8 years
9.	AllHome Vista Place Quezon City	Quezon City	7,028	8 years
10.	AllHome Alabang Appliances	Muntinlupa	341	7 years
11.	AllHome Vista Place Antipolo	Rizal	10,394	9 years
12.	AllHome Shaw Appliances	Mandaluyong	193	7 years
13.	AllHome Vista Mall Kawit	Cavite	13,093	8 years
14.	AllHome Vista Mall Global South	Las Piñas	12,987	10 years
15.	AllHome Libis	Quezon City	16,462 (land area)	13 years
16.	AllHome Vista Mall General Trias	Cavite	12,373	10 years
17.	AllHome Vista Mall Tanza	Cavite	12,431	10 years
18.	AllHome Evia	Las Piñas	7,965	9.5 years
19.	AllHome Starmall Shaw	Mandaluyong	3,129	10 years
20.	AllHome Vista Mall Dasmariñas	Cavite	12,625	10 years
21.	Mamplasan Warehouse at Laguna International Industrial Park (LIIP)	Laguna	6,387	3 months
22.	Mamplasan Warehouse Solid Street (LIIP)	Laguna	5,300	7 months
23.	Mamplasan Warehouse RRC Compound (LIIP)	Laguna	1,782	8 months
24.	Mamplasan Warehouse Laguna Industrial Park	Laguna	3,496	3 years
25.	Tunasan Warehouse RMT Industrial Complex	Muntinlupa	1,251	1 year
26.	Tunasan Warehouse RMT Industrial Complex	Muntinlupa	1,590	1 year
27.	AllHome Vista Mall Malolos	Bulacan	12,560	10 years

No.	Leased Area	Location	Gross Floor Area (sqm)	Remaining Term
Luzon (outside Mega Manila)				
28.	AllHome Paseo	Pampanga	10,680	10 years
29.	AllHome Vista Mall Bataan	Bataan	12,914	9 years
30.	AllHome Vista Mall Naga	Camarines Sur	11,121	10 years
Visayas and Mindanao				
31.	AllHome Starmall Talisay	Cebu	12,352	10 years
32.	AllHome Vista Mall Iloilo	Iloilo	16,927	10 years
33.	AllHome Cagayan de Oro	Misamis Oriental	12,434	10 years

A summary of our leased properties for our planned store network expansion is set out below.

No.	Leased Area	Location	Gross Floor Area (sqm)	Lease Term
Mega Manila				
1.	AllHome General Trias	Cavite	250	10 years
2.	AllHome Citta Italia Subd.	Cavite	250	10 years
3.	AllHome Springville Subd.	Cavite	250	10 years
4.	AllBuilders Dasmariñas	Cavite	9,090	10 years
5.	AllHome Silang	Cavite	14,601	10 years
6.	AllHome North Molino, Bacoor	Cavite	15,128	10 years
7.	AllHome Vista Mall Antipolo	Rizal	250	10 years
8.	AllHome Starmall Alabang	Muntinlupa City	8,119	10 years
9.	AllHome San Jose del Monte	Bulacan	250	10 years
10.	AllBuilders San Ildefonso	Bulacan	5,326	10 years
11.	AllBuilders Marcos Alvarez, Las Piñas City	Las Piñas	5,513	10 years
12.	AllHome Marcos Alvarez, Las Piñas City	Las Piñas	8,187	10 years
13.	AllHome Vista Mall Sta. Rosa	Laguna	250	10 years
14.	AllHome Vista Mall Taguig	Taguig City	250	10 years
15.	AllHome Makati	Makati City	250	10 years
16.	AllHome Sta. Maria	Bulacan	13,404	10 years
17.	AllBuilders Sapang Palay	Bulacan	5,326	10 years
18.	AllBuilders Bulakan	Bulacan	7,647	10 years
Luzon (outside Mega Manila)				
19.	AllHome Vista Mall Bataan	Bataan	250	10 years
20.	AllHome Santiago City	Isabela	14,697	10 years
21.	AllBuilders Gapan	Nueva Ecija	5,326	10 years
22.	AllHome Cabanatuan City	Nueva Ecija	15,178	10 years
23.	AllHome Lipa City	Batangas	13,700	10 years
24.	AllBuilders Balayan	Batangas	5,326	10 years
25.	AllHome Sto. Tomas	Batangas	12,503	10 years
26.	AllBuilders Subic	Zambales	5,513	10 years
27.	AllHome Subic	Zambales	8,187	10 years
28.	AllBuilders Sariaya	Quezon	5,513	10 years
29.	AllBuilders Vigan	Ilocos Sur	5,513	10 years
30.	AllBuilders Cauayan	Isabela	5,326	10 years
31.	AllBuilders Solano	Nueva Vizcaya	5,513	10 years

No.	Leased Area	Location	Gross Floor Area (sqm)	Lease Term
Visayas and Mindanao				
32.	AllBuilders Tagum	Davao	5,326	10 years
33.	AllBuilders General Santos	South Cotabato	5,326	10 years
34.	AllBuilders Koronadal	South Cotabato	5,326	10 years
35.	AllHome Butuan	Agusan del Norte	14,842	10 years
36.	AllBuilders Mactan	Cebu	5,513	10 years
37.	AllHome Mactan	Cebu	8,187	10 years
38.	AllHome Mintal	Davao	13,100	10 years
39.	AllBuilders Toril	Davao	5,513	10 years
40.	AllHome Tacloban	Leyte	13,700	10 years
41.	AllBuilders Tuguegarao	Cagayan	7,647	10 years
42.	AllHome Bacolod	Negros Occidental	14,373	10 years
43.	AllBuilders Zamboanga City	Zamboanga del Norte	5,513	10 years

REGULATORY COMPLIANCE

The Company has all the material permits and licenses necessary for its business as currently conducted, which are valid and subsisting as of the date of this Prospectus, as confirmed by Atty. Rosann Lee in her legal opinion dated July 15, 2019.

Detailed below are all of the major permits and licenses necessary for us to operate our business, the failure to possess any of which would have a material adverse effect on our business and operations. We believe that we have all the applicable and material permits and licenses necessary to operate our business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

No.	Branch	Type of Permit	Issuing Agency	Issue Date	Expiry Date
Mega Manila					
1.	Head Office	Certificate of Incorporation (CS201310179)	Securities and Exchange Commission	May 29, 2013	Not Applicable
2.	Head Office	Certificate of Registration	Bureau of Internal Revenue	June 4, 2013	N/A
3.	Head Office	Business Permit	City of Las Piñas	January 29, 2019	December 31, 2019
4.	Administrative Office	Business Permit	City of Mandaluyong	January 28, 2019	December 31, 2019
5.	AllHome Starmall San Jose del Monte	Business Permit	City Government of San Jose Delmonte Bulacan	March 5, 2019	December 31, 2019
6.	AllHome Agro	Business Permit	City Government of Muntinlupa	January 22, 2019	December 31, 2019
7.	AllHome Starmall Alabang	Business Permit	City Government of Muntinlupa	January 22, 2019	December 31, 2019
8.	AllHome Vista Mall Taguig	Business Permit	City Government of Taguig	January 23, 2019	December 31, 2019
9.	AllHome Vista Mall Daang Hari	Business Permit	City Government of Bacoor	January 28, 2019	December 31, 2019
10.	AllHome Vista Mall Sta. Rosa	Business Permit	City Government of Sta. Rosa	January 24, 2019	December 31, 2019
11.	AllHome Starmall Las Piñas	Business Permit	City Government of Las Piñas	January 29, 2019	December 31, 2019
12.	AllHome Imus	Business Permit	City Government of Imus	July 15, 2019	3rd Quarter of 2019
13.	AllHome Vista Place Quezon City	Business Permit	City Government of Quezon	June 3, 2019	December 31, 2019
14.	AllHome Alabang Appliances	Business Permit	City Government of Muntinlupa	January 22, 2019	December 31, 2019

No.	Branch	Type of Permit	Issuing Agency	Issue Date	Expiry Date
15.	AllHome Vista Place Antipolo	Business Permit	City Government of Antipolo	January 31, 2019	December 31, 2019
16.	AllHome Shaw Appliances	Business Permit	City Government of Mandaluyong	January 28, 2019	December 31, 2019
17.	AllHome Vista Mall Kawit	Business Permit	Municipality of Kawit Cavite	January 29, 2019	December 31, 2019
18.	AllHome Vista Mall Global South	Business Permit	City Government of Las Piñas	January 29, 2019	December 31, 2019
19.	AllHome Libis	Business Permit	City Government of Quezon	January 29, 2019	December 31, 2019
20.	AllHome Vista Mall General Trias	Business Permit	City Government of General Trias	February 7, 2019	December 31, 2019
21.	AllHome Vista Mall Tanza	Business Permit	Municipality of Tanza	March 8, 2019	December 31, 2019
22.	AllHome Evia	Business Permit	City Government of Las Piñas	January 29, 2019	December 31, 2019
23.	AllHome Starmall Shaw	Business Permit	City Government of Mandaluyong	January 28, 2019	December 31, 2019
24.	AllHome Vistamall Dasmariñas	Business Permit	City Government of Dasmariñas	June 14, 2019	December 31, 2019
25.	AllHome Malolos	Business Permit	City Government of Malolos	July 31, 2019	December 31, 2019
Luzon					
26.	AllHome Paseo	Business Permit	City Government of San Fernando Pampanga	January 24, 2019	December 31, 2019
27.	AllHome Vista Mall Bataan	Business Permit	City Government of Balanga	January 24, 2019	December 31, 2019
28.	AllHome Vista Mall Naga	Business Permit	City Government of Naga	January 21, 2019	December 31, 2019
Visayas and Mindanao					
29.	AllHome Starmall Talisay	Business Permit	City Government of Talisay	March 07, 2019	December 31, 2019
30.	AllHome Vista Mall Iloilo	Business Permit	Municipality of Oton Iloilo	January 21, 2019	December 31, 2019
31.	AllHome Cagayan de Oro	Business Permit	City Government of CDO	January 17, 2019	December 31, 2019

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

FOREIGN INVESTMENT LAWS AND RESTRICTIONS

Retail Trade Liberalization Act

Republic Act No. 8762, or the Retail Trade Liberalization Act of 2000 ("**R.A. 8762**") liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. It allowed non-Filipino citizens to participate in retail on a limited basis. Prior to the passage of R.A. 8762, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

"Retail Trade" is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption. Under R.A. 8762, foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the Philippine SEC and the DTI or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, in accordance with the following categories:

- *Category A* – Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than U.S.$2,500,000 shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.

- *Category B* – Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of U.S.$2,500,000 but less than U.S.$7,500,000) may be wholly owned by foreigners except for the first two (2) years after the effectivity of R.A. 8762 wherein foreign participation shall be limited to not more than sixty percent (60%) of total equity.

- *Category C* – Enterprises with a paid-up capital of the equivalent in Philippine Pesos of U.S.$7,500,000 or more may be wholly owned by foreigners: provided, however, that in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of U.S.$830,000.

- *Category D* – Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in Philippine Pesos of U.S.$250,000 per store may be wholly owned by foreigners.

The implementing rules and regulations ("**IRR**") of R.A. 8762 provides that foreign investors or foreign retailers may acquire shares in existing and operating retail stores, publicly listed or not. A foreign retailer is defined as an individual who is not a Filipino citizen, or a corporation, partnership, association, or entity that is not wholly owned by Filipinos, engaged in retail trade.

Whenever a foreign investor is also engaged in retail trade and such foreign investor acquires 51% or more of the outstanding capital stock of an existing retail store, the following prequalification requirements must be met:

- a minimum of U.S.$200 million net worth in its parent corporation for categories B and C, and U.S.$50 million net worth in its parent corporation for category D;

- five retail branches or franchises in operation anywhere around the world unless such retailers has at least one store capitalized at a minimum of U.S.$25 million;

- five-year track record in retail; and
- only nationals from, or juridical entities formed or incorporated in, countries which allow the entry of Filipino retailers, shall be allowed to engage in retail trade in the Philippines.

The Department of Trade and Industry ("**DTI**"), through the Board of Investments ("**BOI**"), is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. 8762, before they are allowed to conduct business in the Philippines. No transfer of shares to a foreign investor in a retail store shall be recorded in the corporate books unless a Certificate of Compliance with Pre-qualification is presented.

Foreign Investments Act of 1991

Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991 ("**Foreign Investments Act**"), liberalized the entry of foreign investment into the Philippines. As a general rule, there are no restrictions on extent of foreign ownership of export enterprises. In domestic market enterprises, foreigners can invest as much as one hundred percent (100%) equity except in areas included in the Foreign Investment Negative List. The latest Foreign Investment Negative List (Eleventh) maintains the prohibition of foreign equity for retail trade enterprises with paid-up capital of less than $2,500,000 under R.A. 8762.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the Foreign Investments Act as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Land Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose ("**Authority to Disclose**") in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("**BSRD**") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

The Consumer Act

Republic Act No. 7394, or Consumer Act of the Philippines ("**Consumer Act**"), seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies. "Consumer products and services," as defined by the Consumer Act, means goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include but not limited to food, drugs, cosmetics, and devices. The DTI is the implementing agency tasked to promulgate the policies under the Consumer Act.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

The minimum labeling requirements for consumer products sold in the Philippines are: (a) the correct and registered trade name or brand name; (b) the duly registered trademark; (c) the duly registered business name; (d) the address of the manufacturer, importer, repacker of the consumer product in the Philippines; (e) the general make or active ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact.

The Price Act

Under the Republic Act No. 7581 (the "**Price Act**"), as amended by Republic Act No. 10623, the President of the Philippines may impose a price ceiling on basic necessities and prime commodities in the event of a calamity, an emergency, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. "Basic necessities" are goods vital to the needs of consumers for their sustenance and existence, while "prime commodities" are goods not considered as basic necessities but are essential to consumers in times of any of the following cases: (1) the impendency, existence, or effects of a calamity; (2) the threat, existence, or effect of an emergency; (3) the prevalence or widespread acts of illegal price manipulation: (4) the impendency, existence, or effect of any event that causes artificial and unreasonable increase in the price of the basic necessity or prime commodity; and (5) whenever the prevailing price of any basic necessity or prime commodity has risen to unreasonable levels.

The Price Act imposes an automatic price control on the prices of basic commodities in areas declared as disaster areas, under emergency or martial law or in a state or rebellion or war. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of 60 days, except for price control on basic necessities that are wholly imported and deregulated.

The implementing government agencies of the Price Act are also given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

An LGU, through its respective legislative bodies, may enact ordinances and approve resolutions, as shall be necessary and proper to provide for health and safety, comfort and convenience, maintain peace and order, improve the morals, and promote the prosperity and general welfare of the community and the inhabitants thereof, and the protection of property therein. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Businesses are required to obtain a local business permit from the LGU having jurisdiction over the territory where the entity seeks to operate before commencement of actual operations. In order to obtain a local business permit for any business or activity, a clearance must first be obtained from the barangay where such business or activity is located or conducted.

Subject to certain limitations, the power to tax is also exercised by the LGU through their respective legislative bodies, upon enactment of an appropriate ordinance.

Labor and Employment

Labor Code of the Philippines

The Department of Labor and Employment ("**DOLE**") is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines ("**Labor Code**") and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On March 15, 2017, Department Order No. 174 (2017) ("**D.O. 174**") was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

Philippine Competition Act

Republic Act. No. 10667, or the Philippine Competition Act ("**PCA**"), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

(1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations ("**PCA IRR**") without notice to the PCC.

On February 21, 2019, the PCC issued PCC Advisory No. 2019-001, effective March 1, 2019, amending the PCA IRR. It increased the thresholds to ₱5.6 billion for the Size of Person and ₱2.2 billion for the Size of Transaction, as defined in the PCA IRR. Under the Advisory, as to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. The revised thresholds under PCC Advisory No. 2019-001 shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of PCC Advisory 2019-001 (i.e. March 1, 2019); and, transactions which are already subject of a decision by the PCC.

On November 22, 2017, the PCC published the 2017 Rules on Merger Procedures ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to the notifiable merger.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Revised Corporation Code

Republic Act No. 11232 or the Revised Corporation Code ("**Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- the Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an **OPC**, unless provided for under special laws.

- material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- the right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia,* the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and

- in case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Environmental Laws

Environmental Impact Statement System

Undertakings or operations on any declared environmentally critical project or area are required to obtain an Environmental Compliance Certificate ("**ECC**") prior to commencement. The Department of Environment and Natural Resources ("**DENR**"), through its regional offices or through the Environmental

Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB, which is a result of a positive determination by the EMB on the preventive, mitigating and enhancement measures adopted addressing possible adverse consequences of the project to the environment. The EIS refers to the document, prepares and submitted by the project proponent and/or the Environmental Impact Assessment Consultant which provides for a comprehensive study of the significant impacts of a project to the environment. On the other hand, a non-environmentally critical project in an environmentally critical area is generally required to submit an Initial Environmental Examination (the "**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required in addition to the IEE.

The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socioeconomic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC.

The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the abandonment phase of the project. Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our overall management and supervision are undertaken by the Board. Our executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning our business operations, financial condition and results of operations for its review. Currently, the Board consists of seven members, of which two are independent directors. The first five directors named below were elected at the Company's annual stockholders meeting on May 17, 2019. The two independent directors were elected on June 13, 2019 and their election took effect upon the Philippine SEC's approval of the increase in number of directors on July 8, 2019. All directors will hold office until their successors have been duly elected and qualified.

The following table sets forth the Board of Directors of the Company:

Name	Age	Position	Citizenship
Manuel B. Villar, Jr.	69	Chairman	Filipino
Camille A. Villar	34	Vice Chairman	Filipino
Benjamarie Therese N. Serrano	56	Member	Filipino
Manuel Paolo A. Villar	42	Member	Filipino
Frances Rosalie T. Coloma	56	Member	Filipino
Laura Suarez Acuzar	69	Independent Director	Filipino
Jessie D. Cabaluna	62	Independent Director	Filipino

The following table sets forth our key executive and corporate officers ("**Senior Management**"):

Name	Age	Position	Citizenship
Benjamarie Therese N. Serrano	56	President and Chief Executive Officer	Filipino
Frances Rosalie T. Coloma	56	Chief Financial Officer	Filipino
Mary Lee S. Sadiasa	50	Chief Operating Officer	Filipino
Maria Cristina O. Barao	38	Compliance Officer and Controller	Filipino
Jo Marie Lazaro-Lim	40	Corporate Secretary	Filipino
Robirose M. Abbot	46	Investor Relations Head	Filipino

The following states the business experience of our incumbent directors and officers for the last five years:

Manuel B. Villar, Jr. *Chairman of the Board.* Mr. Villar, 69, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Vista Land and Lifescapes, Inc., Starmalls, Inc., and Golden Bria Holdings, Inc.

Benjamarie Therese N. Serrano. *President and Chief Executive Officer,* 56, graduated from the University of the Philippines with a degree in Economics and from the Asian Institute of Management, with a Master's degree in Business Management. She is also the President of the other subsidiaries of AllValue. Ms. Serrano was the President of Starmalls, Inc. from 2017 to 2019.

Frances Rosalie T. Coloma. *Director, Chief Financial Officer.* Ms. Coloma, 56, graduated cum laude from the University of the Philippines with a degree of Bachelor of Science in Business Administration and Accountancy. She is a Certified Public Accountant. She is a Director of Vista Land and Lifescapes, Inc., and Golden Bria Holdings, Inc., Ms. Coloma was the Chief Financial Officer and Chief Information Officer of Golden Bria Holdings, Inc. from 2016 to 2019. She was also the Chief Financial Officer of Starmalls, Inc. from 2012 to 2016.

Manuel Paolo A. Villar. *Director,* Mr. Villar, 42, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was a consultant for McKinsey & Co. in the United States from 1999 to 2001. He joined Crown Asia in 2001 as Head of Corporate Planning. He is the President and CEO of Vista Land & Lifescapes, Inc. since 2011 and President of Starmalls, Inc. He is also the CEO and Chairman of St. Augustine Gold and Copper Limited from October 2012 and Chairman of TVI Resources Development Philippines, Inc. Mr. Villar is the majority shareholder of Prime Asset Ventures, Inc.

Camille A. Villar. *Director,* Ms. Villar, 34, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She obtained a Master's Degree in Business Administration from the Instituto de Estudios Superiores de la Eprese (IESE) Business School, Barcelona, Spain. She is the President and CEO of AllValue. She is also a Director of Vista Land & Lifescapes, Inc., Starmalls, Inc., and Golden Bria Holdings, Inc. She was President of AllHome until May 2019, Brittany Corporation from 2010 to 2013 and the Head of Corporate Communications for Vista Land from 2008 to 2010.

Laura Suarez Acuzar. *Independent Director.* Ms. Acuzar, 69, completed her Bachelor of Science in Commerce – Accountancy degree in the University of Santo Tomas, and Management Development Program in the Asian Institute of Management in 1981. In 1993, she finished the Advanced Management Program of Harvard Business School in Boston, USA. She was previously an Audit & Business Advisory Partner of SGV & Co., an Independent Director & Audit Committee Chairperson of Loyola Plans Consolidated Inc., and an Audit Committee Member of UST Hospital, Inc. Ms. Acuzar was also a Board and Audit Committee Member of Kerrisdale Community Center Society in Vancouver, BC, a Board Member and President of the UST Alumni Association, a Board Member of the Urban Inc. Productions Society, Vancouver BC, and a Charter Member and Incorporator of the Corporate Institute of the Philippines.

Jessie D. Cabaluna. *Independent Director.* Ms. Cabaluna, 62, graduated with a degree in Bachelor of Science in Commerce, major in Accounting from University of St. La Salle in 1977. She also completed the Management Development Program from the Asian Institute of Management in 1988, and Advance Management Program from the Harvard Business School in 2012. Ms. Cabaluna also completed Finance for Corporate Directors Program in 2017. She was previously a Partner at SGV & Co. from 1997 to 2017.

Mary Lee S. Sadiasa. *Chief Operating Officer.* Ms. Sadiasa, 50, graduated from the De La Salle University, Manila, with a Bachelor of Science in Applied Math with a minor in Operations Research. She was the Division Head of Brittany Corporation from 2005 to 2011, Managing Director of Crown Asia Properties Inc. from 2012 to 2014, and Managing Director of Camella Homes – North Luzon from 2015 to 2017.

Maria Cristina O. Barao. *Compliance Officer and Controller.* Ms. Barao, 38, graduated from the Pamantasan ng Lungsod ng Maynila in 2011 with a Bachelor of Science in Accountancy. She was previously the Senior Accountant and Chief Accountant of Camella Homes, Crown Asia Properties Inc., and Brittany Corporation from 2009 to 2018.

Jo Marie Lazaro-Lim. *Corporate Secretary*. Ms. Lazaro-Lim, 40, graduated from the University of Sto. Tomas with a degree in Bachelor of Arts in Legal Management and she earned her law degree from San Beda College of Law. She is the Compliance Officer and Assistant Corporate Secretary of Starmalls, Inc. and Assistant Corporate Secretary of Golden Bria Holdings, Inc. She is also the Corporate Secretary of Manuela Corporation and Masterpiece Asia Properties, Inc. as well as other affiliate companies of the group.

Robirose M. Abbot. *Investor Relations Head.* Ms. Abbot, 46, graduated from Silliman University in 1992 with a degree in Business Administration – Accounting, and completed her Masters in Business Administration from Ateneo de Manila University in 2003 earning a Gold Medal (*summa cum laude*). She is a Certified Public Accountant. She was previously the General Manager – Business Resource Unit of Earth + Style Corporation from 2010 to 2011. She was also the Chief Finance Officer of Philippine Realty & Holdings Corp. from 2011 to 2014, Ubix Corporation from 2014 to 2015, and in Raemulan Lands, Inc. from 2015 to 2019.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND SENIOR MANAGEMENT

To the best of our knowledge, none of the above-named directors or executive officers has been subject to the following:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or

- found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

FAMILY RELATIONSHIPS

Mr. Manuel B. Villar, Jr., is the father of Mr. Manuel Paolo A. Villar and Ms. Camille A. Villar. Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers and shareholders.

BOARD COMMITTEES

Specific responsibilities of the Board are delegated to the Audit Committee and the Corporate Governance Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Audit Committee

The Audit Committee shall enhance the Board's oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The committee shall consist of at least three appropriately qualified non-executive directors, majority of whom, including the chairman of the committee should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

The committee is chaired by Ms. Laura Acuzar and with Ms. Jessie Cabaluna and Mr. Paolo Villar as members.

Corporate Governance Committee

The Corporate Governance Committee has the duty and responsibility to assist the Board of Directors in the performance of its corporate governance responsibilities, including functions of a nomination and remuneration committee. It should be composed of at least three members, a majority of whom should be independent directors, including the chairman of the committee.

The committee is chaired by Ms. Jessie Cabaluna and with Ms. Laura Acuzar and Ms. Camille Villar as members.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Board has adopted the Manual on Corporate Governance ("**Manual**"), which institutionalizes the principles of good corporate governance in the entire organization. We believe that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization.

The Manual provides that it is the Board that has the primary responsibility for the governance of the corporation. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to attend its regular and special meetings in person or through teleconferencing.

In adopting the Manual, we understand the responsibilities of the Board and its members, in governing the conduct of the business of the Company, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

EXECUTIVE COMPENSATION

The compensation for our executive officers for the years ended December 31, 2017, and 2018 (actual), and 2019 (projected) are shown below:

Names	Position	Year	Salary	Bonus
Aggregate executive compensation for the following key management officers:				
Benjamarie Therese N. Serrano	President			
Frances Rosalie T. Coloma	CFO	**Actual 2017**	N/A	N/A
Mary Lee S. Sadiasa	COO	**Actual 2018**	N/A	N/A
Robirose M. Abbot	Investor Relations Head	**Projected 2019***	₱10.0 million	₱1.7 million
Maria Cristina Barao	Compliance Officer/ Controller			
Aggregate executive compensation of all other officers and directors, unnamed		**Actual 2017**	₱22.4 million	₱3.7 million
		Actual 2018	₱28.6 million	₱4.8 million
		Projected 2019	₱29.4 million	₱4.9 million

* For the second half of 2019.

For the years 2017 and 2018, the Company did not recognize expenses for key management compensation since these were handled by AllValue at no cost to the Company. See note 17.5 to our audited financial statements for the year ended December 31, 2018.

STANDARD ARRANGEMENTS

Other than payment of reasonable per diem of ₱15,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

EMPLOYMENT CONTRACT BETWEEN THE COMPANY AND SENIOR MANAGEMENT OFFICERS

There are no special employment contracts between the Company and Senior Management.

WARRANTS AND OPTIONS HELD BY THE SENIOR MANAGEMENT OFFICERS AND DIRECTORS

There are no outstanding warrants or options held by Senior Management, and all officers and directors as a group.

SIGNIFICANT EMPLOYEE

While we value the contribution of each of our executive and non-executive employees, we believe there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

PRINCIPAL AND SELLING SHAREHOLDERS

We have eight shareholders as of July 8, 2019, as follows:

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed	Amount Paid-up	Percentage of Ownership
				(₱)	(₱)	
1	AllValue Holdings Corp.	Filipino	2,999,999,500	2,999,999,500	2,999,999,500	99.99%
2	Manuel B. Villar, Jr.	Filipino	100	100	100	Nil
3	Camille A. Villar	Filipino	100	100	100	Nil
4	Manuel Paolo A. Villar	Filipino	100	100	100	Nil
5	Benjamarie Therese N. Serrano	Filipino	100	100	100	Nil
6	Frances Rosalie T. Coloma	Filipino	100	100	100	Nil
7	Laura Suarez Acuzar	Filipino	1	1	1	Nil
8	Jessie D. Cabaluna	Filipino	1	1	1	Nil
	TOTAL		3,000,000,002	3,000,000,002	3,000,000,002.00	**100%**

PSE LOCK-UP REQUIREMENT

Under the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause its existing shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or

- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

The following are covered by the 180-day lock-up requirement assuming the Overallotment Option is not exercised:

Shareholder	No. of Shares
AllValue Holdings Corp.	1,624,999,500 Shares

The following are covered by the 180-day lock-up requirement assuming the Overallotment Option is fully exercised:

Shareholder	No. of Shares
AllValue Holdings Corp.	1,456,249,500 Shares

If there is any issuance or transfer of shares (i.e. private placement, asset for share swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares (i.e. convertible bonds, warrants, or similar instrument) done and fully paid for within 180 days prior to the start of the offering period, or, prior to the listing date in the case of applicant companies by way of introduction, and the transaction price is lower than that of the offer price in the initial public offering or than that of the listing price in the case of applicant companies listing by way of introduction, all shares availed of shall be subject to a lock-up period of at least 365 days from the full payment of the aforesaid shares.

The following are covered by the 365-day lock-up requirement:

Shareholder	No. of Shares
AllValue Holdings Corp.[1]	1,000,000,000 Shares
Laura Suarez Acuzar[2]	1 Share
Jessie D. Cabaluna[2]	1 Share

Notes:

(1) On July 8, 2019, AllHome issued 1,000,000,000 Shares to AllValue through the conversion of certain advances into equity.

(2) Qualifying Shares issued to our independent directors.

To implement the lock-up requirement, we and the foregoing shareholders shall enter into an escrow agreement with the Philippine National Bank – Trust Banking Group.

THE SELLING SHAREHOLDER

AllValue Holdings Corp. (formerly MBV Holdings Corporation) was incorporated on May 27, 2013 with the primary purpose of being a holding company. The principal office of AllValue is located at 3rd floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City. AllValue is a wholly-owned subsidiary of Fine Properties, Inc. The following are the subsidiaries of AllValue: AllHome, Corp., AllDay Retail Concepts, Inc., Family Shoppers Unlimited, Inc., AllDay Marts, Inc., and CMStar Management, Inc.

The following table below sets forth, for the Selling Shareholder, the number of Shares and percentage of outstanding shares held before the Offer, the maximum number of Shares to be sold in the Offer and the number of shares and percentage of outstanding shares owned immediately after the Offer:

Selling Shareholder	Shareholdings before the Offer	% of Shares Outstanding before the Offer	Maximum Number of Shares to be Sold	Shareholdings following completion of the Offer	% of Shares Outstanding following completion of the Offer	Shareholdings following completion of the Offer assuming Full Exercise of the Overallotment Option	% of Shares Outstanding following completion of the Offer assuming Full Exercise of the Overallotment Option
AllValue Holdings Corp.	2,999,999,500	99.99%	543,750,000	2,624,999,500	70.0%	2,456,249,500	65.5%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of July 8, 2019, the following are the owners of our common stock in excess of 5% of total issued and outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common shares......	AllValue Holdings Corp. 3rd floor Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City Principal Shareholder	AllValue Holdings Corp./Record Owner is also beneficial owner*	Filipino	2,999,999,500	99.99%

* AllValue Holdings Corp. is a subsidiary of Fine Properties, Inc.; Mr. Manuel B. Villar Jr. and his spouse are the controlling shareholders of Fine Properties, Inc.

SECURITY OWNERSHIP OF MANAGEMENT

As of July 8, 2019, the following are the shareholdings of our Senior Management:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership	Percentage of Ownership
Common shares........	Manuel B. Villar, Jr.	Chairman	Filipino	100 shares – Held in trust for AllValue	Nil
Common shares........	Benjamarie Therese N. Serrano	President/ CEO	Filipino	100 shares – Held in trust for AllValue	Nil
Common shares........	Frances Rosalie T. Coloma	CFO	Filipino	100 shares – Held in trust for AllValue	Nil
Common shares........	Manuel Paolo A. Villar	Director	Filipino	100 shares – Held in trust for AllValue	Nil
Common shares........	Camille A. Villar	Director	Filipino	100 shares – Held in trust for AllValue	Nil
Common shares........	Laura Suarez Acuzar	Director	Filipino	1 share – Direct	Nil
Common shares........	Jessie D. Cabaluna	Director	Filipino	1 share – Direct	Nil

Except for the foregoing, no other members of the Board or Senior Management own any shares in the Company.

VOTING TRUST HOLDERS OF 5% OR MORE

As of July 8, 2019, we are not aware of any person holding more than 5.0% of a class of our shares under a voting trust or similar agreement.

CHANGE IN CONTROL

There has been no change in the control of the Company since it was incorporated in 2013.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

In the ordinary course of business, we enter into various transactions with related parties and affiliates, principally consisting of leases of commercial space, advances and purchases and sales of goods. Our policy is to settle intercompany receivables and payable on a net basis. Transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions on terms comparable to those available from or to unrelated third parties, as the case may be. Outstanding balances owed to related parties at a certain reporting date are non-interest bearing, unsecured and payable/collectible in cash on demand.

We have the following significant transactions with related parties:

- We provide to or obtain from AllValue, AllDay Retail Concepts, The Village Server, Inc. and Family Shoppers Unltd, Inc. unsecured, noninterest-bearing cash advances for working capital requirements.

- In the ordinary course of business, we sell various merchandise to AllValue and to related parties, under similar terms as with business transactions with third parties.

- We obtained short-term loans from unrelated third parties, which are secured by a continuing suretyship of Fine Properties, with interest rates ranging from 7.00% to 8.75% and long-term loans with interest ranging from 6.25% to 6.69%. These bank loans are for additional working capital requirements, and store construction and expansion.

For more information on volume and amounts outstanding, see Note 17 to our audited financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and Note 18 to our audited financial statements as of and for the six months ended June 30, 2019.

We also enter into lease agreements with various Vista Land entities for the lease of our stores. For more information on these lease agreements, see "*Description of Property*."

DESCRIPTION OF THE SHARES

The following is general information relating to our capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of our Articles of Incorporation and By-Laws.

The Offer Shares shall be offered at a price of ₱11.50 per Offer Share (the "**Offer Price**"). The determination of the Offer Price is further discussed on page 48 of this Prospectus. A total of 3,750,000,002 Shares will be outstanding after the Offer and the Offer Shares will comprise up to 34.5% of the outstanding Shares after the Offer, assuming the full exercise of the Overallotment Option.

SHARE CAPITAL INFORMATION

As of the date of this Prospectus, we have an authorized capital stock of ₱6,000,000,000.00 divided into 5,900,000,000 common shares with a par value of ₱1.00 per share and 1,000,000,000 preferred shares with par value of ₱0.10 per share. As of the date of this Prospectus, we have 3,000,000,002 common shares issued and outstanding. We have no preferred shares outstanding and no shares held in treasury.

The Offer Shares will consist of 1,125,000,000 Firm Shares and up to 168,750,000 Option Shares.

- The Firm Shares will comprise 750,000,000 unissued shares to be offered and issued by us by way of primary offer and 375,000,000 issued Shares owned by the Selling Shareholder, to be offered by way of a secondary offer.

- The Option Shares will comprise up to 168,750,000 issued Shares owned by the Selling Shareholder to be offered by way of a secondary offer.

RIGHTS RELATING TO SHARES

Voting Rights of Shares

Each common and preferred share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in our books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

Our shares, both common and preferred, have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights of Common Shares

We are allowed to declare dividends out of our unrestricted retained earnings at such times and in such percentages as may be determined by our Board of Directors. Such determination will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of our outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See "*Dividends and Dividend Policy*."

Dividend and Other Rights of Preferred Shares

Preferred Shares may be issued from time to time in one or more series as the Board of Directors may determine, and authority is expressly granted to the Board of Directors to establish and designate each particular series of preferred shares, to fix the number of shares to be included in such series, and to determine the dividend rate, issue price and other terms and conditions for each such shares. Dividends on the preferred shares shall be non-cumulative but no dividends shall be declared or paid on the Shares unless dividends on all preferred shares shall have been declared and paid by us. Preferred shares of each and any series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in our Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the Board of Directors prior to the issuance of such series (the "**Enabling Resolutions**") which resolution(s) shall thereupon be deemed a part of the Articles of Incorporation, as amended.

Rights of Shareholders to Assets of the Company

Each holder of a Share and Preferred Share is entitled to a pro rata share in our assets available for distribution to the shareholders in the event of dissolution, liquidation and winding up.

Pre-emptive Rights

Pursuant to our Articles of Incorporation, our stockholders have no pre-emptive right to subscribe to any issue or disposition of shares of any class of the Company.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

- in case of merger or consolidation;

- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and

- in case of extension or shortening of the term of corporate existence.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

Change in Control

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

SHAREHOLDERS' MEETINGS

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. Our by-laws provide for annual meetings on the fourth Friday of June of each year, and if a legal holiday, then on the day following.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the President of our Company or our Board of Directors, at its own instance, or upon the written request of stockholders registered as the owners of majority of the outstanding capital stock of the Company.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Notices for regular or special meetings of the stockholders shall be sent by the Secretary by personal delivery or by mail at least 15 business days prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by law or an existing shareholders' agreement, shareholders who own or hold a majority of the outstanding capital shares must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-a-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Voting

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

Fixing Record Dates

Pursuant to the Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the Philippine SEC and shall be indicated in the Philippine SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the Philippine SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

ISSUE OF SHARES

Subject to otherwise applicable limitations, we may issue additional shares to any individual for consideration deemed fair by our Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to our Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

TRANSFER OF COMMON SHARES

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "*The Philippine Stock Market*" on page 142 of this Prospectus.

Under Philippine law, transfer of the Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Philippine Taxation*" on page 149 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

SHARE REGISTER

Our share register is maintained at the principal office of our share transfer agent, Philippine National Bank, acting through its Trust Banking Group.

SHARE CERTIFICATES

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to our stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" beginning on page 142 of this Prospectus.

MANDATORY TENDER OFFER

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;
- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; or
- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required in:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;

- purchases from an increase in the authorized capital shares of the target company;

- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;

- purchases in connection with a privatization undertaken by the government of the Philippines;

- purchases in connection with corporate rehabilitation under court supervision;

- purchases through an open market at the prevailing market price; or

- purchases resulting from a merger or consolidation.

CHANGE IN CONTROL

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of our operations for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the International Joint Bookrunners and Domestic Underwriters nor any of their respective subsidiaries, affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the Philippine SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization and converted from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120 million. As of February 8, 2019, PSE had 85,017,692 issued shares, of which 27,023 are treasury shares, resulting in 84,990,669 total shares outstanding. Each of the then 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member-broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE board of governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president of the PSE. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component stocks.

The PSE has a benchmark index, referred to as the PSEi, which, as of the date thereof, reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective as of April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

In December 2013, the PSE Electronic Disclosure Generation Technology ("**EDGe**"), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

Furthermore, the PSE launched its Corporate Governance Guidebook in November 2010 to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

The table below indicates the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,629.7	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,960.0
2018	7,466.0	267	16,150.0	1,740.0

Source: PSE and PSE Annual Reports.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon for the morning session. It resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Mondays to Fridays, except legal and special holidays, days when the BSP clearing house is closed and such other days as may be declared by the Philippine SEC or the PSE, to be a non-trading day.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order may result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or canceled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;

- in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a certificate of registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (a) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE trading participants; (b) guaranteeing the settlement of trades in the event of a PSE trading participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund, and; (c) performing risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after the transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the Philippine Depository and Trust Corp. (formerly the Philippine Central Depository, Inc.) ("**PDTC**"). Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank AG Manila Branch, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited and Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker-level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, RCBC, Metrobank, DB, Unionbank, HSBC and Maybank.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("**PCD Nominee**") whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. On the other hand, immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

AMENDED RULE ON LODGMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

In addition to the foregoing, the PSE also apprised all listed companies and market participants through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the Philippine SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- the offer shares/securities of the applicant company in the case of an initial public offering;

- the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;

- new securities to be offered and applied for listing by an existing listed company; and additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

- for a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date;

- for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice, the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancelation. The transfer agent shall issue a registry confirmation advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

Under the amended rules on minimum public ownership promulgated by the PSE and approved by the Philippine SEC, listed companies are required at all times to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage as may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) purpose of investment; and (c) extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

On December 1, 2017, the Philippine SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("**SEC MC 13-2017**") on the rules and regulations on minimum public ownership ("**MPO**") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

Further, notwithstanding the quarterly public ownership report requirement of the PSE, a company shall establish and implement an internal policy and procedure to monitor its MPO and shall immediately report to the Philippine SEC within the next business day if its public float level has fallen below 20%. The company shall submit to the Philippine SEC within ten days after knowledge about the deficiency in its MPO, a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from the date of such decline. The company shall submit to the Philippine SEC a public ownership report and progress report on submitted business plan within 15 days after end of each month until such time that its public float reaches the required level.

The requirement of minimum public ownership shall also form part of the requirement for the registration of securities. Non-compliance with these requirements shall subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the Philippine SEC.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this prospectus and is subject to any changes occurring after such date. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines. The term "non-resident holder" means a holder of the Shares:

- *who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took effect. The TRAIN Law amended various provisions of the Philippine Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. Corporate income tax is yet to be amended as this is expected to be addressed in the second package of the Comprehensive Tax Reform Program which reportedly aims to lower corporate income taxes and modernize fiscal incentives in a bid to complement the expected incremental revenues from the first package.

Corporate Income Tax

A domestic corporation is subject to a tax of 30% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction ("**OSD**") equivalent to an amount not exceeding 40% of the corporation's gross income.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE OR DISPOSITION OF SHARES AFTER THE IPO

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. A value-added tax ("**VAT**") of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client, the seller or transferor. The stock transaction tax is classified as a percentage tax and is paid in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that immediately after December 31, 2012, the Philippine SEC shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on Minimum Public Ownership ("**MPO**") which requires listed companies to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies issued and outstanding shares at all times. The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor's tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor's tax under Section 100 of the Tax Code.) Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 ("**R.R. 16-12**") provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made Outside the PSE

Pursuant to the TRAIN Law, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized, beginning January 1, 2018.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000	5%
On any amount in excess of ₱100,000	10%

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.)

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**"), certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax, while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 30%. The 30% income tax rate for dividends paid to a non-resident foreign corporation with countries of domicile having no tax treaty with the Philippines may be reduced to a lower rate of 15% whenever:

(1) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends, or

(2) the country of domicile of the non-resident foreign corporation allows at least 15% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 (Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "**Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals**" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24 (b)(1) (now Sec. 25(b)(5)(B)) of the Tax Code, as amended dated August 12, 1991) states that the non-resident foreign holder has to submit the following documents to the payor of the cash dividends:

(1) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation;

(2) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and

(3) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends.

Despite these procedural requirements, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (Requests for Rulings with the Law and Legislative Division dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder (please see discussion on tax treaties below.)

If the regular tax rate is withheld by the Company instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends	Stock transaction tax on sale or disposition effected through the PSE	Capital gains tax due on disposition of shares outside the PSE
	(%)	(%)[9]	(%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.

(10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.

(12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications ("**TTRA**") Pursuant to Existing Philippine Tax Treaties dated August 25, 2010), BIR Form No. 0901-C, and other BIR issuances. These include, among others, proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which is, in respect of capital gains tax, before the deadline for the payment of the documentary stamp tax on the sale of shares, or the fifth day following the end of the month when the document transferring ownership was executed.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% when the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit within 30 days an original copy of the duly accomplished CORTT Form.

Documentary Stamp Tax

Beginning January 1, 2018, the original issue of shares is subject to a documentary stamp tax ("**DST**") of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The Philippines imposes a DST upon the transfer outside the PSE of shares issued by a Philippine corporation at the rate of ₱1.50 on each ₱200.00, or a fractional part thereof, of the par value of the shares.

The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by either or both the vendor or the vendee of the shares.

However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation is subject to Philippine estate and donor's taxes.

Beginning January 1, 2018, the transfer by a deceased Philippine resident to his heirs of the Shares shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6.0%. A holder of the Shares who is a Philippine resident shall be subject to donor's tax based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year on the transfer of the Shares by donation at a rate of 6.0%.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock:

(1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or

(2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Shares, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

337,500,000 Offer Shares (the "**Trading Participants and Retail Offer Shares**"), or 30% of the Firm Shares, are (subject to re-allocation as described below) being offered and sold by the Domestic Underwriters at the Offer Price to all of the PSE Trading Participants and local small investors ("**LSIs**") in the Philippines (the "**Trading Participants and Retail Offer**").

787,500,000, or 70% of the Firm Shares (the "**Institutional Offer Shares**"), are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters (the "**Institutional Offer**"). Notwithstanding the Joint International Bookrunners being named in this Prospectus, offers and/or sales by the Joint International Bookrunners of Offer Shares outside the Philippines are not governed by Philippine laws. The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company, the Joint International Bookrunners and the Domestic Underwriters. The Joint International Bookrunners will underwrite, on a firm commitment basis, the Institutional Offer Shares, and the Domestic Underwriters will underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares. There is no arrangement for any of the Joint International Bookrunners or the Domestic Underwriters to return any of the Offer Shares relating to the Trading Participants and Retail Offer or the Institutional Offer to the Company or the Selling Shareholder.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Domestic Underwriters to the PSE Trading Participants and LSIs in the Philippines. 225,000,000 Firm Shares, or 20% of the Firm Shares, shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated 1,744,100 Firm Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants among the 129 PSE Trading Participants) and subject to reallocation as may be determined by the Domestic Underwriters. The balance of 11,100 Firm Shares shall be allocated by the Domestic Underwriters to the PSE Trading Participants. In addition, 112,500,000 Firm Shares, or 10% of the Firm Shares, shall be allocated to the LSIs. Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Domestic Underwriters to its clients or the general public in the Philippines or as otherwise agreed with the Joint International Bookrunners. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer, or taken up by the clients of the Domestic Underwriters, or the general public, shall be purchased by the Domestic Underwriters pursuant to the terms and conditions of the Domestic Underwriting Agreement (as defined below).

To facilitate the Trading Participants and Retail Offer, the Company and the Selling Shareholder have appointed PNB Capital and Investment Corporation and China Bank Capital Corporation to act as the Domestic Underwriters. The Company, the Selling Shareholder and the Domestic Underwriters entered into a Domestic Underwriting Agreement dated September 26, 2019 (the "**Domestic Underwriting Agreement**"), whereby the Domestic Underwriters agrees to underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares, subject to agreement between the Joint International Bookrunners and the Domestic Underwriters, on any clawback, clawforward or other such mechanism relating to reallocation of the Shares between the Institutional Offer and the Trading Participants and Retail Offer.

LSI Subscription through PSE EASy

A total of 112,500,000 Offer Shares, or 10% of the Offer, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or "**PSE EASy**." An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 1,000 shares or ₱11,500.00 while the maximum subscription shall be 8,600 shares or up to ₱98,900.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Domestic Underwriters shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

All Offer Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Domestic Underwriters' clients shall be purchased by the Domestic Underwriters on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Domestic Underwriters from purchasing the Offer Shares for its own account.

PNB Capital

PNB Capital, a wholly owned subsidiary of the Philippine National Bank ("**PNB**"), offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the Philippine SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public.

CB Capital

CB Capital is duly-licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. CB Capital may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for the Company or any of its subsidiaries.

CB Capital, a subsidiary of China Banking Corporation ("**China Bank**"), provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndication, bonds and notes issuances, securitization, initial and follow-on public offerings, and private equity placements, CB Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestures and joint ventures. It was established and licensed as an investment house on 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.

The Domestic Underwriters and its affiliates have engaged in transactions with, and have performed various investment banking, commercial banking and other services for the Company or the Selling Shareholder in the past, and may do so for the Company, the Selling Shareholder and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Domestic Underwriters, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company or the Selling Shareholder. The Domestic Underwriters does not have any right to designate or nominate a member of the Board. The Domestic Underwriters has no direct relationship with the Company in terms of share ownership and, other than as Domestic Underwriters for the Offer, do not have any material relationship with the Company or the Selling Shareholder.

On or before 12:00 noon on October 2, 2019, the PSE Trading Participants shall submit to the designated representatives of the Domestic Underwriters their respective firm orders and commitments to purchase Trading Participants and Retail Offer Shares.

The Domestic Underwriters and the Joint International Bookrunners shall receive from the Company and the Selling Shareholder a fee equivalent to 2.25% of the gross proceeds of the sale of the Trading Participants and Retail Offer Shares, exclusive of the amounts to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Domestic Underwriters from the proceeds of the Trading Participants and Retail Offer and proceeds from the sale of the Institutional Offer Shares allocated to the Domestic Underwriters.

PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.00%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less a withholding tax of 10%, will be paid by the Domestic Underwriters to the PSE Trading Participants within ten banking days from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. Purchasers of the Trading Participants and Retail Offer Shares may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale (i) outside the United States by the Joint International Bookrunners in offshore transactions in reliance on Regulation S of the U.S. Securities Act, (ii) within the United States through UBS's and Credit Suisse's U.S. registered broker-dealer affiliates to QIBs in reliance on Rule 144A under the U.S. Securities Act, and (iii) to certain qualified buyers and other investors in the Philippines, by the Domestic Underwriters.

The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be agreed between the Company, the Joint International Bookrunners and the Domestic Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The purchase agreement dated September 26, 2019 (the "**Purchase Agreement**"), entered into among the Company, the Selling Shareholder, and the Joint International Bookrunners is subject to certain conditions and may be subject to termination by the Joint International Bookrunners if certain circumstances, including force majeure, occur on or before the Listing Date.

Under the terms and conditions of the Purchase Agreement, each of the Joint International Bookrunners has agreed, severally and not jointly, to procure purchasers for or failing which to purchase the respective number of Institutional Offer Shares opposite their names indicated in the following table.

	Number of Institutional Offer Shares
UBS AG, Singapore Branch	414,473,800
CLSA Limited	186,513,100
Credit Suisse (Singapore) Limited	186,513,100
Total	787,500,000

The table does not reflect the exercise of the Overallotment Option that may or may not be exercised by UBS AG, Singapore Branch and its relevant affiliates, as Stabilizing Agent, to purchase up to 168,750,000 Option Shares from the Selling Shareholder.

Each of the Joint International Bookrunners and their respective affiliates have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with the Company, the Selling Shareholder or their respective affiliates. They have received and expect to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, each of the Joint International Bookrunners and their respective affiliates may trade the Company's securities or the securities of the Company's affiliates or derivatives relating to the foregoing securities for its and/or its affiliates' own account and/or for the accounts of customers, and may at any time hold a long or short position in such securities.

Investors in the Institutional Offer will be required to pay, in addition to the Offer Price, a brokerage fee of up to 1.00% of the Offer Price.

THE OVERALLOTMENT OPTION

In connection with the Offer, subject to the approval of the Philippine SEC, the Selling Shareholder has granted the Stabilizing Agent an Overallotment Option, exercisable in whole or in part to purchase up to an additional 168,750,000 Option Shares at the Offer Price and on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. In connection therewith, the Selling Shareholder has entered into a Greenshoe Agreement with the Stabilizing Agent to utilize up to an additional 168,750,000 Option Shares to cover over-allocations under the Institutional Offer. Any Shares that may be delivered to the Stabilizing Agent under the Greenshoe Agreement will be re-delivered to the Selling Shareholder either through the purchase of Shares in the open market by the Stabilizing Agent in the conduct of stabilization activities or through the exercise of the Overallotment Option by the Stabilizing Agent. The Option Shares may be over-allotted and the Stabilizing Agent may effect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 days from the Listing Date. The Stabilizing Agent may purchase Shares in the open market only if the market price of the Shares falls below the Offer Price. Such activities may stabilize, maintain or otherwise affect the market price of the Shares, which may have the effect of preventing a decline in the market price of the Shares and may also cause the price of the Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If the Stabilizing Agent commences any of these transactions (which would include thereafter disposing of or selling the Shares purchased), it may discontinue them at any time. However, the Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end. Once the Overallotment Option has been fully exercised by the Stabilizing Agent, it will no longer be allowed to purchase Shares in the open market for the conduct of stabilization activities. To the extent the Overallotment Option is not fully exercised by the Stabilizing Agent, the same shall be deemed cancelled and the relevant Option Shares shall be re-delivered to the Selling Shareholder.

LOCK-UP

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares. See "*Principal and Selling Shareholder*."

The Company and the Selling Shareholder have agreed with the Joint International Bookrunners and the Domestic Underwriters that, except in connection with the Overallotment Option, they will not, without the prior written consent of the Joint International Bookrunners and the Domestic Underwriters, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

INDEMNITY

The Purchase Agreement provides that the Company and the Selling Shareholder will indemnify the Joint International Bookrunners against certain liabilities, including under the U.S. Securities Act.

REGISTRATION OF FOREIGN INVESTMENTS

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Regulatory and Environmental Matters – Foreign Investment Laws and Restrictions – Registration of Foreign Investments and Exchange Controls*."

SELLING RESTRICTIONS

The distribution of this Prospectus or any offering material and the offer, sale or delivery of the Offer Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

Philippines

No securities, except for a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the Philippine SEC on Form 12-1 and the registration statement has been declared effective by the Philippine SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, our legal counsel, and Romulo Mabanta Buenaventura Sayoc & de los Angeles, legal counsel to the Sole Global Coordinator and Joint Bookrunner, the Joint Bookrunners and the Domestic Underwriters. Certain legal matters as to United States federal law will be passed upon by Latham & Watkins LLP, our legal counsel, and Milbank LLP, legal counsel to the Sole Global Coordinator and Joint Bookrunner, the Joint Bookrunners and the Domestic Underwriters.

Each of the foregoing legal counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. None of the legal counsel will receive any direct or indirect interest in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The financial statements of the Company as of and for the six months ended June 30, 2019 and as of December 31, 2018, 2017, and 2016 and for the years then ended, were audited by Punongbayan & Araullo (Grant Thornton), independent auditors, as stated in their report attached to this Prospectus.

Punongbayan & Araullo has acted as the Company's external auditor since 2018. Nelson Dinio is the current audit partner for the Company and has served as such since 2018. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period.

Punongbayan & Araullo, has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. Punongbayan & Araullo will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees paid to Punongbayan & Araullo for professional services rendered in respect of the audit of our historical financial statements, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

	2018	**2017**	**2016**
Audit and Audit Related Fees (in ₱)	715,000	650,000	650,000

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

INDEX TO FINANCIAL STATEMENTS

Audited financial statements of the Company as of June 30, 2019 and for the six-months ended June 30, 2018 and 2019

Audited financial statements of the Company as of and for the years ended December 31, 2016, 2017 and 2018

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AllHome Corp.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the six months ended June 30, 2019 and 2018 and for the year ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan and Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Manuel B. Villar, Jr.
Chairman of the Board

Benjamarie Therese N. Serrano
President/Chief Executive Officer

Frances Rosalie T. Coloma
Treasurer/ Chief Financial Officer

Signed this 9th day of August 2019

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Report of Independent Auditors

The Board of Directors
AllHome Corp.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City
Daang Hari, Almanza II
Las Piñas City

Opinion

We have audited the financial statements of AllHome Corp. (the Company), which comprise the statements of financial position as at June 30, 2019 and December 31, 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and December 31, 2018, and its financial performance and its cash flows for the six months ended June 30, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-32-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

August 9, 2019

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	Notes	June 30, 2019	December 31, 2018
ASSETS			
CURRENT ASSETS			
Cash	5	P 333,301,525	P 298,492,381
Trade and other receivables - net	6	686,319,893	1,196,386,397
Inventories	7	4,295,310,127	2,690,897,676
Due from related parties	18	-	133,913,000
Other current assets	8	285,129,678	654,112,912
Total Current Assets		5,600,061,223	4,973,802,366
NON-CURRENT ASSETS			
Property and equipment - net	9	7,908,454,195	2,969,459,786
Other non-current assets	8	403,629,089	272,168,819
Total Non-current Assets		8,312,083,284	3,241,628,605
TOTAL ASSETS		P 13,912,144,507	P 8,215,430,971
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	10	P 756,880,452	P 379,871,290
Loans payable	11	2,403,230,769	1,676,923,077
Lease liability	12	330,575,610	-
Due to related parties	18	1,003,574,959	627,352,292
Income tax payable		46,638,207	68,189,020
Total Current Liabilities		4,540,899,997	2,752,335,679
NON-CURRENT LIABILITIES			
Loans payable	11	2,246,153,846	2,638,461,538
Lease liability	12	4,126,086,904	-
Deferred tax liabilities - net	17	98,282,058	146,029,890
Retirement benefit obligation	16	30,641,568	-
Total Non-current Liabilities		6,501,164,376	2,784,491,428
Total Liabilities		11,042,064,373	5,536,827,107
EQUITY	19		
Capital stock		2,000,000,000	2,000,000,000
Retained earnings		870,080,134	678,603,864
Total Equity		2,870,080,134	2,678,603,864
TOTAL LIABILITIES AND EQUITY		P 13,912,144,507	P 8,215,430,971

See Notes to Financial Statements.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
REVENUES	13	**P 5,055,194,871**	P 3,028,093,794
COST OF GOODS SOLD	14	**3,563,406,864**	2,148,877,813
GROSS PROFIT		**1,491,788,007**	879,215,981
OTHER OPERATING EXPENSES	14	**(833,721,682)**	(739,660,469)
OPERATING PROFIT		**658,066,325**	139,555,512
OTHER INCOME (CHARGES)			
Finance costs	15	**(177,785,079)**	(27,102,119)
Other income	15	**140,792,757**	45,080,584
Finance income	5	**176,474**	197,303
		(36,815,848)	18,175,768
PROFIT BEFORE TAX		**621,250,477**	157,731,280
TAX EXPENSE	17	**(186,942,613)**	(47,303,279)
NET PROFIT		**434,307,864**	110,428,001
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**P 434,307,864**	P 110,428,001
Basic and Diluted Earnings per Share	20	**P 21.72**	P 8.24

See Notes to Financial Statements.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
CAPITAL STOCK	19	**P 2,000,000,000**	P 1,340,000,000
RETAINED EARNINGS			
Balance at beginning of period			
As previously reported		**678,603,864**	167,196,870
Effect of adoption of PFRS 16	2	**(217,261,244)**	-
As restated		**461,342,620**	167,196,870
Net profit for the period		**434,307,864**	110,428,001
Dividend declared	19	**(25,570,350)**	-
Balance at end of period		**870,080,134**	277,624,871
TOTAL EQUITY		**P 2,870,080,134**	P 1,617,624,871

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 621,250,477	P 157,731,280
Adjustments for:			
Depreciation and amortization	9	298,753,309	78,923,530
Interest expense	11, 12, 15	177,785,079	27,102,119
Interest income	5	(176,474)	(197,303)
Operating profit before working capital changes		1,097,612,391	263,559,626
Decrease (increase) in trade and other receivables		510,066,504	(22,326,915)
Increase in merchandise inventories		(1,604,412,451)	(427,824,286)
Decrease (increase) in due from related parties		5,305,716	(389,576,450)
Decrease (increase) in other current assets		334,488,701	(136,337,351)
Decrease (increase) in other non-current assets		(131,460,270)	118,527,606
Increase in trade and other payables		372,874,159	705,293,177
Increase in due to related parties		504,829,951	119,125,000
Increase in retirement benefit obligation		28,566,605	-
Cash generated from operations		1,117,871,306	230,440,407
Cash paid for income taxes		(163,129,296)	(29,526,149)
Net Cash From Operating Activities		954,742,010	200,914,258
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	9	(805,662,888)	(1,041,946,971)
Interest received		176,474	197,303
Net Cash Used in Investing Activities		(805,486,414)	(1,041,749,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans	11	634,000,000	850,000,000
Repayment of loans payable	11	(300,000,000)	(61,538,462)
Payments of principal portion of lease liability	12	(128,986,393)	-
Interest paid for loans payable	11	(170,374,838)	(81,513,954)
Interest paid for lease liabilities	12	(123,514,871)	-
Dividends paid	19	(25,570,350)	-
Net Cash From (Used in) Financing Activities		(114,446,452)	706,947,584
NET INCREASE (DECREASE) IN CASH		34,809,144	(133,887,826)
CASH AT BEGINNING OF PERIOD		298,492,381	399,785,312
CASH AT END OF PERIOD		P 333,301,525	P 265,897,486

Supplemental Information on Non-cash Operating and Investing Activities:

(1) In 2019 and 2018, the Company capitalized borrowing costs amounting to P122.3 million and P57.0 million based on capitalization rate ranging from 6.25% to 6.69% for specific borrowings in those periods (see Notes 9 and 11).

(2) The Company has accrued interest amounting to P26.8 million and P22.7 million as of June 30, 2019 and December 31, 2018, respectively (see Notes 10 and 11).

(3) In 2019, the Company's receivables from related parties under common ownership amounting to P128.6 million were assigned by these related parties to the parent company. Subsequently, these receivables were set-off by the Company against its payables to the parent company (see Note 18).

(4) In 2019, the Company recognized additional right-of-use asset amounting to P1,074.9 million and the corresponding lease liability of the same amount (see Notes 9 and 12).

(5) As of January 1, 2019, the Company reversed certain prepaid rent amounting to P34.5 million as a result of the adoption of Philippine Financial Reporting Standards 16, *Leases* (see Note 2).

See Notes to Financial Statements.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

AllHome Corp. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on May 29, 2013. The Company is primarily engaged in buying, selling, distributing, marketing, at wholesale and retail, of all kinds of goods, commodities, wares and merchandise.

The Company is a wholly owned subsidiary of AllValue Holdings Corp. (AllValue or parent company), which is a subsidiary of Fine Properties Inc. (FPI or the ultimate parent company). AllValue and FPI, both holding companies, are incorporated and domiciled in the Philippines.

The registered office and principal place of business of the Company is located at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City. The registered offices and principal places of business of AllValue and FPI are located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

The financial statements of the Company as of and for the six months ended June 30, 2019 (including the comparative financial statements as of December 31, 2018 and for the six months ended June 30, 2018) were authorized for issue by the Company's Board of Directors (BOD) on August 9, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Company

The Company adopted for the first time the following PFRS, amendments, interpretation and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS 2015-2017 Cycle		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization

Further, the Company also adopted for the first time the Republic Act (RA) No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code), which took effect on March 8, 2019.

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). Management assessed that the amendments had no significant impact on the Company's financial statements.

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). Management assessed that the amendments had no significant impact on the Company's financial statements.

(iii) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low-value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The adoption of PFRS 16 has resulted in changes in the Company's accounting policies (see Note 2.12). The Company has applied the new standard retrospectively with the cumulative effect of initial application recognized at January 1, 2019, as permitted under the transitional provisions of the standard. The effects of adoption of PFRS 16 are recognized in the opening balance of Retained Earnings in the statement of financial position as at January 1, 2019. Specifically, right-of-use asset is presented as part of Property and Equipment, while Lease Liability is presented in the statement of financial position. In computing its lease liability as at date of initial application, the Company used its incremental borrowing cost of 6.45%.

For leases previously accounted for as operating leases with remaining lease terms of less than 12 months and for leases with low-value assets, the Company has applied the straight-line basis of recognizing lease expense over the remaining lease terms.

The table below shows the effects of the adoption of PFRS 16 in the statement of financial position as of January 1, 2019.

	December 31, 2018	Adjustments	January 1, 2019
Other current assets	P 654,112,912	(P 34,494,533)	P 619,618,379
Property and equipment	2,969,459,786	3,234,861,721	6,204,321,507
Effect on total assets		3,200,367,188	
Lease liability	-	(3,510,740,394)	(3,510,740,394)
Deferred tax liability - net	(146,029,890)	93,111,962	(52,917,928)
Effect on total liabilities		(3,417,628,432)	
Net effect in equity		(P 217,261,244)	

The following is a reconciliation of total operating lease commitments at December 31, 2018 under PAS 17 (as disclosed in the financial statements for December 31, 2018) to the lease liabilities recognized at January 1, 2019 under PFRS 16:

Total operating lease commitments at December 31, 2018 before discounting	P 1,743,744,797
Cash flows from reasonably certain extension option	3,157,619,998
Total future minimum lease payments	4,901,364,795
Discount (using incremental borrowing rate)	(1,390,624,402)
Total lease liabilities recognized under PFRS 16 at January 1, 2019	P 3,510,740,394

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments.* The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management assessed that the interpretation had no significant impact on the Company's financial statements.

(v) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends.* The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

(vi) RA No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines.* The Revised Corporation Code repeals the Batas Pambansa Bilang 68, *The Corporation Code of the Philippines.* Among the provisions of the Revised Corporation Code, the following would impact the Company's financial statements:

- the Revised Corporation Code removed the 50-year maximum corporate term. Hence, stock corporation may have unlimited life unless otherwise provided in the articles of incorporation; and

- the Revised Corporation Code removed the subscription requirement of 25% of authorized capital stock and paid-up capital requirement of 25% of subscribed capital stock.

(b) Effective in 2019 that are not Relevant to the Company

The following amendments and improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2019 but are not relevant to the Company's financial statements:

PAS 28 (Amendments)	:	Investment in Associates and Long-term Interest in Associates and Joint Ventures
Annual Improvements to PFRS 2015-2017 Cycle		
PFRS 3 (Amendments)	:	Business Combination
PFRS 11 (Amendments)	:	Joint Arrangements

(c) Effective Subsequent to 2019 but not Adopted Early

Among the new amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC, amendments to PAS 1 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020), are relevant to the Company. The amendments clarify the definition of 'materiality' in PAS 1 and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all PFRSs and other pronouncements. Management will adopt the relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

2.3 Financial Assets

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

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are at amortized cost, at FVOCI and at fair value through profit or loss (FVTPL).

The financial assets category that is currently relevant to the Company is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

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

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash, Trade and Other Receivables, and Due from Related Parties.

For purposes of cash flows reporting and presentation, cash includes cash on hand and demand deposits which are subject to insignificant risk of changes in value.

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

(b) Impairment of Financial Assets

The Company assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical loss experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.

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

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

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(c) Derecognition of Financial Assets

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

2.4 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisition such as the purchase price, including transport and handling costs, and other incidental expenses incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

At the end of each reporting period, inventories are assessed for impairment, i.e., the carrying amount is fully recoverable due to damage, obsolescence or declining selling prices (see Note 2.13).

2.5 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. They are derecognized, charged to profit or loss, or reclassified to another asset account upon consumption or use.

Advances for purchases that will be applied as payment for future purchase of inventories are classified and presented under the Other Current Assets account in the statement of financial position. On the other hand, advances to suppliers that will be applied as payment for future acquisition or construction of property and equipment are classified and presented under the Other Non-current Assets account in the statement of financial position. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

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

2.6 Property and Equipment

All items of property and equipment are stated at cost less accumulated depreciation, accumulated amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Store equipment	8 to 10 years
Furniture, fixtures and office equipment	5 to 8 years
Transportation equipment	5 years

Leasehold improvements are amortized over their estimated useful lives of 15 years or the lease term, whichever is shorter.

Construction-in-progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs (see Note 2.15). The account is not depreciated until such time that the assets are completed and available-for-use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

If there is an indication that there has been a significant change in the useful life, residual value of an asset, or method of depreciation or amortization, the depreciation or amortization of that asset is revised prospectively to reflect the new expectations.

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

2.7 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities), Loans Payable, Lease Liability and Due to Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as Finance costs under Other Income (Charges) in the statement of comprehensive income.

Loans payable are raised for support of short-term and long-term funding of operations and are recognized initially at the transaction price. Loans payable are subsequently measured at amortized cost. Finance charges, including direct issue costs, are charged to profit or loss, except for capitalized borrowing costs, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, and due to related parties are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

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

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

2.8 Offsetting of Financial Instruments

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

2.9 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's BOD – its chief operating decision-maker. The Company's BOD is responsible for assessing performance of the operating segments. In identifying its operating segments, management generally follows the Company's business line as disclosed in Note 4.

The measurement policies that the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.10 Provisions and Contingencies

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

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

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue arises mainly from the sale of merchandise.

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

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

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

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

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

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

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

The Company enters into transactions involving the sale and delivery of merchandise representing construction materials, home improvement, furnishings and décor products. In addition, the Company also recognizes vendors' support and marketing fees in relation to the vendors' participation in the marketing/promotional activities of the Company. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods transfers to the customer. As a matter of accounting policy, when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied [see Note 3.1(a)].

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

(i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and,
(iii) the costs are expected to be recovered.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

a) Sale of merchandise – Revenue is recognized when the control transfers at a point in time with the customer, i.e., generally when the customer purchased the merchandise. For individual customers, payment of the transaction price is due immediately at the point the customer purchases the merchandise. On the other hand, invoices for merchandise purchased by corporate customers are due based on agreed terms and are provided upon receipt of merchandise by the customer.

b) Vendors' support and marketing fees – Vendors' support and marketing fees arise from the vendors' participation in the marketing/promotional activities of the Company such as product exhibits, launch of new stores support and product features in various media platforms. The duration of contracts are generally short-term, and the related revenue are recognized over time as the performance of the contractually agreed tasks are rendered.

c) *Delivery fees* – Delivery fees are charged for the transportation of merchandise from the Company's stores to a certain destination as agreed with the customer. Delivery fees are recognized over time as the services are provided. Payment of delivery fees is due immediately, i.e., upon the customer's purchase of merchandise.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes an outflow of cash or a reduction in trade receivables with a corresponding adjustment on the amount of revenues recognized during the reporting period. Also, the Company recognizes a right of return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Goods Sold. However, there were no contracts containing significant right of return arrangements which remain outstanding during the reporting periods since the Company's policy with customers for most of its sale of merchandise pertain to outright return which are recognized immediately. Relative to this outright return arrangement, the amount of revenues are also immediately adjusted as of the end of the reporting periods [see Note 3.1(b)].

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company recognizes an expense and corresponding liability when points are earned. When the award credits are redeemed, the Company recognizes the consideration received allocated to award credits as reduction of rewards liability.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of any related qualifying assets (see Note 2.15).

2.12 Leased Assets – Company as Lessee

As described in Note 2.2(a)(iii), the Company has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under PAS 17 and IFRIC 4.

Accounting Policy Applicable from January 1, 2019

For the outstanding contracts as of January 1, 2019 and any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date over the useful life of the leased asset or the term of the lease [see Note 3.1(e)], whichever is shorter. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.13).

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases (less than 12 months) and leases of low-value assets (value of assets is based on its cash price if bought) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included as part of Property and Equipment (see Note 2.6), and Lease Liability is shown as a separate line item (see Note 2.7).

Accounting Policy Applicable before January 1, 2019

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.13 Impairment of Non-financial Assets

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

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Company's employee benefits are recognized and measured as discussed below.

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the defined benefit liability during the period as a result of benefit payments. Interest is reported as part of Finance costs under Other Income (Charges) in profit or loss.

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

(b) Post-employment Defined Contribution Plan

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

(c) *Short-term Employee Benefits*

Short-term employee benefits include wages, salaries, bonuses and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables in the statement of financial position.

(d) *Termination Benefits*

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

(e) *Compensated Absences*

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

2.15 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income, if any, earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

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

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

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

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

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

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.17 Related Party Transactions and Relationships

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

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

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

2.18 Equity

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

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

2.19 Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 19).

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loans and stock options.

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options (see Note 20).

2.20 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Timing of Satisfaction of Performance Obligations

In determining the appropriate method to use in recognizing the Company's revenues from sale of merchandise, management determines that revenue is recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer acknowledges delivery of the goods.

On the other hand, revenues from vendors' support, marketing fees and delivery fees are recognized over time when the Company transfers control of the services over time as the performance of contractually agreed tasks are rendered. The management considers the output method under PFRS 15 as the Company recognizes revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the services promised under the contract.

(b) Determination of Transaction Price and Amounts Allocated to Performance Obligation

The transaction price is considered receivable to the extent of products sold with a right to avail customer loyalty points, right of return, discounts and rebates. The recognition and measurement of customer loyalty points is described in Note 2.11.

Management has assessed that the amount involved for the right of return is not material and in most cases, customers could exchange the returned items with another merchandise in the store within the prescribed period (i.e., within seven days from date of purchase). Discounts and rebates are identifiable to specific goods and are recognized as reduction against the revenue recognized from sale of merchandise.

(c) Determination of ECL on Trade and Other Receivables, and Due from Related Parties

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables, and due from related parties are disclosed in Note 22.2.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where the Company is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded.

Management determines ECL based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

(d) Distinction Between Operating and Finance Leases (2018)

Prior to 2019, the Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(e) Estimation of Lease Term and Discount Rate Used (2019)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

(f) Capitalization of Borrowing Costs

The Company determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or should be expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time needed to bring the asset for its intended use. Failure to make the right judgment will result in the misstatement of assets and net profit.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provisions and contingencies are discussed in Notes 2.10 and 21.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Measurement of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 22.2.

(b) Determination of Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company's products are subject to inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 7 is affected by price changes of the products and the costs incurred necessary to make a sale. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

(c) Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available-for-use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 9. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at June 30, 2019 will be fully utilized in the coming periods. The carrying value of deferred tax assets as of June 30, 2019 amounted to P117.9 million, while there was no deferred tax asset recognized in 2018 (see Note 17).

(e) *Valuation of Post-employment Defined Benefit Obligation*

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

The amounts of post-employment benefit obligation and expense, and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 16.2.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on non-financial assets both in 2019 and 2018.

4. SEGMENT REPORTING

The Company has only one reportable segment, i.e., its trading business, which caters to individual and corporate customers.

Further, the Company has only one geographical segment as all of its operations are based in the Philippines.

5. CASH

Cash includes the following components:

	June 30, 2019	December 31, 2018
Cash in banks	**P 329,866,525**	P 294,874,381
Cash on hand	**3,435,000**	3,618,000
	P 333,301,525	P 298,492,381

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Interest income on these bank deposits is shown as Finance income under Other Income (Charges) in the statements of comprehensive income.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	June 30, 2019	December 31, 2018
Trade receivables:			
Third parties		**P 553,426,062**	P 870,485,037
Related parties	18.4	**123,209,473**	181,672,361
Non-trade receivables	16.2, 18	**16,716,248**	140,177,605
Advances to officers and employees		**5,920,676**	4,051,394
		699,272,459	1,196,386,397
Allowance for doubtful accounts		**(12,952,566)**	-
		P 686,319,893	P1,196,386,397

Trade receivables are due from various customers and have credit terms ranging from 30 days to 60 days. The carrying amounts of the receivables are considered a reasonable approximation of fair values due to their short duration.

Advances to officers and employees pertain to personal cash advances collected through salary deduction.

Non-trade receivables comprise of the Company's receivables from suppliers arising from vendors' support, marketing fees, miscellaneous income and receivable for the transferred retirement benefit obligation from a related party under common ownership (see Notes 16.2 and 18).

All of the Company's trade and other receivables have been assessed for ECL both in 2019 and 2018. In 2019 and 2018, the Company recognized an impairment loss amounting to P13.0 million and P14.5 million, respectively, and is presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 14.2).

7. INVENTORIES

Inventories pertain to goods owned by the Company, which include construction materials, home improvements, furnishings and décor products, among others, that are traded under the normal course of business, and amounted to P4.3 billion and P2.7 billion as of June 30, 2019 and December 31, 2018, respectively (see Note 14.1). The Company did not provide any allowance for inventory obsolescence as the inventories are deemed saleable. Inventories were all stated at cost, which is lower than net realizable value, as of June 30, 2019 and December 31, 2018. Hence, there were no inventories stated at net realizable value (fair value less cost to sell) as of June 30, 2019 and December 31, 2018.

Cost of inventories charged to operations are presented as Cost of Goods Sold in the statements of comprehensive income (see Note 14.1).

8. OTHER ASSETS

The composition of this account is shown below.

	June 30, 2019	December 31, 2018
Current:		
Advances for purchases	**P 193,241,765**	P 540,658,494
Deferred input value-added taxes (VAT)	**17,608,529**	52,659,210
Prepaid rent	**5,500,000**	46,323,372
Others	**68,779,384**	14,471,836
	285,129,678	654,112,912
Non-current:		
Advances to suppliers	**402,369,089**	272,168,819
Others	**1,260,000**	-
	403,629,089	272,168,819
	P 688,758,767	P 926,281,731

Advances for purchases pertaining to mobilization funds made to various third party suppliers, including service providers, which are primarily used in the purchase of inventories subsequent to June 30, 2019 and December 31, 2018 are presented as part of Other Current Assets in the statements of financial position.

Advances to suppliers pertaining to mobilization funds made to various contractors for the construction of several items under property and equipment are presented as Other Non-current Asset in the statements of financial position.

Others consist of prepaid taxes and licenses, subscriptions, supplies, insurance and advertising.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of June 30, 2019 and December 31, 2018 are shown below.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Right-of-use Assets - Store Outlets	Right-of-use Assets - Warehouse	Construction in Progress	Total
June 30, 2019								
Cost	P 1,884,525,123	P 236,448,003	P 104,820,990	P 1,452,450,786	P 4,233,916,260	P 75,853,974	P 739,941,560	P 8,727,956,696
Accumulated depreciation and amortization	(309,592,881)	(76,300,891)	(50,264,156)	(198,715,046)	(170,886,942)	(13,742,585)	-	(819,502,501)
Net carrying amount	**P 1,574,932,242**	**P 160,147,112**	**P 54,556,834**	**P 1,253,735,740**	**P 4,063,029,318**	**P 62,111,389**	**P 739,941,560**	**P 7,908,454,195**
December 31, 2018								
Cost	P 1,633,365,002	P 205,264,089	P 104,820,990	P 1,468,831,413	P -	P -	P 77,927,483	P 3,490,208,977
Accumulated depreciation and amortization	(242,992,549)	(58,026,971)	(45,454,749)	(174,274,922)	-	-	-	(520,749,191)
Net carrying amount	P 1,390,372,453	P 147,237,118	P 59,366,241	P 1,294,556,491	P -	P -	P 77,927,483	P 2,969,459,786
December 31, 2017								
Cost	P 707,623,764	P 110,438,526	P 94,639,684	P 781,307,822	P -	P -	P 570,825,400	P 2,264,835,196
Accumulated depreciation and amortization	(166,436,756)	(30,636,860)	(36,050,230)	(109,916,936)	-	-	-	(343,040,782)
Net carrying amount	P 541,187,008	P 79,801,666	P 58,589,454	P 671,390,886	P -	P -	P 570,825,400	P 1,921,794,414

The reconciliation of the net carrying amount of property and equipment at the beginning and end of June 30, 2019 and December 31, 2018 is shown in the succeeding page.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Right-of-use Assets - Store Outlets	Right-of-use Assets - Warehouse	Construction in Progress	Total
Balance at January 1, 2019 net of accumulated depreciation and amotization	P 1,390,372,453	P 147,237,118	P 59,366,241	P 1,294,556,491	P -	P -	P 77,927,483	P 2,969,459,786
Effect of adoption of PFRS 16	-	-	-	-	3,159,007,747	75,853,974	-	3,234,861,721
Sub-total	1,390,372,453	147,237,118	59,366,241	1,294,556,491	3,159,007,747	75,853,974	77,927,483	6,204,321,507
Additions								
Other property and equipment	164,532,749	18,318,849	-	83,111,809	-	-	662,014,077	927,977,484
Right-of-use assets	-	-	-	-	1,074,908,513	-	-	1,074,908,513
Reclassifications	73,439,818	11,650,473	-	(85,090,291)	-	-	-	-
Depreciation and amortization changes for the year	(53,412,778)	(17,059,328)	(4,809,407)	(38,842,269)	(170,886,942)	(13,742,585)	-	(298,753,309)
Balance at June 30, 2019, net of accumulated depreciation and amotization	P 1,574,932,242	P 160,147,112	P 54,556,834	P 1,253,735,740	P 4,063,029,318	P 62,111,389	P 739,941,560	P 7,908,454,195
Balance at January 1, 2018 net of accumulated depreciation and amotization	P 541,187,008	P 79,801,666	P 58,589,454	P 671,390,886	P -	P -	P 570,825,400	P 1,921,794,414
Additions	385,440,597	68,395,579	7,614,781	326,553,718	-	-	437,369,106	1,225,373,781
Reclassifications	540,300,641	26,429,984	2,566,525	360,969,873	-	-	(930,267,023)	-
Depreciation and amortization changes for the year	(76,555,793)	(27,390,111)	(9,404,519)	(64,357,986)	-	-	-	(177,708,409)
Balance at December 31, 2018, net of accumulated depreciation and amotization	P 1,390,372,453	P 147,237,118	P 59,366,241	P 1,294,556,491	P -	P -	P 77,927,483	P 2,969,459,786

Construction-in-progress pertains to accumulated costs incurred on the construction of new stores.

The Company's right-of-use assets pertain to store and warehouse facilities with terms ranging from 10 to 16 years, inclusive of reasonably certain extension period [please refer also to Note 3.1(e)], and an average remaining lease term of 10 years as at June 30, 2019. In addition, there are 24 leases with extension options and 22 leases with variable consideration. There are no leases with options to purchase or terminate.

The amount of depreciation and amortization is presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 14.2).

In 2019 and 2018, borrowing costs amounting to P122.3 million and P57.0 million, respectively, based on capitalization rate ranging from 6.25% to 6.69% for specific borrowing in those years, were capitalized as part of construction-in-progress (see Note 11).

As of June 30, 2019 and December 31, 2018, the gross carrying amount of the Company's fully depreciated property and equipment that are still used in operations is P25.9 million and P17.7 million, respectively.

There were no items of property and equipment that were used as collateral for any of the Company's loans.

10. TRADE AND OTHER PAYABLES

This account consists of:

	Note	**June 30, 2019**	December 31, 2018
Trade payables		**P 468,635,033**	P 182,216,416
Non-trade payables		**169,885,740**	67,189,974
Accrued expenses	11	**87,041,174**	93,153,371
VAT payable		**23,259,243**	12,966,898
Withholding taxes payable		**6,574,023**	10,130,673
Retention payable		**-**	13,122,281
Others		**1,485,239**	1,091,677
		P 756,880,452	P 379,871,290

Trade payables arise from the Company's purchases of inventories and other direct costs. These are noninterest-bearing and are normally on a 30-day term.

Non-trade payables arise from the Company's capital asset acquisitions and other operating expenditures not yet paid as of the end of the period.

Accrued expenses are liabilities arising from unpaid interest on loans, rent, utilities, salaries and others costs.

Retention payable pertains to the amount withheld from service contractors which shall be refunded at the end of the contract.

11. LOANS AND BORROWINGS

The account consists of:

	Note	June 30, 2019	December 31, 2018
Current:			
Short-term loans	11.1	**P1,734,000,000**	P 1,200,000,000
Maturing portion of long-term loans	11.2	**669,230,769**	476,923,077
		2,403,230,769	1,676,923,077
Non-current –			
Long-term loans	11.2	**2,246,153,846**	2,638,461,538
		P4,649,384,615	P4,315,384,615

11.1 Short-term Loans

The Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 7.00% to 8.75% in 2019 and 5.0% to 7.0% in 2018, and with terms of 180 days. These loans are rolled-over upon maturity and are secured by cross suretyship of the Company's ultimate parent company (see Note 18.3). There are no loan covenants on the Company's short-term loans.

11.2 Long-term Loans

In 2019 and 2018, the Company obtained five-year corporate loans, inclusive of two-year grace period, from various local banks, to finance the construction and expansion of the Company's stores, with fixed interest rates ranging from 6.25% to 6.69% both in 2019 and 2018. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 18.3).

The Company has properly complied with the loans' covenants as of June 30, 2019 and December 31, 2018.

Interest expense incurred on these loans, which is presented as part of Finance costs under Other Income (Charges) in the statements of comprehensive income, amounted to P52.2 million and P27.1 million in 2019 and 2018, respectively (see Note 15.2). On the other hand, capitalized borrowing costs amounting to P122.3 million and P57.0 million in 2019 and 2018, respectively, based on capitalization rate ranging from 6.25% to 6.69% for specific borrowing in those periods, were included as part of construction-in-progress (see Note 9).

Interest payable from these loans amounted to P26.8 million and P22.7 million as of June 30, 2019 and December 31, 2018, respectively, and is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 10).

A reconciliation of the carrying amounts of short-term and long-term loans at the beginning and end of June 30, 2019 and December 31, 2018 is presented below.

	Short-term Loans	Long-term Loans	Total
Balance as of January 1, 2019	P 1,200,000,000	P 3,115,384,615	P 4,315,384,615
Cash flows from financing activities:			
Additional borrowings	634,000,000	-	634,000,000
Repayment of borrowings	(100,000,000)	(200,000,000)	(300,000,000)
Balance as of June 30, 2019	**P 1,734,000,000**	**P 2,915,384,615**	**P 4,649,384,615**
Balance as of January 1, 2018	P 1,100,000,000	P 1,800,000,000	P 2,900,000,000
Cash flows from financing activities:			
Additional borrowings	200,000,000	1,500,000,000	1,700,000,000
Repayment of borrowings	(100,000,000)	(184,615,385)	(284,615,385)
Balance as of December 31, 2018	P 1,200,000,000	P 3,115,384,615	P 4,315,384,615

12. LEASES

Lease liability is presented in the 2019 statement of financial position as follows:

Current	P 330,575,610
Non-current	4,126,086,904
	P4,456,662,514

The Company is a lessee under non-cancellable operating leases with related parties under common ownership and third parties covering its various store outlets and warehouse facilities. The leases have contractual terms ranging from 3 to 15 years with renewal options and annual escalation rates of 5% both in 2019 and 2018. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Company's sales) are excluded from the initial measurement of the lease liability and right-of-use asset. The Company classifies its right-of-use assets in a manner consistent with its property and equipment in the 2019 statement of financial position (see Note 9).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. The Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property and equipment, and incur maintenance fees on such items in accordance with the lease contracts.

Total cash outflows for the period ended June 30, 2019 are as follows:

Principal of lease liability	P 128,986,393
Interest on lease liability	123,514,871
Leases with variable payments	38,947,909
	P 291,449,173

The movements in the lease liability recognized in the 2019 statement of financial position are as follows:

Balance as of December 31, 2018	P -
Effect of adoption of PFRS 16	3,510,740,394
Balance as of January 1, 2019	3,510,740,394
Additions	1,074,908,513
Repayment of lease liability	(128,986,393)
Balance as of June 30, 2019	P4,456,662,514

The total interest expense incurred on the lease liability amounted to P123.5 million and is presented as part of Finance costs under Other Income (Charges) in the 2019 statement of comprehensive income (see Note 15.2).

13. REVENUES

The Company's revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to P5.1 billion and P3.0 billion in 2019 and 2018, respectively.

The 2019 disaggregation on revenue recognition whether point in time or over time is shown below.

	Note	Point in time	Over time	Total
Sale of merchandise	18.4	P 5,055,194,871	P -	P 5,055,194,871
Vendors' support		-	111,270,456	111,270,456
Marketing fees		-	12,214,585	12,214,585
Delivery fees		-	10,048,956	10,048,956
Miscellaneous		7,258,760	-	7,258,760
		P 5,062,453,631	P 133,533,997	P 5,195,987,628

This compares to the 2018 disaggregation on revenue recognition whether point in time or over time as follows:

	Note	Point in time	Over time	Total
Sale of merchandise	18.4	P 3,028,093,794	P -	P 3,028,093,794
Vendors' support		-	16,396,607	16,396,607
Marketing fees		-	11,561,239	11,561,239
Delivery fees		-	14,602,995	14,602,995
Miscellaneous		2,519,743	-	2,519,743
		P 3,030,613,537	P 42,560,841	P 3,073,174,378

Vendors' support, marketing fees, delivery fees and miscellaneous are presented as part of Other income under Other Income (Charges) in the statements of comprehensive income (see Note 15.1).

14. COST OF GOODS SOLD AND OTHER OPERATING EXPENSES

14.1 Cost of Goods Sold

The details of cost of goods sold are shown below.

	Note	**2019**	2018
Inventories at beginning of period	7	**P2,690,897,676**	P 1,494,289,776
Purchases during the period		**5,167,819,315**	2,576,702,099
Cost of goods available for sale		**7,858,716,991**	4,070,991,875
Inventories at end of period	7	**4,295,310,127**	1,922,114,062
		P3,563,406,864	P2,148,877,813

14.2 Other Operating Expenses

The details of other operating expenses by nature are shown below.

	Notes	2019	2018
Depreciation and amortization	9	**P 298,753,309**	P 78,923,530
Salaries, wages and employee benefits	16.1	**133,700,239**	81,641,850
Outside services		**101,633,469**	107,870,493
Communications and utilities		**79,374,528**	99,821,636
Rentals:	21.1		
Variable lease payments		**64,659,706**	-
Operating leases		**-**	213,478,753
Merchant fee		**57,632,797**	33,700,936
Taxes and licenses		**27,182,431**	23,190,993
Impairment loss	6	**12,952,566**	14,541,579
Transportation expense		**9,290,302**	9,041,943
Advertising and promotions		**8,792,849**	22,110,268
Professional fees		**7,769,959**	1,248,227
Office and store supplies		**7,281,790**	11,433,542
Dues and subscription		**6,145,883**	21,519,925
Repairs and maintenance		**4,679,440**	9,617,197
Representation and entertainment		**2,189,885**	2,389,005
Miscellaneous		**11,682,529**	9,130,592
		P 833,721,682	P 739,660,469

15. OTHER INCOME AND CHARGES

15.1 Other Income

Other income includes the following (see Note 13):

	2019	2018
Vendors' support	**P 111,270,456**	P 16,396,607
Marketing fees	**12,214,585**	11,561,239
Delivery fees	**10,048,956**	14,602,995
Miscellaneous	**7,258,760**	2,519,743
	P 140,792,757	P 45,080,584

Miscellaneous income comprise of gondola fees to various stores and support received from supplier for store opening and clearance sales.

15.2 Finance Costs

Finance costs include the following:

	Notes	2019	2018
Interest expense from:			
Lease liability	12	**P 123,514,871**	P -
Loans payable	11	**52,195,245**	27,102,119
Retirement benefit obligation	16.2	**2,074,963**	-
		P 177,785,079	P 27,102,119

16. SALARIES, WAGES AND EMPLOYEE BENEFITS

16.1 Salaries, Wages and Employee Benefits

Expenses recognized for salaries, wages and employee benefits in 2019 and 2018 are presented below (see Note 14.2).

	2019	2018
Salaries and wages	**P 108,288,239**	P 72,852,460
Post-employment benefits	**11,850,357**	-
Other short-term benefits	**13,561,643**	8,789,390
	P 133,700,239	P 81,641,850

16.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company maintains an unfunded, noncontributory post-employment defined benefit plan covering all qualified employees.

The normal retirement age of the Company's employees is at 60 with a minimum of five years of credited service. The compulsory retirement age is at 65 with a minimum of five years of credited service. The normal retirement benefit is equal to 100% of the monthly salary multiplied by every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

The actuarial valuation was made in 2019 by an independent actuary. The retirement benefit obligation amounted to P30.6 million as of June 30, 2019 and is presented as Retirement Benefit Obligation in the 2019 statement of financial position.

The movements in the present value of the retirement benefit obligation recognized in the 2019 statement of financial position are as follows:

Balance at beginning of the period	P	-
Transferred liability		16,716,248
Current service cost		11,850,357
Interest expense		2,047,963
Balance at end of the period	P	30,641,568

In 2019, the Company recognized a receivable for the transferred retirement benefit obligation related to the transfer of employees to the Company from a related party under common ownership amounting to P16.7 million and is presented as part of Non-trade receivables under Trade and Other Receivables in the 2019 statement of financial position (see Notes 6 and 18).

The amounts of post-employment benefit recognized in profit or loss in respect of the defined benefit post-employment plan are as follows (see Note 16.1):

Current service cost	P	11,850,357
Interest expense		2,047,963
	P	13,898,320

The interest expense is included as part of Finance Costs under Other Income (Charges) in the 2019 statement of comprehensive income (see Note 15.2).

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the period ended June 30, 2019:

Discount rate	5.97%
Expected rate of salary increases	7.75%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 31 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

As of December 31, 2018, the Company has not obtained an actuarial valuation to determine the balance of post-employment benefit obligation and the amount of retirement benefit expense in accordance with PAS 19 (Revised) and the provisions of RA No. 7641, *The New Retirement Law*, as there were less than 10 employees who have been with the Company for a minimum of five years.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Rate Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the retirement plan as of June 30, 2019 are discussed below.

(i) Sensitivity Analysis

	Impact on Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/-1%	(P 23,892,346)	P 32,825,859
Salary growth rate	+/-1%	32,856,507	(23,791,262)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the 2019 statement of financial position.

(ii) Funding Arrangements and Expected Contributions

The plan is currently unfunded by P30.6 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk that the Company may be exposed to if several employees retire within the same year.

The Company has yet to determine when to establish a retirement fund and how much to contribute.

The maturity profile of the undiscounted expected benefit payments as of June 30, 2019 from the plan follows:

Within five years	P 7,635,669
More than five years to 10 years	10,954,638
More than 10 years	758,548,177
	P 777,138,484

Management expects that a substantial portion of the undiscounted expected benefit payments is probable after 10 years from the end of the reporting period. The weighted average duration of the defined benefit obligation at the end of the reporting period is 25 years.

17. INCOME TAXES

The components of tax expense as reported in profit or loss follow:

	2019	2018
Current tax expense:		
Regular corporate income tax (RCIT) at 30%	**P 141,543,188**	P 7,542,817
Final tax at 20%	**35,295**	38,456
Excess of minimum corporate income tax (MCIT) at 2% over RCIT	**-**	10,943,114
	141,578,483	18,524,387
Deferred tax expense relating to originating and reversal of other temporary differences	**45,364,130**	28,778,892
	P 186,942,613	P 47,303,279

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	2019	2018
Tax on pretax profit at 30%	**P 186,375,143**	P 47,319,384
Adjustment for income subjected to lower tax rate	**(17,647)**	(16,105)
Tax effects of non-deductible expense	**585,117**	-
Tax expense	**P 186,942,613**	P 47,303,279

The Company is subject to the MCIT computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Company reported RCIT in 2019, and MCIT in 2018 as MCIT was higher than RCIT in 2018.

The net deferred tax liabilities as of June 30, 2019 and December 31, 2018 relate to the following:

	Statements of Financial Position		Statements of Comprehensive Income	
	June 30, 2019	December 31 2018	2019	2018
Deferred tax assets:				
Leases - PFRS 16	P 109,804,902	P -	(P 16,692,940)	P -
Retirement obligation	4,177,596	-	(4,177,596)	-
Impairment loss	3,885,770	-	(3,885,770)	(4,362,473)
MCIT	-	-	-	(10,943,114)
	117,868,268	-		
Deferred tax liabilities:				
Borrowing costs	(114,414,978)	(82,682,132)	31,732,846	15,977,197
Depreciation	(101,735,348)	(63,347,758)	38,387,590	28,107,282
	(216,150,326)	(146,029,890)		
Deferred tax liabilities - net	(P 98,282,058)	(P146,029,890)		
Deferred tax expense			P 45,364,130	P 28,778,892

The Company claimed itemized deductions for 2019 and 2018 in computing for its income tax due.

18. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties for the six months ended June 30, 2019 and 2018, and the related outstanding balances as of June 30, 2019 and December 31, 2018 are discussed below and in the succeeding pages.

Related Party Category	Notes	Amount of Transactions 2019	Amount of Transactions 2018	Outstanding Balance June 30, 2019	Outstanding Balance December 31, 2018
Parent Company:					
Advances obtained – net	18.1	(P 504,829,951)	(P251,461,940)	(P1,003,574,959)	(P 625,352,292)
Assignment and offsetting of advances	18.2	128,607,284	-	-	-
Sale of merchandise	18.4	98,550	-	100,414	1,864
Related Parties Under Common Ownership:					
Lease liability (PFRS 16)	12	3,668,813,454	-	(3,668,813,454)	-
Right-of-use asset (PFRS 16)	9, 12	3,369,648,010	-	3,369,648,010	-
Depreciation (PFRS 16)	9, 12	144,628,361	-	-	-
Interest (PFRS 16)	12, 15	97,684,789	-	-	-
Sale of merchandise	18.4	35,309,189	2,874,132	123,109,059	181,670,497
Transferred retirement obligation	6, 16.2	16,716,248	-	16,716,248	-
Advances collected - net	18.2	(133,913,000)	30,000,000	-	133,913,000
Assignment of advances	18.2	(128,607,284)	-	-	-
Advances assigned	18.1	2,000,000	-	-	(2,000,000)
Rentals	21.1	53,857,935	167,731,070	(6,517,912)	(43,451,237)
Key Management Personnel –					
Compensation	18.5	5,400,000	-	-	-

All outstanding balances from related parties are noninterest-bearing, unsecured and payable/collectible in cash on demand, unless otherwise stated.

18.1 Advances Obtained

The Company obtains unsecured, noninterest-bearing cash advances from its parent company and related parties under common ownership for its working capital requirements, which are payable in cash on demand. Outstanding payable arising from these transactions are presented as Due to Related Parties in the statements of financial position.

The details of Due to Related Parties are as follows:

	June 30, 2019	December 31, 2018
Parent company	**P1,003,574,959**	P 625,352,292
Related party under common ownership – Golden Bria Holdings, Inc.	**-**	2,000,000
	P1,003,574,959	P 627,352,292

In 2019, the Company's payable to Golden Bria Holdings, Inc. was assigned to the parent company.

An analysis of the movements in the Due to Related Parties is shown below.

	Note	**June 30, 2019**	December 31, 2018
Balance at beginning of period		**P 627,352,292**	P 239,602,292
Advances obtained during the period		**709,829,951**	1,197,750,000
Advances paid during the period		**(205,000,000)**	(150,000,000)
Offsetting of advances		**(128,607,284)**	-
Debt-to-equity conversion	19	**-**	(660,000,000)
Balance at end of period		**P1,003,574,959**	P 627,352,292

In 2019, the Company has set-off certain advances payable to the parent company against its receivable from the same related party (see Note 18.2).

18.2 Advances Granted

The Company provides unsecured, noninterest-bearing cash advances to its related parties under common ownership for their working capital requirements, which are collectible in cash on demand. Outstanding receivables from these transactions are presented as Due from Related Parties in the statements of financial position.

The details of Due from Related Parties as of December 31, 2018 are as follows:

AllDay Retail Concepts, Inc.	P 97,942,635
The Village Server, Inc.	31,450,036
Family Shoppers Unltd, Inc.	4,520,329
	P 133,913,000

An analysis of the movements in the Due from Related Parties is shown below.

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P 133,913,000**	P 125,913,000
Collection during the period	**(341,975,716)**	(22,470,365)
Advances granted during the period	**336,670,000**	30,470,365
Offsetting of advances	**(128,607,284)**	-
Balance at end of period	**P -**	P 133,913,000

In 2019, the Company's receivables from related parties under common ownership were assigned by the related parties to the parent company. These receivables were subsequently set-off by the Company against its payables to the parent company (see Note 18.1)

Due from related parties were subject to impairment testing using PFRS 9's ECL model (see Note 22.2).

18.3 Guarantees of Loans

The Company obtained short-term loans with interests ranging from 7.00% to 8.75% in 2019 and 5.0% and 7.0% in 2018, and long-term loans with interest ranging from 6.25% to 6.69% for additional working capital requirements, and store construction and expansion. The loans are secured by cross suretyship of its ultimate parent company (see Note 11).

18.4 Sale of Merchandise

The Company sells various merchandise items to its related parties with similar transaction price and terms under exact business circumstance with third parties. These transactions are presented as part of Revenues in the statements of comprehensive income (see Note 13). The outstanding receivables from these transactions are presented as part of Trade receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

18.5 Key Management Personnel Compensation

In 2019, the total key management personnel compensation which includes short-term and post-employment benefits amounted to P5.4 million. There is no outstanding balance as of June 30, 2019. The Company has no expenses recognized for key management compensation in 2018 since its key management functions are being handled by the parent company at no cost to the Company.

19. EQUITY

19.1 Capital Stock

The details of the Company's capital stock as of June 30, 2019 and December 31, 2018 are as follows:

	No. of Shares	Amount
Authorized, issued and outstanding shares, par value of P100 per share	20,000,000	P 2,000,000,000

In 2018, the Company issued additional shares of stock for a total consideration of P660.0 million to existing stockholders. The shares of stock were subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 18.1). The debt to equity conversion was approved by the SEC on December 28, 2018.

On July 8, 2019, the SEC approved the Company's application for the increase of authorized capital stock from P2.0 billion to P6.0 billion divided into 5,900,000,000 common shares with par value of P1.00 per common share and 1,000,000,000 preferred shares with par value of P0.10 per preferred share. On the same date, the Company issued 1,000,000,000 common shares for the payment of certain advances from its parent company that were converted into equity and two common shares for a consideration of P2.00 to independent directors.

As of June 30, 2019 and December 31, 2018, the Company has only one stockholder owning 100 or more shares of the Company's capital stock.

19.2 Dividends Declaration

The Company's BOD approved the declaration of cash dividends amounting to P25.6 million on May 28, 2019, payable to stockholders of record on June 14, 2019. The cash dividends were paid on June 28, 2019. There was no dividend declaration in 2018.

20. EARNINGS PER SHARE

EPS were computed as follows:

	2019	2018
Net profit	**P 434,307,864**	P 110,428,001
Divided by weighted average number of outstanding common shares	**20,000,000**	13,400,000
Basic and diluted EPS	**P 21.72**	P 8.24

The Company has no potential dilutive common shares as of June 30, 2019 and 2018.

21. COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies involving the Company are presented below.

21.1 Lease Commitments – Company as Lessee

The Company entered into a non-cancellable operating leases with related parties under common ownership and third parties covering its various store outlets and warehouse facilities (see Notes 12 and 18). The future minimum lease payments under these non-cancellable leases as of December 31, 2018 are as follows:

Within one year	P 543,140,463
After one year but not more than five years	706,698,950
More than five years	493,905,384
	P1,743,744,797

The total rental expense recognized from variable leases payments amounted to P64.7 million in 2019 while rental expense recognized from operating leases amounted to P213.5 million in 2018, and are presented as Rentals under Other Operating Expenses in the 2018 statement of comprehensive income (see Note 14.2).

Variable lease payments expensed on the basis that they are not recognized as a lease liability include rentals based on a certain percentage of revenue. Variable lease payments are expensed in the period they are incurred.

21.2 Others

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of June 30, 2019 and December 31, 2018, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of operational and financial risks in relation to financial instruments. The Company's risk management is coordinated with its parent company, in close cooperation with the Company's BOD.

The Company does not normally engage in the trading of financial assets for speculative purposes nor does it write options. The most significant operational and financial risks to which the Company is exposed to are described below.

22.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates. However, due to its short-duration, management believes that the interest rate sensitivity and its effect on the net result for the period and equity are not significant (see Note 5).

On the other hand, the Company's long-term bank loans are currently subject to fixed rates ranging from 6.25% to 6.69% per annum both in 2019 and 2018 (see Note 11). Accordingly, management assessed that the Company is currently not significantly exposed to changes in market interest rates for its bank borrowings in 2019 and 2018.

22.2 Credit Risk

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

The Company continuously monitors defaults of other counterparties, identified individually, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

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

	Notes	**June 30, 2019**	December 31, 2018
Cash	5	**P 333,301,525**	P 298,492,381
Trade and other receivables	6	**686,319,893**	1,196,386,397
Due from related parties	18	**-**	133,913,000
		P 1,019,621,418	P 1,628,791,778

Except for cash in banks, none of the Company's financial assets are secured by collateral or other credit enhancements.

(a) Cash

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

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

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 36 months before June 30, 2019 and 2018, and the corresponding historical actual default losses experienced within such period. The amount of impairment loss recognized based on the historical actual default losses experienced of the Company amounted to P13.0 million and P14.5 million in 2019 and 2018, respectively.

The Company identifies a default when the receivables become credit-impaired or when the customer is not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

(c) Due from Related Parties

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties. Management assessed that the outstanding receivables from related parties as of June 30, 2019 and December 31, 2018 are recoverable since these related parties have the capacity to pay the advances upon demand. Accordingly, no impairment losses were recognized as of the end of the reporting periods.

22.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at June 30, 2019, the Company's financial liabilities have contractual maturities which are summarized below.

	Notes	Current: Upon demand/ Within Six Months	Current: Six to 12 Months	Non-current: One to Three Years	Non-current: Later than Three Years
Trade and other payables	10	P 727,047,186	P -	P -	P -
Loans and borrowings	11	1,935,245,774	682,714,390	1,968,353,250	480,781,587
Lease liability	12	161,688,184	168,887,426	1,098,803,386	4,456,662,514
Due to related parties	18	1,003,574,959	-	-	-
		P 3,827,556,103	P 851,601,816	P3,067,156,636	P4,937,444,101

This compares to the contractual maturities of the Company's financial liabilities as of December 31, 2018 as follows:

	Notes	Current: Upon demand/ Within Six Months	Current: Six to 12 Months	Non-current: One to Three Years	Non-current: Later than Three Years
Trade and other payables	10	P 343,651,438	P 13,122,281	P -	P -
Loans payable	11	839,137,959	839,137,959	2,269,230,769	846,153,846
Due to related parties	18	627,352,292	-	-	-
		P 1,810,141,689	P 852,260,240	P2,269,230,769	P 846,153,846

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

23. CATEGORIES AND FAIR VALUE MEASUREMENTS

23.1 Carrying Amounts and Fair Values Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are as follows:

	Notes	June 30, 2019: Carrying Amounts	June 30, 2019: Fair Values	December 31, 2018: Carrying Amounts	December 31, 2018: Fair Values
Financial assets					
At amortized cost:					
Cash	5	P 333,301,525	P 333,301,525	P 298,492,381	P 298,492,381
Trade and other receivables	6	686,319,893	686,319,893	1,196,386,397	1,196,386,397
Due from related parties	18	-	-	133,913,000	133,913,000
		P 1,019,621,418	P1,019,621,418	P 1,628,791,778	P 1,628,791,778
Financial liabilities					
Financial liabilities at amortized cost:					
Trade and other payables	10	P 727,047,186	P 727,047,186	P 356,773,719	P 356,773,719
Loans payable	11	4,649,384,615	4,649,384,615	4,315,384,615	4,315,384,615
Lease liability	12	4,456,662,514	4,456,662,514	-	-
Due to related parties	18	1,003,574,959	1,003,574,959	627,352,292	627,352,292
		P10,836,669,274	P10,836,669,274	P 5,299,510,626	P 5,299,510,626

Management considers that the carrying values of the above financial assets and financial liabilities, measured at amortized costs, approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

See Notes 2.3 and 2.7 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 22.

23.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

There are no financial assets and financial liabilities measured at fair value as of June 30, 2019 and December 31, 2018. Neither was there transfers among fair value levels in those years.

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objective is to ensure the Company's ability to continue as a going concern entity. Essentially, the Company, in coordination with its parent company, monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

The Company manages the capital structure and makes adjustments to consider changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the ratios on its covenants with certain financial institutions. Capital for the reporting periods is summarized as follows:

	June 30, 2019	December 31, 2018
Total loans payable	**P4,649,384,615**	P 4,315,384,615
Total equity	**2,870,080,134**	2,678,603,864
Debt-to-equity ratio	**P 1.62 : 1.00**	P 1.61 : 1.00

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

Punongbayan & Araullo
20th Floor, Tower 1
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The Board of Directors
AllHome Corp.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City
Daang Hari, Almanza II
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllHome Corp. (the Company) for the period ended June 30, 2019, on which we have rendered our report dated August 9, 2019. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-32-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

August 9, 2019

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
JUNE 30, 2019

ALLHOME CORP.

(A Wholly Owned Subsidiary of AllValue Holdings Corp.)

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

JUNE 30, 2019

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of the Period	Additions	Deductions			Ending Balance		Balance at End of the Period
		Amounts Granted	Amounts Collected	Amounts Written-off	Amounts Assigned	Current	Not Current	
Advances to employees	P 4,051,394	P 1,869,282	P -	P -	P -	P 5,920,676	P -	P 5,920,676
Advances to related parties								
AllDay Retail Concepts, Inc.	97,942,635	133,000,000	(157,525,680)	-	(73,416,955)	-	-	-
The Village Server, Inc.	31,450,036	40,000,000	(71,450,036)	-	-	-	-	-
AllShoppe, Inc. *(formerly Family Shoppers Unlimited, Inc.)*	4,520,329	113,000,000	(113,000,000)	-	(4,520,329)	-	-	-
CMStar Management, Inc.	-	50,670,000	-	-	(50,670,000)	-	-	-
TOTAL	P 137,964,394	P 338,539,282	(P 341,975,716)	P -	(P 128,607,284)	P 5,920,676	P -	P 5,920,676

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ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
SCHEDULE E - LONG TERM DEBT
JUNE 30, 2019
(Amounts in Philippine Pesos)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Long-term loans	P 2,915,384,615	P 669,230,769	P 2,246,153,846

ALLHOME CORP.

(A Wholly Owned Subsidiary of AllValue Holdings Corp.)

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

JUNE 30, 2019

(Amounts in Philippine Pesos)

Name of Related Party		Balance at Beginning of the Period		Balance at End of the Period
AllValue Holdings Corp.	P	625,352,292	P	1,003,574,959
Golden Bria Holdings, Inc.		2,000,000		-
TOTAL	**P**	**627,352,292**	**P**	**1,003,574,959**

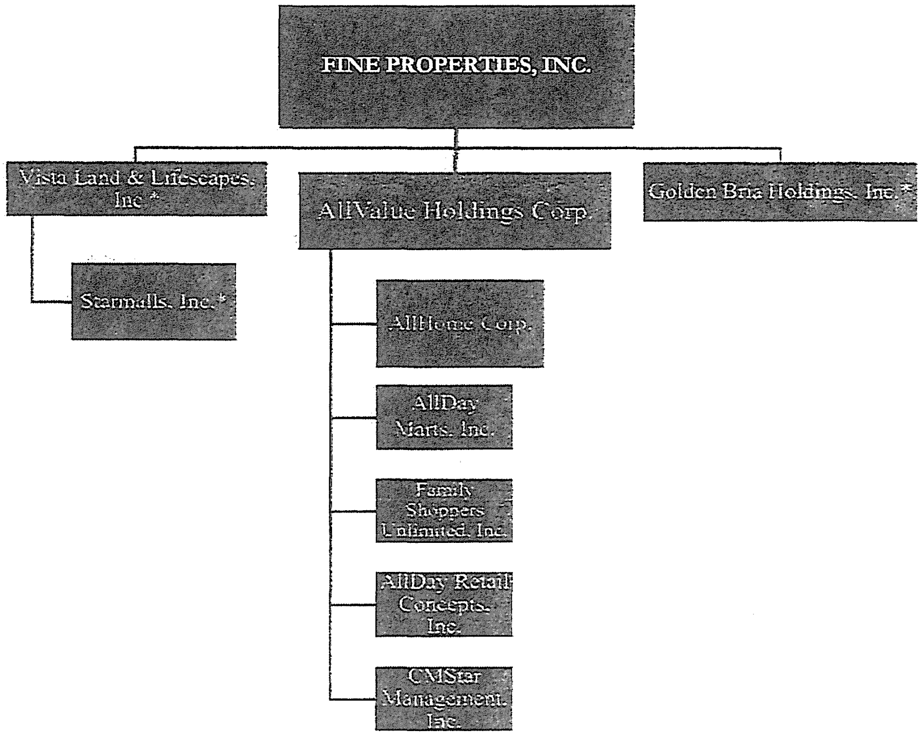
ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
SCHEDULE H - CAPITAL STOCK
JUNE 30, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares at P100 par value	20,000,000	20,000,000	-	19,999,995	5	-

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B, Evia Lifestyle Centre
Almanza II, Las Piñas City
Reconciliation of Retained Earnings Available for Dividend Declaration
As of June 30, 2019

Unappropriated Retained Earnings Available at Beginning of the Period		
As previously reported	P	678,603,864
Effect of adoption of PFRS 16	(	217,261,244)
As restated		461,342,620
Net profit per audited interim financial statements		434,307,864
Less: Non-actual/unrealized income		
Deferred tax income related to deferred tax assets recognized in profit or loss during the period	(	24,756,306)
Dividend Declarations During the Period	(	25,570,350)
Unappropriated Retained Earnings Available for Dividend Declaration at End of the Period	**P**	**845,323,828**

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP
ULTIMATE PARENT COMPANY AND PARENT COMPANY



The Village Server, Inc. is a stand-alone company and is fully owned by the Villar family.

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ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of June 30, 2019

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
PFRS 17	Insurance Contracts* *(effective January 1, 2023)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions**	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates**			✓
	Amendments: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2019 and are not early adopted by the Company.

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

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
FINANCIAL SOUNDNESS INDICATORS
JUNE 30, 2019 and DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	June 30, 2019		December 31, 2018	
Current Ratio				
Current Assets	5,600,061,223		4,973,802,366	
Current Liabilities	4,540,899,997	1.23	2,752,335,679	1.81
Solvency Ratio				
Net Income after Tax + Non-Cash Expenses	746,013,739		708,504,175	
Total Liabilities	11,042,064,373	0.07	5,536,827,107	0.13
Debt-to-equity Ratio				
Total Liabilities	11,042,064,373		5,536,827,107	
Total Equity	2,870,080,134	3.85	2,678,603,864	2.07
Asset-to-equity Ratio				
Total Assets	13,912,144,507		8,215,430,971	
Total Equity	2,870,080,134	4.85	2,678,603,864	3.07
Interest Coverage Ratio				
EBITDA	1,097,788,865		954,419,339	
Interest Expense	177,785,079	6.17	46,364,729	20.59
Gross Profit Ratio				
Gross Profit	1,491,788,007		2,130,335,581	
Total Revenues	5,055,194,871	30%	7,192,220,055	30%
EBITDA Margin				
EBITDA	1,097,788,865		954,419,339	
Total Revenues	5,055,194,871	22%	7,192,220,055	13%
Net Profit Ratio				
Net Profit	434,307,864		511,406,994	
Total Revenues	5,055,194,871	0.09	7,192,220,055	0.07
Book Value Per Share				
Total Equity	2,870,080,134		2,678,603,864	
Number of Shares Outstanding	20,000,000	143.50	20,000,000	133.93
Earnings Per Share				
Net Profit	434,307,864		511,406,994	
Weighted Average No. of Shares	20,000,000	21.72	13,400,000	38.16

AllHome

One-stop shop for your home

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AllHome Corp.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan and Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Manuel B. Villar, Jr.
Chairman of the Board

Benjamarie Therese N. Serrano
President/Chief Executive Officer

Frances Rosalie T. Coloma
Chief Financial Officer/Treasurer

Signed this 6th day of August 2019

3rd flr. Starmall Alabang, Muntinlupa City, South Super Highway
(02) 880 1102 | www.allhome.com.ph

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Grant Thornton
An instinct for growth™

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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Report of Independent Auditors

The Board of Directors
AllHome Corp.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City
Daang Hari, Almanza II
Las Piñas City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AllHome Corp. (the Company), which comprise the statements of financial position as at December 31, 2018, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Matter

Subsequent to the issuance of the 2018 financial statements on which we have rendered report dated May 6, 2019, we performed additional audit procedures to obtain sufficient appropriate audit evidence as to the existence of inventory quantities as of December 31, 2016 and 2015. Based on the results of the additional procedures performed, we were able to satisfy ourselves as to the existence of inventory quantities. Accordingly, the reissued report is now unqualified with respect to the carrying amount of inventories presented in the statement of financial position as of December 31, 2016 and the amount of cost of goods sold presented in the statements of comprehensive income and their related effect on the statements of cash flows for the years ended December 31, 2017 and 2016.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 25 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-32-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 53A
Taguig/Pateros
RECEIVED
AUG 0 5 2019
RCO'S NAME: MA. FE LUCAS
RCO CODE: 007688

August 6, 2019

P&A Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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Supplemental Statement of Independent Auditors

The Board of Directors
AllHome Corp.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City
Daang Hari, Almanza II
Las Piñas City

We have audited the financial statements of AllHome Corp. (the Company) for the year ended December 31, 2018, on which we have rendered the attached report dated August 6, 2019.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Company has only one stockholder owning 100 or more shares of the Company's common stock as of December 31, 2018, as disclosed in Note 18 to the financial statements.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
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BIR AN 08-002511-32-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

August 6, 2019

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalent	5	P 298,492,381	P 399,785,312	P 475,813,349
Trade and other receivables	6	1,196,386,397	591,347,720	469,741,776
Inventories	7	2,690,897,676	1,494,289,776	1,087,394,667
Due from related parties	17	133,913,000	125,913,000	125,913,000
Other current assets	8	654,112,912	365,635,950	312,088,444
Total Current Assets		4,973,802,366	2,976,971,758	2,470,951,236
NON-CURRENT ASSETS				
Property and equipment - net	9	2,969,459,786	1,921,794,414	1,165,884,718
Other non-current asset	8	272,168,819	281,520,264	28,189,300
Total Non-current Assets		3,241,628,605	2,203,314,678	1,194,074,018
TOTAL ASSETS		P 8,215,430,971	P 5,180,286,436	P 3,665,025,254
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	10	P 379,871,290	P 482,385,670	P 702,269,010
Loans payable	11	1,676,923,077	1,284,615,385	650,000,000
Due to related parties	17	627,352,292	239,602,292	107,762,292
Income tax payable		68,189,020	18,295,782	1,558,689
Total Current Liabilities		2,752,335,679	2,024,899,129	1,461,589,991
NON-CURRENT LIABILITIES				
Loans payable	11	2,638,461,538	1,615,384,615	800,000,000
Deferred tax liabilities	16	146,029,890	32,805,822	8,845,890
Total Non-current Liabilities		2,784,491,428	1,648,190,437	808,845,890
Total Liabilities		5,536,827,107	3,673,089,566	2,270,435,881
EQUITY				
Capital stock	18	2,000,000,000	1,340,000,000	1,340,000,000
Retained earnings	2	678,603,864	167,196,870	54,589,373
Total Equity		2,678,603,864	1,507,196,870	1,394,589,373
TOTAL LIABILITIES AND EQUITY		P 8,215,430,971	P 5,180,286,436	P 3,665,025,254

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 53A
Taguig/Pateros
RECEIVED
INITIAL: DATE:
RCO's NAME: MA. FE LUCAS RCO CODE: 007588
AUG 09 2019

See Notes to Financial Statements.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016
REVENUES	12	P **7,192,220,055**	P 4,896,285,914	P 3,430,563,398
COST OF GOODS SOLD	13	**5,061,884,474**	3,571,840,574	2,502,595,988
GROSS PROFIT		**2,130,335,581**	1,324,445,340	927,967,410
OTHER OPERATING EXPENSES	13	**1,545,494,475**	1,182,120,905	861,371,515
LOSS ON WRITE-OFF OF TRADE RECEIVABLES	6	**19,388,772**	15,568,064	5,833,850
OPERATING PROFIT		**565,452,334**	126,756,371	60,762,045
OTHER INCOME (CHARGES)				
Finance cost	11	**(46,364,729)**	(28,713,753)	(21,899,534)
Finance income	5	**1,646,539**	663,371	1,652,792
Other income	14	**209,612,057**	62,067,097	25,411,137
		164,893,867	34,016,715	5,164,395
PROFIT BEFORE TAX		**730,346,201**	160,773,086	65,926,440
TAX EXPENSE	16	**(218,939,207)**	(48,165,589)	(19,359,105)
NET PROFIT		**511,406,994**	112,607,497	46,567,335
OTHER COMPREHENSIVE INCOME		**-**	-	-
TOTAL COMPREHENSIVE INCOME		**P 511,406,994**	P 112,607,497	P 46,567,335
Basic and Diluted Earnings per Share	19	**P 38.16**	P 8.40	P 4.66

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 53A
Taguig/Pateros
RECEIVED
INITIAL: DATE:
RCO'S NAME: MA. FE LUCAS CODE: 007688
AUG 09 2019

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Note	2018	2017	2016
CAPITAL STOCK	18			
Balance at beginning of year		P 1,340,000,000	P 1,340,000,000	P 1,000,000,000
Issuance during the year		660,000,000	-	340,000,000
Balance at end of year		2,000,000,000	1,340,000,000	1,340,000,000
RETAINED EARNINGS				
Balance at beginning of year		167,196,870	54,589,373	8,022,038
Net profit for the year		511,406,994	112,607,497	46,567,335
Balance at end of year		678,603,864	167,196,870	54,589,373
TOTAL EQUITY		P 2,678,603,864	P 1,507,196,870	P 1,394,589,373

See Notes to Financial Statements.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 730,346,201	P 160,773,086	P 65,926,440
Adjustments for:				
Depreciation and amortization	9	177,708,409	137,217,561	133,822,943
Interest expense	11	46,364,729	28,713,753	21,899,534
Loss on write-off of trade receivables	6	19,388,772	15,568,064	5,833,850
Interest income	5	(1,646,539)	(663,371)	(1,652,792)
Operating profit before working capital changes		972,161,572	341,609,093	225,829,975
Decrease (increase) in trade and other receivables		(624,427,449)	(137,174,008)	9,192,663
Increase in merchandise inventories		(1,196,607,900)	(406,895,109)	(419,208,528)
Decrease in due from related parties		(8,000,000)	-	-
Increase in other current assets		(288,476,962)	(47,867,364)	(177,258,893)
Decrease (increase) in other non-current assets		9,351,445	(253,330,964)	(28,189,300)
Increase in due to related parties		1,047,750,000	131,840,000	100,160,000
Decrease in trade and other payables		(106,469,023)	(238,600,731)	(172,194,918)
Cash used in operations		(194,718,317)	(610,419,083)	(461,669,001)
Cash paid for income taxes		(55,821,901)	(13,148,706)	(3,389,666)
Net Cash Used In Operating Activities		(250,540,218)	(623,567,789)	(465,058,667)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	9	(1,051,698,182)	(811,295,065)	(444,478,455)
Interest received		1,646,539	663,371	1,652,792
Net Cash Used in Investing Activities		(1,050,051,643)	(810,631,694)	(442,825,663)
CASH FLOWS FROM FINANCING ACTIVITIES	11			
Proceeds from availment of loans		1,700,000,000	1,550,000,000	1,350,000,000
Repayment of loans payable		(284,615,385)	(100,000,000)	(100,000,000)
Interest paid		(216,085,685)	(91,828,554)	(51,385,834)
Net Cash From Financing Activities		1,199,298,930	1,358,171,446	1,198,614,166
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		(101,292,931)	(76,028,037)	290,729,836
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR		399,785,312	475,813,349	185,083,513
CASH AND CASH EQUIVALENT AT END OF YEAR		P 298,492,381	P 399,785,312	P 475,813,349

Supplemental Information on Non-cash Investing and Financing Activities:

(1) In 2018, 2017 and 2016, the Company capitalized borrowing costs amounting to P173.7 million, P81.8 million and P29.5 million based on capitalization rate of 6.5% for specific borrowings in those years (see Notes 9 and 11).

(2) The Company has accrued interest amounting to P22.7 million and P18.7 million as of December 31, 2018 and 2017, respectively (see Notes 10 and 11). There was no unpaid interest as of December 31, 2016.

(3) In 2018, the Company issued additional shares of stock amounting to P660.0 million, which was subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 17).

(4) In 2016, upon the approval of the Company's increase in capital stock from P1.0 billion to P2.0 billion at P100 par value per share, P340.0 million was subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 17).

See Notes to Financial Statements.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

AllHome Corp. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on May 29, 2013. The Company is primarily engaged in buying, selling, distributing, marketing, at wholesale and retail, of all kinds of goods, commodities, wares and merchandise.

The Company is a wholly owned subsidiary of AllValue Holdings Corp. (AllValue or parent company), which is a subsidiary of Fine Properties Inc. (FPI or the ultimate parent company). AllValue and FPI, both holding companies, are incorporated and domiciled in the Philippines.

The registered office and principal place of business of the Company is located at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City. The registered offices and principal places of business of AllValue and FPI are located at 3rd Level Starmall Las Piñas CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

The financial statements of the Company as of and for the year ended December 31, 2018 (including the comparative financial statements as of and for the years ended December 31, 2017 and 2016) were authorized for issue by the Company's Board of Directors (BOD) on August 6, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy. The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

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

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

(c) *Prior Period Restatements and Reclassifications of Accounts*

In 2018, the Company's management performed a review of its prior year financial statements to verify that the recognition and measurement of the Company's assets, liabilities, income and expenses are in accordance with the relevant accounting and financial reporting standards. Accordingly, the Company's management has made prior period adjustments that were not previously considered as a result of this review. The Company's management also made reclassifications on certain assets, liabilities, income and expense accounts to conform with the current year presentation. The balances in the statements of financial position and statements of comprehensive income of the Company have been restated from the amounts previously reported as of and for the years ended December 31, 2017 and 2016.

These reclassifications and restatements resulted in adjustments to the Company's total assets and total liabilities, with no effect on the net equity, the statements of comprehensive income and on the statements of cash flows to reflect the reclassifications and restatements made.

The effect of the restatements in the statements of financial position as at December 31, 2017 and 2016 are summarized below.

	Notes	As Previously Reported	Adjustment	Reclassification	As Restated
December 31, 2017					
Changes in assets:					
Cash and cash equivalent	5	P 370,668,159	P 29,117,153	P -	P 399,785,312
Other current assets	8	650,297,924	-	(284,661,974)	365,635,950
Property and equipment – net	9	2,009,172,417	(87,378,003)	-	1,921,794,414
Other non-current asset	8	-	-	281,520,264	281,520,264
			(P 58,260,850)	(P 3,141,710)	
Changes in liabilities:					
Trade and other payables	10	P 620,646,520	(P 138,260,850)	P -	P 482,385,670
Loans payable	11	3,000,000,000	(100,000,000)	-	2,900,000,000
Due to related parties	17	59,602,292	180,000,000	-	239,602,292
Income tax payable		21,437,492	-	(3,141,710)	18,295,782
			(P 58,260,850)	(P 3,141,710)	
December 31, 2016					
Changes in assets:					
Cash and cash equivalent	5	P 387,787,884	P 88,025,465	P -	P 475,813,349
Other current assets	8	349,232,270	-	(37,143,826)	312,088,444
Property and equipment – net	9	1,271,980,113	(106,095,395)	-	1,165,884,718
Other non-current asset	8	-	-	28,189,300	28,189,300
			(P 18,069,930)	(P 8,954,526)	
Changes in liabilities:					
Trade and other payables	10	P 820,498,940	(P 118,229,930)	P -	P 702,269,010
Due to related parties	17	7,602,292	100,160,000	-	107,762,292
Income tax payable		10,513,215	-	(8,954,526)	1,558,689
			(P 18,069,930)	(P 8,954,526)	

Further, Due from Related Parties amounting to P125.9 million was reclassified from Non-current Assets to Current Assets section of the statements of financial position as of December 31, 2017 and 2016 as such advances are deemed to be collectible on demand (see Note 17.3).

The effect of the restatements in the statement of comprehensive income for the year ended December 31, 2017 are summarized below.

	As Previously Reported	Adjustment	As Restated
Change in income			
Finance income	P 530,697	P 132,674	P 663,371
Change in expense			
Tax expense	(48,032,915)	(132,674)	(48,165,589)
Effect on net profit		P -	

There was no restatement in the statement of comprehensive income for the year ended December 31, 2016.

The effects of the restatements in the statements of cash flows for the years ended December 31, 2017 and 2016 are shown below.

	As Previously Reported	Adjustments	As Restated
December 31, 2017			
Cash flows from operating activities			
Profit before tax	P 160,640,412	P 132,674	P 160,773,086
Adjustment for interest income	(530,697)	(132,674)	(663,371)
Working capital changes:			
Increase in other current assets	(301,065,654)	253,198,290	(47,867,364)
Increase in other non-current assets	-	(253,330,964)	(253,330,964)
Increase in due to related parties	-	131,840,000	131,840,000
Decrease in trade and other payables	(199,852,420)	(38,748,311)	(238,600,731)
Cash flows from investing activities			
Acquisitions of property and equipment	(874,409,865)	63,114,800	(811,295,065)
Interest received	530,697	132,674	663,371
Cash flows from financing activities			
Repayments of loans payable	-	(100,000,000)	(100,000,000)
Due to related parties	52,000,000	(52,000,000)	-
Interest paid	(28,713,753)	(63,114,801)	(91,828,554)
Net decrease in cash and cash equivalent	(17,119,725)	(58,908,312)	(76,028,037)
Cash and cash equivalent at beginning of year	387,787,884	88,025,465	475,813,349
Net effect on cash and cash equivalent		P 29,117,153	
December 31, 2016			
Cash flows from operating activities			
Working capital changes:			
Increase in other current assets	(P 205,448,193)	P 28,189,300	(P 177,258,893)
Increase in other non-current assets	-	(28,189,300)	(28,189,300)
Increase in due to related parties	-	100,160,000	100,160,000
Decrease in trade and other payables	(53,964,988)	(118,229,930)	(172,194,918)
Cash flows from an investing activity			
Acquisitions of property and equipment	(580,060,150)	135,581,695	(444,478,455)
Cash flows from financing activities			
Proceeds from availment of loans	1,250,000,000	100,000,000	1,350,000,000
Repayments of loans payable	-	(100,000,000)	(100,000,000)
Interest paid	(21,899,534)	(29,486,300)	(51,385,834)
Net effect on cash and cash equivalent		P 88,025,465	

(d) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

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

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

PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

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

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Company's new accounting policies relative to the adoption of PFRS 9 are fully disclosed in Notes 2.3 and 2.7.

The Company applied PFRS 9 using transitional relief allowed by the standard. This allows the Company not to restate its comparative prior period's financial statements. Accordingly, there was no change in the gross carrying amount of trade and other receivables in accordance with PFRS 9 and PAS 39 since the financial assets are carried at amortized cost in both standards. Also, the application of the simplified approach of the ECL methodology for trade and other receivables did not result in the recognition of allowance for credit losses for trade and other receivables as of January 1, 2018 since the amount is not significant to the financial statements. Moreover, the adoption of PFRS 9 had no significant impact on the Company's financial liabilities, which are still carried at amortized cost.

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

The Company applied PFRS 15 using the modified retrospective approach, which allows the Company not to restate its comparative prior period financial statements.

The Company's adoption of PFRS 15 has resulted in changes in its accounting policies, but has not resulted in any adjustment to the amounts recognized in the Company's financial statements since management determined that the Company's revenue process (i.e. five-step process), significant judgments or assumptions and recognition thereto based on the facts and circumstances surrounding its business activities did not significantly change and remain appropriate prior to and upon adoption of PFRS 15 (see Note 2.11).

(iii) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions*, is relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify existing requirements. Specifically, the amendments removed short-term exemptions in PFRS 1 covering PFRS 7, *Financial Instruments: Disclosures*, PAS 19, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired.

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

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

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4
IFRIC 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS 2014-2016 Cycle		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification

(c) Effective Subsequent to 2018 but not Adopted Early

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

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective from January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease.* For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets.

If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Upon the adoption of PFRS 16 in 2019, the Company applied the new standard retrospectively with the cumulative effect of initial application recognized at January 1, 2019, as permitted under the transitional provisions of the standard. The effects of adoption of PFRS 16 are recognized in the opening balance of Retained Earnings in the statement of financial position as at January 1, 2019. Further, right-of-use asset under Property and Equipment and Lease Liability are presented in the statement of financial position. Incremental borrowing cost of 6.45% was used by the Company in computing its lease liabilities.

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(v) Amendments to PAS 1 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments clarify the definition of 'materiality' in PAS 1 and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all PFRSs and other pronouncements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends.* The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

2.3 Financial Assets

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

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9 (2018)

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are at amortized cost, at FVOCI and at FVTPL.

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

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

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

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalent, Trade and Other Receivables, and Due from Related Parties.

For purposes of cash flows reporting and presentation, cash and cash equivalent comprise accounts with original maturities of three months or less. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

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

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

(b) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39 (2017)*

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

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

The Company's financial assets categorized as loans and receivables include Cash and Cash Equivalent, Trade and Other Receivables, and Due from Related Parties. Cash and cash equivalent are defined as cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

(c) *Impairment of Financial Assets Under PFRS 9 (2018)*

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

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical loss experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

The key elements used in the calculation of ECL are as follows:

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

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) *Impairment of Financial Assets Under PAS 39 (2017)*

As of December 31, 2017, if there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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

(e) Derecognition of Financial Assets

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

2.4 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the moving average method. The cost of inventories includes all costs directly attributable to acquisition such as the purchase price, including transport and handling costs, and other incidental expenses incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

At the end of each reporting period, inventories are assessed for impairment, i.e., the carrying amount is fully recoverable due to damage, obsolescence or declining selling prices (see Note 2.13).

2.5 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. They are derecognized, charged to profit or loss, or reclassified to another asset account upon consumption or use.

Advances for purchases that will be applied as payment for future purchase of inventories are classified and presented under the Other Current Assets section in the statement of financial position. On the other hand, advances to suppliers that will be applied as payment for future acquisition or construction of property and equipment are classified and presented under the Other Non-current Assets section in the statement of financial position. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

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

2.6 Property and Equipment

All items of property and equipment are stated at cost less accumulated depreciation, accumulated amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Store equipment	8-10 years
Furniture, fixtures and office equipment	5-8 years
Transportation equipment	5 years

Leasehold improvements are amortized over their estimated useful lives of 15 to 18 years or the lease term, whichever is shorter.

Construction-in-progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs (see Note 2.15). The account is not depreciated until such time that the assets are completed and available-for-use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

If there is an indication that there has been a significant change in the useful life, residual value of an asset, or method of depreciation or amortization, the depreciation or amortization of that asset is revised prospectively to reflect the new expectations.

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

2.7 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities), Loans Payable and Due to Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under Other Income (Charges) in the statement of comprehensive income.

Loans payable are raised for support of short-term and long-term funding of operations and are recognized initially at the transaction price (i.e., the present value of cash payable to the bank, including transaction costs). Loans payable are subsequently measured at amortized cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, if any, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables and due to related parties are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

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

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

2.8 Offsetting of Financial Instruments

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

2.9 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's BOD – its chief operating decision-maker. The Company's BOD is responsible for assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's business line as disclosed in Note 4.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.10 Provisions and Contingencies

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

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

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue arises mainly from the sale of merchandise.

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

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

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

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

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

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

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

The Company enters into transactions involving the sale and delivery of merchandise representing home improvement, furnishings and décor products. In addition, the Company also recognizes vendors' support and marketing fees in relation to the vendors' participation in the marketing/promotional activities of the Company. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods transfers to the customer. As a matter of accounting policy, when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Company does not incur costs in fulfilling contracts with customers.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

a) *Sale of merchandise* – Revenue is recognized when the control transfers at a point in time with the customer, i.e., generally when the customer purchased the merchandise. For retail customers, payment of the transaction price is due immediately at the point the customer purchases the merchandise. On the other hand, invoices for merchandise purchased by corporate customers are due based on agreed terms and are provided upon receipt of merchandise by the customer.

b) *Vendors' support and marketing fees* – Vendors' support and marketing fees arise from the vendors' participation in the marketing/promotional activities of the Company such as product exhibits, launch of new stores support and product features in various media platforms. The duration of contracts are generally short-term, and revenue from vendors' support and marketing fees are recognized over time as the performance of the contractually agreed tasks are rendered.

c) *Delivery fees* – Delivery fees are charged for the transportation of merchandise from the Company's stores to a certain destination as agreed with the customer. Delivery fees are recognized over time as the services are provided. Payment of delivery fees is due immediately, i.e., upon the customer's purchase of merchandise.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes an outflow of cash and cash equivalent or a reduction in Trade receivables with a corresponding adjustment on the amount of revenues recognize during the reporting period. Also, the Company recognizes a right of return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Goods Sold. However, there were no contracts that contained significant right of return arrangements that remain outstanding during the reporting periods since the Company's policy with customers for most of its sale of merchandise pertain to outright return which are recognized immediately. Relative to this outright return arrangement, the amount of revenues are also immediately adjusted as of the end of the reporting periods [see Note 3.1(a)].

The Company operates a customer loyalty incentive programme where retail customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company recognizes an expense and corresponding liability when points are earned. When the award credits are redeemed, the Company recognizes the consideration received allocated to award credits as reduction of rewards liability.

In 2017 and prior periods, the Company recognized revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Company. Specifically, for sale of merchandise, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of any related qualifying assets (see Note 2.15).

2.12 Leases – Company as a Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.13 Impairment of Non-financial Assets

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

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Company's employee benefits are recognized and measured as discussed below.

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables in the statement of financial position.

(b) *Post-employment Defined Contribution Plan*

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

(c) *Termination Benefits*

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

(d) *Compensated Absences*

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

2.15 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income, if any, earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

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

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

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

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

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

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.17 Related Party Transactions and Relationships

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

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

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

2.18 Equity

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

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.19 Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 19).

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loan and stock option (see Note 19).

2.20 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Timing of Satisfaction of Performance Obligations (2018)

In determining the appropriate method to use in recognizing the Company's revenues from sale of merchandise, management determines that revenue is recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer acknowledges delivery of the goods.

On the other hand, revenues from vendors' support and marketing fees, and delivery fees are recognized over time when the Company transfers control of the services over time as the performance of contractually agreed tasks are rendered.

(b) Determination of Transaction Price and Amounts Allocated to Performance Obligation (2018)

The transaction price is considered receivable to the extent of products sold with a right to avail customer loyalty points, right of return, discounts and rebates. The recognition and measurement of customer loyalty points is described in Note 2.11.

Management has assessed that the amount involved for the right of return is not material and in most cases, customers could exchange the returned items with another merchandise in the store within the prescribed period, i.e., within seven days from date of purchase. Discounts and rebates are identifiable to specific goods and are recognized as reduction against the revenue recognized from sale of merchandise.

(c) Determination of ECL on Trade and Other Receivables, and Due from Related Parties (2018)

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 21.2.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where the Company is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines ECL based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

(d) Distinction Between Operating and Finance Leases

The Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provisions and contingencies are discussed in Notes 2.10 and 20.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Impairment of Allowance for ECL (2018)*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 21.2.

(b) *Impairment of Trade and Other Receivables, and Due from Related Parties (2017)*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables, and due from related parties are shown in Notes 6 and 17.2, respectively.

(c) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The Company's products are subject to inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 7 is affected by price changes of the products and the costs incurred necessary to make a sale. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

(d) *Estimation of Useful Lives of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available-for-use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 9. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There was no impairment loss recognized on non-financial assets in 2018, 2017 and 2016.

4. SEGMENT REPORTING

The Company has only one reportable segment, i.e., its trading business, which caters to individual and corporate customers.

Further, the Company has only one geographical segment as all of its operations are based in the Philippines.

5. CASH AND CASH EQUIVALENT

Cash includes the following components as of December 31:

	2018	2017 [As Restated – see Note 2.1(c)]	2016 [As Restated – see Note 2.1(c)]
Cash in banks	**P 294,874,381**	P 317,064,312	P 373,903,849
Cash on hand	**3,618,000**	2,721,000	1,749,500
Short-term placement	**-**	80,000,000	100,160,000
	P 298,492,381	P 399,785,312	P 475,813,349

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placement pertains to money market placement with annual interest rates of 1.30% and 2.25% in 2017 and 2016, respectively. There was no short-term placement as of December 31, 2018.

Interest income on these bank deposits and short-term placement totaling to P1.6 million, P0.7 million and P1.7 million in 2018, 2017 and 2016, respectively, is shown as Finance income under Other Income (Charges) in the statements of comprehensive income.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following as of December 31:

	Note	2018	2017	2016
Trade receivables:				
Third parties		P **870,485,037**	P 484,081,159	P 422,084,438
Related parties	17.4	**181,672,361**	105,916,067	45,032,973
Non-trade receivables		**140,177,605**	-	-
Advances to officers and employees		**4,051,394**	1,350,494	2,624,365
		P 1,196,386,397	P 591,347,720	P 469,741,776

Trade receivables are due from various customers and have credit terms ranging from 30 days to 60 days. The carrying amounts of the receivables are considered a reasonable approximation of fair values due to their short duration.

Advances to officers and employees pertain to personal cash advances collected through salary deduction.

Non-trade receivables comprise of the Company's receivables from suppliers arising from vendors' support and marketing fees, and miscellaneous income.

All of the Company's trade and other receivables have been assessed for ECL in 2018 and were reviewed for indications of impairment in 2017 and 2016. Management assessed that certain trade receivables amounting to P19.4 million, P15.6 million and P5.8 million in 2018, 2017 and 2016, respectively, were uncollectible. Accordingly, the Company directly wrote-off these trade receivables and were presented as Loss on Write-off of Trade Receivables in the statements of comprehensive income.

In 2019, the Company received subsequent collection amounting to P235.0 million for certain trade receivables from third parties that were outstanding as of December 31, 2018.

7. INVENTORIES

Inventories pertain to goods owned by the Company, which include home improvement, furnishings and décor products, among others, that are traded under the normal course of business, and amounted to P2.7 billion, P1.5 billion and P1.1 billion as of December 31, 2018, 2017 and 2016, respectively (see Note 13.1). The Company did not provide any allowance for inventory obsolescence as the inventories are deemed saleable. Inventories were all stated at cost, which is lower than net realizable value, at the end of 2018, 2017 and 2016. There were no inventories stated at net realizable value (fair value less cost to sell) as of December 31, 2018, 2017 and 2016.

Cost of inventories charged to operations are presented as Cost of Goods Sold in the statements of comprehensive income (see Note 13.1).

8. OTHER ASSETS

The composition of this account as of December 31 is shown below.

	2018	2017 [As Restated – see Note 2.1(c)]	2016 [As Restated – see Note 2.1(c)]
Current:			
Advances for purchases	**P 540,658,494**	P 344,080,323	P 247,204,407
Deferred input VAT	**52,659,210**	13,841,702	36,813,156
Prepaid rent	**46,323,372**	-	-
Others	**14,471,836**	7,713,925	28,070,881
	654,112,912	365,635,950	312,088,444
Non-current –			
Advances to suppliers	**272,168,819**	281,520,264	28,189,300
	P 923,281,731	P 647,156,214	P 340,277,744

Advances for purchases pertaining to mobilization funds made to various third party suppliers, including service providers, primarily used in the purchase of inventories subsequent to December 31, 2018, 2017 and 2016 are presented as part of Other Current Assets in the statements of financial position.

Advances to suppliers pertaining to mobilization funds made to various contractors for the construction of several items under property and equipment are presented as Other Non-current Asset in the statements of financial position.

Others consist of prepaid taxes and licenses, supplies and advertising.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2018, 2017 and 2016 are shown below.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Construction-in-Progress	Total
December 31, 2018						
Cost	P 1,633,365,002	P 205,264,089	P 104,820,990	P1,468,831,413	P 77,927,483	P 3,490,208,977
Accumulated depreciation and amortization	(242,992,549)	(58,026,971)	(45,454,749)	(174,274,922)	-	(520,749,191)
Net carrying amount	P 1,390,372,453	P 147,237,118	P 59,366,241	P1,294,556,491	P 77,927,483	P2,969,459,786
December 31, 2017						
Cost	P 707,623,764	P 110,438,526	P 94,639,684	P 781,307,822	P 570,825,400	P 2,264,835,196
Accumulated depreciation and amortization	(166,436,756)	(30,636,860)	(36,050,230)	(109,916,936)	-	(343,040,782)
Net carrying amount [As Restated – see Note 2.1(c)]	P 541,187,008	P 79,801,666	P 58,589,454	P 671,390,886	P 570,825,400	P 1,921,794,414
December 31, 2016						
Cost	P 520,026,777	P 59,191,918	P 86,962,539	P 599,431,311	P 106,095,394	P 1,371,707,939
Accumulated depreciation and amortization	(98,040,300)	(20,584,279)	(26,499,473)	(60,699,169)	-	(205,823,221)
Net carrying amount [As Restated – see Note 2.1(c)]	P 421,986,477	P 38,607,639	P 60,463,066	P 538,732,142	P 106,095,394	P 1,165,884,718
January 1, 2016						
Cost	P 328,280,607	P 37,054,521	P 58,016,330	P 320,503,562	P 153,888,164	P 897,743,184
Accumulated depreciation and amortization	(33,096,635)	(8,716,080)	(10,081,882)	(20,105,681)	-	(72,000,278)
Net carrying amount	P 295,183,972	P 28,338,441	P 47,934,448	P 300,397,881	P 153,888,164	P 825,742,906

The reconciliation of the net carrying amount of property and equipment at the beginning and end 2018, 2017 and 2016 is shown as follows.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Construction-in-Progress	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization [As Restated – see Note 2.1(c)]	P 541,187,008	P 79,801,666	P 58,589,454	P 671,390,886	P 570,825,400	P 1,921,794,414
Additions	385,440,597	68,395,579	7,614,781	326,553,718	437,369,106	1,225,373,781
Reclassification	540,300,641	26,429,984	2,566,525	360,969,873	(930,267,023)	-
Depreciation and amortization charges for the year	(76,555,793)	(27,390,111)	(9,404,519)	(64,357,986)	-	(177,708,409)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 1,390,372,453	P 147,237,118	P 59,366,241	P1,294,556,491	P 77,927,483	P2,969,459,786
Balance at January 1, 2017, net of accumulated depreciation and amortization [As Restated – see Note 2.1(c)]	P 421,986,477	P 38,607,639	P 60,463,066	P 538,732,142	P 106,095,394	P 1,165,884,718
Additions	141,774,514	42,381,452	2,469,850	135,676,041	570,825,400	893,127,257
Reclassification	45,822,473	8,865,156	5,207,295	46,200,470	(106,095,394)	-
Depreciation and amortization charges for the year	(68,396,456)	(10,052,581)	(9,550,757)	(49,217,767)	-	(137,217,561)
Balance at December 31, 2017, net of accumulated depreciation and amortization [As Restated – see Note 2.1(c)]	P 541,187,008	P 79,801,666	P 58,589,454	P 671,390,886	P 570,825,400	P 1,921,794,414

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Construction-in-Progress	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 295,183,972	P 28,338,441	P 47,934,448	P 300,397,881	P 153,888,164	P 825,742,906
Additions	171,307,629	13,903,561	23,810,701	158,847,470	106,095,394	473,964,755
Reclassification	20,438,541	8,233,836	5,135,508	120,080,279	(153,888,164)	-
Depreciation and amortization charges for the year	(64,943,665)	(11,868,199)	(16,417,591)	(40,593,488)	-	(133,822,943)
Balance at December 31, 2016, net of accumulated depreciation and amortization [As Restated – see Note 2.1(c)]	P 421,986,477	P 38,607,639	P 60,463,066	P 538,732,142	P 106,095,394	P 1,165,884,718

Construction-in-progress pertains to accumulated costs incurred on the construction of new stores.

The amount of depreciation and amortization is presented as part of Other Operating Expenses in the statements of comprehensive income (see Note 13.2).

In 2018, 2017 and 2016, borrowing costs amounting to P173.7 million, P81.8 million and P29.5 million, respectively, based on capitalization rate of 6.5% for specific borrowing in those years, were capitalized as part of construction-in-progress (see Note 11).

As of December 31, 2018, the gross carrying amount of the Company's fully depreciated property and equipment that are still used in operations is P17.7 million. There were no fully depreciated assets as of December 31, 2017 and 2016.

There were no items of property and equipment that were used as collateral for any of the Company's loans payable.

10. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2018	2017 [As Restated – see Note 2.1(c)]	2016 [As Restated – see Note 2.1(c)]
Trade payables		**P 182,216,416**	P 385,136,610	P 599,999,917
Accrued expenses	11, 17, 20.1	**93,153,371**	83,582,651	86,827,102
Non-trade payable		**67,189,974**	-	-
Retention payable		**13,122,281**	10,002,579	13,389,215
VAT payable	25(a)	**12,966,898**	-	-
Withholding taxes payable		**10,130,673**	3,029,960	1,575,525
Others		**1,091,677**	633,870	477,251
		P 379,871,290	P 482,385,670	P 702,269,010

Trade payables arise from the Company's purchases of inventories and other direct costs. These are noninterest-bearing and are payable on demand.

Non-trade payables arise from the Company's capital asset acquisitions and other operating expenditures not yet paid as of the end of the period.

Accrued expenses are liabilities arising from unpaid interest on loans, rent, utilities, salaries and other costs.

Retention payable pertains to the amount withheld from service contractors which shall be refunded at the end of the contract.

11. LOANS PAYABLE

The account consists of:

	Note	2018	2017 [As Restated – see Note 2.1(c)]	2016
Current:				
Short-term loans	11.1	**P 1,200,000,000**	P 1,100,000,000	P 650,000,000
Maturing portion of long-term loans	11.2	**476,923,077**	184,615,385	-
		1,676,923,077	1,284,615,385	650,000,000
Non-current –				
Long-term loans	11.2	**2,638,461,538**	1,615,384,615	800,000,000
		P 4,315,384,615	P 2,900,000,000	P 1,450,000,000

11.1 Short-term Loans

In 2018, 2017 and 2016, the Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 5.0% to 7.0% and with terms of 180 days. These loans are rolled-over upon maturity and are secured by cross suretyship of the Company's ultimate parent company (see Note 17.3).

11.2 Long-term Loans

In 2018, 2017 and 2016, the Company obtained five-year corporate loans, inclusive of two-year grace period, from various local banks for the Company's store construction and expansion with fixed interest rate ranging from 6.25% to 6.69% in 2018, and 6.25% both in 2017 and 2016. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 17.3).

The Company has properly complied with the loans' covenants as of December 31, 2018 and 2017. The Company did not have any loan covenants to comply with as of December 31, 2016.

Interest expense incurred on these loans which is presented as Finance cost under Other Income (Charges) in the statements of comprehensive income amounted to P46.4 million, P28.7 million and P21.9 million in 2018, 2017 and 2016, respectively. On the other hand, capitalized borrowing costs amounted to P173.7 million, P81.8 million and P29.5 million in 2018, 2017 and 2016, respectively, based on capitalization rate of 6.5% for specific borrowing in those years, were included as part of construction-in-progress (see Note 9).

Interest payable from these loans amounted to P22.7 million and P18.7 million as of December 31, 2018 and 2017, respectively, and is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 10). There was no outstanding interest payable as of December 31, 2016.

Presented below is the reconciliation of the Company's loans payable arising from financing activities.

	Short-term Loans	Long-term Loans	Total
Balance as of January 1, 2018	P 1,100,000,000	P 1,800,000,000	P2,900,000,000
Cash flows from financing activities :			
Additional borrowings	200,000,000	1,500,000,000	1,700,000,000
Repayment of borrowings	(100,000,000)	(184,615,385)	(284,615,385)
Balance as of December 31, 2018	**P1,200,000,000**	**P 3,115,384,615**	**P4,315,384,615**
Balance as of January 1, 2017	P 650,000,000	P 800,000,000	P1,450,000,000
Cash flows from financing activities :			
Additional borrowings	550,000,000	1,000,000,000	1,550,000,000
Repayment of borrowings	(100,000,000)	-	(100,000,000)
Balance as of December 31, 2017	P 1,100,000,000	P 1,800,000,000	P2,900,000,000

12. REVENUES

The Company's revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to P7.2 billion, P4.9 billion and P3.4 billion in 2018, 2017 and 2016, respectively (see Note 17.4).

The 2018 disaggregation on revenue recognition whether point in time or over time is shown below.

	Point in time	Over time	Total
Sale of merchandise	P 7,192,220,055	P -	P 7,192,220,055
Vendors' support and marketing fees	-	171,837,507	171,837,507
Delivery fees	-	31,168,980	31,168,980
Miscellaneous	6,605,570	-	6,605,570
	P 7,198,825,625	P 203,006,487	P 7,401,832,112

Vendors' support and marketing fees, delivery fees and miscellaneous are presented as part of Other income under Other Income (Charges) account in the statements of comprehensive income (see Note 14).

13. COST OF GOODS SOLD AND OTHER OPERATING EXPENSES

13.1 Cost of Goods Sold

The details of cost of goods sold are shown below.

	Note	2018	2017	2016
Inventories at beginning of year	7	**P 1,494,289,776**	P 1,087,394,667	P 668,186,139
Purchases during the year		**6,258,492,374**	3,978,735,683	2,921,804,516
Cost of goods available for sale		**7,752,782,150**	5,066,130,350	3,589,990,655
Inventories at end of year	7	**2,690,897,676**	1,494,289,776	1,087,394,667
		P 5,061,884,474	P 3,571,840,574	P 2,502,595,988

13.2 Other Operating Expenses

The details of other operating expenses by nature are shown below.

	Notes	2018	2017	2016
Rentals	17, 20.1	**P 450,132,564**	P 400,229,623	P 281,721,286
Outside services		**239,367,508**	202,104,283	123,896,132
Communications and utilities		**193,846,026**	172,198,029	135,484,072
Depreciation and amortization	9	**177,708,409**	137,217,561	133,822,943
Salaries, wages and employee benefits	15.1	**165,407,958**	140,481,139	97,820,046
Merchant fee		**71,954,724**	24,677,788	12,212,448
Taxes and licenses	25(e)	**50,604,363**	16,334,921	14,872,994
Advertising and promotions		**48,973,174**	30,618,152	26,051,026
Dues and subscription		**33,514,485**	1,404,586	806,342
Office and store supplies		**25,385,190**	14,284,964	6,041,685
Transportation expense		**25,349,084**	8,269,434	4,465,975
Repairs and maintenance		**24,938,461**	18,199,518	9,432,522
Representation and entertainment		**7,860,060**	3,147,513	6,411,547
Insurance expense		**7,344,953**	2,442,418	1,122,052
Commission expense		**4,648,869**	-	-
Professional fees		**4,111,238**	3,082,285	1,533,756
Miscellaneous		**14,347,409**	7,428,691	5,676,689
		P 1,545,494,475	P 1,182,120,905	P 861,371,515

14. OTHER INCOME

Other income includes the following (see Note 12):

		2018		2017		2016
Vendors' support and marketing fees	P	**171,837,507**	P	35,655,355	P	20,869672
Delivery fees		**31,168,980**		10,906,102		4,253,957
Miscellaneous		**6,605,570**		15,505,640		287,508
	P	**209,612,057**	P	62,067,097	P	25,411,137

Miscellaneous income comprise of gondola fees to various stores and support received from supplier for store opening and clearance sales.

15. SALARIES, WAGES AND EMPLOYEE BENEFITS

15.1 Salaries, Wages and Employee Benefits

Expenses recognized for salaries, wages and employee benefits in 2018, 2017 and 2016 are presented below (see Note 13.2).

		2018		2017		2016
Salaries and wages	**P**	**146,593,591**	P	133,915,852	P	93,625,919
Other short-term benefits		**18,814,367**		6,565,287		4,194,127
	P	**165,407,958**	P	140,481,139	P	97,820,046

15.2 Employee Benefits

The Company has not yet established a formal retirement plan. However, it is required to pay qualified employees retirement benefits under Republic Act (R.A.) No. 7641, *The New Retirement Law*, which relates to a defined benefit plan. As of December 31, 2018, the Company has not yet obtained an actuarial valuation to determine the balance of post-employment benefit obligation and the amount of retirement benefit expense in accordance with PAS 19 (Revised) and the provisions of R.A. No. 7641 as there are less than 10 employees who have been with the Company for a minimum of five years.

16. INCOME TAXES

The components of tax expense as reported in profit or loss follow:

	2018	2017 [As Restated – see Note 2.1(c)]	2016
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 105,385,831**	P 24,072,983	P 10,182,657
Final tax at 20%	**329,308**	132,674	330,558
	105,715,139	24,205,657	10,513,215
Deferred tax expense relating to originating and reversal of other temporary differences	**113,224,068**	23,959,932	8,845,890
	P 218,939,207	P 48,165,589	P 19,359,105

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	2018	2017 [As Restated – see Note 2.1(c)]	2016
Tax on pretax profit at 30%	**P 219,103,860**	P 48,231,926	P 19,777,932
Adjustment for income subjected to lower tax rate	**(164,653)**	(66,337)	(165,280)
Tax effect of non-taxable income	**-**	-	(253,547)
Tax expense	**P 218,939,207**	P 48,165,589	P 19,359,105

The Company is subject to the minimum corporate income tax (MCIT) computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Company reported RCIT in 2018, 2017 and 2016 as RCIT was higher than MCIT in those years.

The deferred tax liabilities as of December 31 relate to the following:

	Statements of Financial Position			Statements of Comprehensive Income		
	2018	2017	2016	2018	2017	2016
Borrowing costs	**P 82,682,132**	P 32,805,822	P 8,845,890	**P 49,876,310**	P 23,959,932	P 8,845,890
Depreciation	**63,347,758**	-	-	**63,347,758**	-	-
Deferred tax liabilities	**P 146,029,890**	P 32,805,822	P 8,845,890			
Deferred tax expense				**P 113,224,068**	P 23,959,932	P 8,845,890

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

17. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties as of and for the years ended December 31, 2018, 2017 and 2016 are discussed below and in the succeeding pages.

Related Party Category	Notes	2018 Amount of Transactions	2018 Outstanding Balance	2017 Amount of Transactions	2017 Outstanding Balance	2016 Amount of Transactions	2016 Outstanding Balance
Parent Company:							
Advances paid (obtained)	17.1	(P 537,750,000)	(P 625,352,292)	P 20,160,000	(P 87,602,292)	(P 239,840,000)	(P 107,762,292)
Advances granted (collected)	17.2	(21,400,000)	-	6,400,000	21,400,000	-	15,000,000
Sale of merchandise	17.4	1,864	1,864	-	-	-	-
Related Parties Under Common Ownership:							
Leases	10, 13.2, 20.1	394,465,381	(43,451,237)	372,598,795	(20,595,316)	267,558,059	(23,443,929)
Advances paid (obtained)	17.1	150,000,000	(2,000,000)	(152,000,000)	(152,000,000)	-	-
Advances granted (collected)	17.2	29,400,000	133,913,000	(6,400,000)	104,513,000	-	110,913,000
Sale of merchandise	17.4	82,670,577	181,670,497	76,457,488	105,916,067	55,636,800	45,032,973

All outstanding balances from related parties are noninterest-bearing, unsecured and payable/collectible in cash on demand, unless otherwise stated.

17.1 Advances Obtained

The Company obtains unsecured, noninterest-bearing cash advances from its parent company and related parties under common ownership for its working capital requirements, which are payable in cash on demand. Outstanding payable arising from these transactions are presented as Due to Related Parties in the statements of financial position.

The details of Due to Related Parties are as follows:

	2018	2017 [As Restated – see Note 2.1(c)]	2016 [As Restated – see Note 2.1(c)]
Parent Company	P 625,352,292	P 87,602,292	P 107,762,292
Related parties under common ownership:			
Golden Bria Holdings, Inc	2,000,000	52,000,000	-
AllDay Retail Concepts, Inc.	-	100,000,000	-
	2,000,000	152,000,000	-
	P 627,352,292	P 239,602,292	P 107,762,292

An analysis of the movements in the Due to Related Parties is shown below.

	Note	2018	2017 [As Restated – see Note 2.1(c)]	2016 [As Restated – see Note 2.1(c)]
Balance at beginning of year		**P 239,602,292**	P 107,762,292	P 347,602,292
Advances obtained during the year		**1,197,750,000**	152,000,000	100,160,000
Debt-to-equity conversion	18	**(660,000,000)**	-	(340,000,000)
Advances paid during the year		**(150,000,000)**	(20,160,000)	-
Balance at end of year		**P 627,352,292**	P 239,602,292	P 107,762,292

17.2 Advances Granted

The Company provides unsecured, noninterest-bearing cash advances to its related parties under common ownership for their working capital requirements, which are collectible in cash on demand. Outstanding receivables from these transactions are presented as Due from Related Parties in the statements of financial position.

The details of Due from Related Parties are as follows:

	2018	2017	2016
Parent Company	**P -**	P 21,400,000	P 15,000,000
Related parties under common ownership:			
AllDay Retail Concepts, Inc.	**97,942,635**	99,013,000	99,013,000
The Village Server, Inc.	**31,450,036**	5,500,000	5,500,000
Family Shoppers Unltd, Inc.	**4,520,329**	-	-
CMStar Management, Inc.	**-**	-	6,400,000
	133,913,000	104,513,000	110,913,000
	P 133,913,000	P 125,913,000	P 125,913,000

In 2017, the Company's receivable from CMStar Management Inc. was assigned by the latter to the parent company.

An analysis of the movements in the Due to Related Parties is shown below.

	2018	2017	2016
Balance at beginning of year	**P 125,913,000**	P 125,913,000	P 125,913,000
Advances granted during the year	**30,470,365**	-	-
Collections during the year	**(22,470,365)**	-	-
	P 133,913,000	P 125,913,000	P 125,913,000

17.3 Guarantees of Loans

The Company obtained short-term loans with interests ranging from 5.0% to 7.0% and long-term loans with interest ranging from 6.25% to 6.69% for additional working capital requirements, and store construction and expansion. The loans are secured by cross suretyship of its ultimate parent company (see Note 11).

17.4 Sale of Merchandise

The Company sells various merchandise items to its related parties with similar transaction price and terms under exact business circumstance with third parties. These transactions are presented as part of Revenues in the statements of comprehensive income (see Note 12). The outstanding receivables from these transactions are presented as part of Trade receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

17.5 Key Management Personnel Compensation

The Company has no expenses recognized for key management compensation since its key management functions are being handled by the parent company at no cost to the Company.

18. CAPITAL STOCK

Details of this account are shown below.

	Shares			Amount		
	2018	2017	2016	**2018**	2017	2016
Authorized – par value of P100.00	**20,000,000**	20,000,000	20,000,000	**P 2,000,000,000**	P 2,000,000,000	P 2,000,000,000
Issued and outstanding:						
Balance at beginning of year	**13,400,000**	13,400,000	10,000,000	**P 1,340,000,000**	P 1,340,000,000	P 1,000,000,000
Issuance during the year	**6,600,000**	-	3,400,000	**660,000,000**	-	340,000,000
Balance at end of year	**20,000,000**	13,400,000	13,400,000	**P 2,000,000,000**	P 1,340,000,000	P 1,340,000,000

In 2018, the Company issued additional shares of stock for a total consideration of P660.0 million to existing stockholders. The shares of stock were subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 17.1). The debt to equity conversion was approved by the SEC on December 28, 2018.

On November 4, 2016, the Company's BOD approved the increase in the Company's authorized capital stock from P1.0 billion divided into 10.0 million shares with P100 par value per share into P2.0 billion divided into 20.0 million shares with P100 par value per share. The Company's application for the increase in authorized capital stock has been approved by the SEC on December 28, 2016. Accordingly, P340.0 million equivalent to 3.4 million shares had been subscribed and paid by the existing shareholders as of December 31, 2016 through the conversion of certain advances from related parties to equity (see Note 17.1).

As of December 31, 2018, 2017 and 2016, the Company has only one stockholder owning 100 or more shares of the Company's capital stock.

19. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2018	2017	2016
Net profit	**P 511,406,994**	P 112,607,497	P 46,567,335
Divided by weighted average number of outstanding common shares	**13,400,000**	13,400,000	10,000,000
Basic and diluted earnings per share	**P 38.16**	P 8.40	P 4.66

The Company has no potential dilutive common shares as of December 31, 2018, 2017 and 2016.

20. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company.

20.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under non-cancellable operating leases with related parties under common ownership and third parties covering its various store outlets and warehouse facilities (see Notes 10 and 17). The leases have terms ranging from 3 to 15 years with renewal options and escalation rates of 7% in 2018, and 5% both in 2017 and 2016. The future minimum rental payables under these non-cancellable operating leases are as follows:

	2018	2017	2016
Within one year	**P 543,140,463**	P 352,429,059	P 447,601,552
After one year but not more than five years	**706,698,950**	457,145,051	370,953,096
More than five years	**493,905,384**	548,783,760	-
	P 1,743,744,797	P 1,358,357,870	P 818,554,648

The total rental expense recognized from these operating leases amounted to P450.1 million, P400.2 million and P281.7 million in 2018, 2017 and 2016, respectively, and is presented as Rentals under Other Operating Expenses in the statements of comprehensive income (see Note 13.2).

20.2 Others

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of December 31, 2018, 2017 and 2016, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of operational and financial risks in relation to financial instruments. The Company's risk management is coordinated with its parent company, in close cooperation with the Company's BOD.

The Company does not normally engage in the trading of financial assets for speculative purposes nor does it write options. The most significant operational and financial risks to which the Company is exposed to are described in the succeeding pages.

21.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 2018, 2017 and 2016, the Company is exposed to changes in market interest rates through its cash in banks and short-term placement, which are subject to variable interest rates. However, due to its short-duration, management believes that the interest rate sensitivity and its effect on the net result for the year and equity are not significant (see Note 5).

On the other hand, the Company's long-term bank loans are currently subject to fixed rates ranging from 6.25% to 6.69% per annum in 2018, and 6.25% both in 2017 and 2016 (see Note 11). Accordingly, management assessed that the Company is currently not significantly exposed to changes in market interest rates for its bank borrowings in 2018, 2017 and 2016.

21.2 Credit Risk

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

The Company continuously monitors defaults of other counterparties, identified individually, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

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

	Notes	**2018**	2017	2016
Cash and cash equivalent	5	**P 298,492,381**	P 399,785,312	P 475,813,349
Trade and other receivables	6	**1,196,386,397**	591,347,720	469,741,776
Due from related parties	17	**133,913,000**	125,913,000	125,913,000
		P 1,628,791,778	P 1,117,046,032	P 1,071,468,125

Except for cash and cash equivalent, none of the Company's financial assets are secured by collateral or other credit enhancements.

(a) Cash and Cash Equivalent

The credit risk for cash and cash equivalent is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalent are cash in banks and short-term placement which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

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

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 36 months before December 31, 2018 (and January 1, 2018), and the corresponding historical credit losses experienced within such period. Those accounts identified as credit-impaired were written off by the Company during the year; hence, no allowance on impairment loss was recognized as of December 31, 2018.

The Company identifies a default when the receivables become credit impaired or when the customer is not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

As of December 31, 2017 and 2016 (under PAS 39), the Company has written off receivables amounting to P15.6 million and P5.8 million, respectively. The Company's management considered that the outstanding receivables were not impaired as of December 31, 2017 and 2016, and were of good credit quality, including those that are past due.

(c) Due from Related Parties

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties. Management assessed that the outstanding receivables from related parties as of December 31, 2018, 2017 and 2016 are recoverable since these related parties have the capacity to pay the advances upon demand. Accordingly, no impairment losses were recognized as of the end of the reporting periods.

21.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2018, the Company's financial liabilities have contractual maturities which are summarized below.

		Current		Non-current	
	Notes	Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
Trade and other payables	10	P 343,651,438	P 13,122,281	P -	P -
Loans payable	11	839,137,959	839,137,959	2,269,230,769	846,153,846
Due to related parties	17	627,352,292	-	-	-
		P 1,810,141,689	P 852,260,240	P2,269,230,769	P 846,153,846

This compares to the contractual maturities of the Company's financial liabilities as of December 31, 2017 and 2016 as follows:

		Current		Non-current	
	Notes	Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
December 31, 2017					
Trade and other payables	10	P 469,353,131	P 10,002,579	P -	P -
Loans payable	11	642,984,062	642,984,062	1,216,651,739	584,516,385
Due to related parties	17	239,602,292	-	-	-
		P 1,351,939,485	P 652,986,641	P1,216,651,739	P 584,516,385
December 31, 2016					
Trade and other payables	10	P 687,304,270	P 13,389,215	P -	P -
Loans payable	11	325,607,329	325,607,329	431,008,957	369,230,769
Due to related parties	17	107,762,292	-	-	-
		P 1,120,673,891	P 338,996,544	P 431,008,957	P 369,230,769

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

22. CATEGORIES AND FAIR VALUE MEASUREMENTS

22.1 Carrying Amounts and Fair Values Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are as follows:

		2018		2017		2016	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets							
At amortized cost:							
Cash and cash equivalent	5	P 298,492,381	P 298,492,381	P 399,785,312	P 399,785,312	P 475,813,349	P 475,813,349
Trade and other receivables	6	1,196,386,397	1,196,386,397	591,347,720	591,347,720	469,741,776	469,741,776
Due from related parties	17	133,913,000	133,913,000	125,913,000	125,913,000	125,913,000	125,913,000
		P 1,628,791,778	P 1,628,791,778	P 1,117,046,032	P 1,117,046,032	P 1,071,468,125	P 1,071,468,125
Financial liabilities							
Financial liabilities at amortized cost:							
Trade and other payables	10	P 356,773,719	P 356,773,719	P 479,355,710	P 479,355,710	P 700,693,485	P 700,693,485
Loans payable	11	4,315,384,615	4,315,384,615	2,900,000,000	2,900,000,000	1,450,000,000	1,450,000,000
Due to related parties	17	627,352,292	627,352,292	239,602,292	239,602,292	107,762,292	107,762,292
		P 5,299,510,626	P 5,299,510,626	P 3,618,958,002	P 3,618,958,002	P 2,258,455,777	P 2,258,455,777

Management considers that the carrying values of the above financial assets and financial liabilities, measured at amortized costs, approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

See Notes 2.3 and 2.7 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 21.

22.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

There are no financial assets and financial liabilities measured at fair value as of December 31, 2018, 2017 and 2016. Neither was there transfer among fair value levels in those years.

23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objective is to ensure the Company's ability to continue as a going concern entity. Essentially, the Company, in coordination with its parent company, monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

The Company manages the capital structure and makes adjustments to consider changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the ratios on its covenants with certain financial institutions. Capital for the reporting periods is summarized as follows:

	2018	2017	2016
Total loans payable	**P 4,315,384,615**	P 2,900,000,000	P 1,450,000,000
Total equity	**2,678,603,864**	1,507,196,870	1,394,589,373
Debt-to-equity ratio	**1.61 : 1.00**	1.92 : 1.00	1.04 : 1.00

24. EVENT AFTER THE END OF THE REPORTING PERIOD

On February 20, 2019, Republic Act No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code), was signed into law. Among the provisions of the Revised Corporation Code, the following would impact the Company's financial statements:

- The Revised Corporation Code removed the 50-year maximum corporate term. Hence, stock corporation may have unlimited life unless otherwise provided in the articles of incorporation; and,

- The Revised Corporation Code removed the subscription requirement of 25% of authorized capital stock and paid-up capital requirement of 25% of subscribed capital stock.

The management deems further that other amendments and new provisions contained in the Revised Corporation Code is not material to the Company.

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

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

The information on taxes, duties and licenses fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

The Company's sale of merchandise subjected to VAT amounted to P7,192,220,055, which is presented as Revenues in the 2018 statement of comprehensive income. The tax bases for Revenues are based on the Company's gross receipts for the year; hence, may not be the same as the amount of revenues reported in the 2018 statement of comprehensive income.

The outstanding output VAT payable as of December 31, 2018 is presented as VAT payable under Trade and Other Payables in the 2018 statement of financial position (see Note 10).

(b) Input VAT

The movements in input VAT in 2018 are summarized below.

	Note		
Balance at beginning of year		P	-
Goods for resale/manufacture or further processing			600,290,244
Goods other than the resale/manufacture			95,885,835
Capital goods subject to amortization			106,480,922
Capital goods not subject to amortization			1,214,706
Applied against output VAT	25(a)	(	803,871,707)
Balance at end of year		P	-

(c) Excise Tax

The Company did not have any transaction in 2018 which is subject to excise tax.

(d) Documentary Stamp Tax (DST)

DST relating to the issuance of shares of stock amounting to P6.6 million is presented as part of Taxes and licenses under Other Operating Expenses in the 2018 statement of comprehensive income [see Note 25(e)].

(e) Taxes and Licenses

The details of taxes and licenses account in 2018 are shown below.

	Note		
Municipal license and permits		P	43,985,620
DST	25(d)		6,600,000
Registration fees			18,743
		P	50,604,363

The amount of taxes and licenses are presented as part of Other Operating Expenses in the 2018 statement of comprehensive income (see Note 13.2).

(f) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2018 are shown below.

Expanded	P	30,737,682
Compensation and benefits		10,339,794
	P	41,077,476

The Company does not have any transactions subject to final withholding taxes.

(g) Deficiency Tax Assessments and Tax Cases

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

P&A
Grant Thornton

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

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

The Board of Directors
AllHome Corp.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City
Daang Hari, Almanza II
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllHome Corp. (the Company) for the year ended December 31, 2018, on which we have rendered our report dated August 6, 2019. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-32-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

August 6, 2019

ALLHOME CORP.
[A Wholly Owned Subsidiary of AllValue Holdings Corp.]
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2018

ALLHOME CORP.

[A Wholly Owned Subsidiary of AllValue Holdings Corp.]

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2018

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Advances to employees	P 1,350,494	P 2,700,900	P -	P -	P 4,051,394	P -	P 4,051,394
Advances to related parties							
AllValue Holdings Corp.	21,400,000	-	(21,400,000)	-	-	-	-
AllDay Retail Concepts, Inc.	99,013,000	-	(1,070,365)	-	97,942,635	-	97,942,635
The Village Server, Inc.	5,500,000	25,950,036	-	-	31,450,036	-	31,450,036
Family Shoppers Unlimited, Inc.	-	4,520,329	-	-	4,520,329	-	4,520,329
TOTAL	P 127,263,494	P 33,171,265	(P 22,470,365)	P -	P 137,964,394	P -	P 137,964,394

ALLHOME CORP.
[A Wholly Owned Subsidiary of AllValue Holdings Corp.]
SCHEDULE E - LONG TERM DEBT
December 31, 2018
(Amounts in Philippine Pesos)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Long-term loans	P 3,115,384,615	P 476,923,077	P 2,638,461,538

ALLHOME CORP.

[A Wholly Owned Subsidiary of AllValue Holdings Corp.]

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2018

(Amounts in Philippine Pesos)

Name of Related Party		Balance at Beginning of Year		Balance at End of Year
AllValue Holdings Corporation	P	87,602,292	P	625,352,292
AllDay Retail concepts, Inc.		100,000,000		-
Golden Bria Holdings, Inc.		52,000,000		2,000,000
TOTAL	**P**	**239,602,292**	**P**	**627,352,292**

ALLHOME CORP.
[A Wholly Owned Subsidiary of AllValue Holdings Corp.]
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares at P100 par value	20,000,000	20,000,000	-	19,999,995	5	-

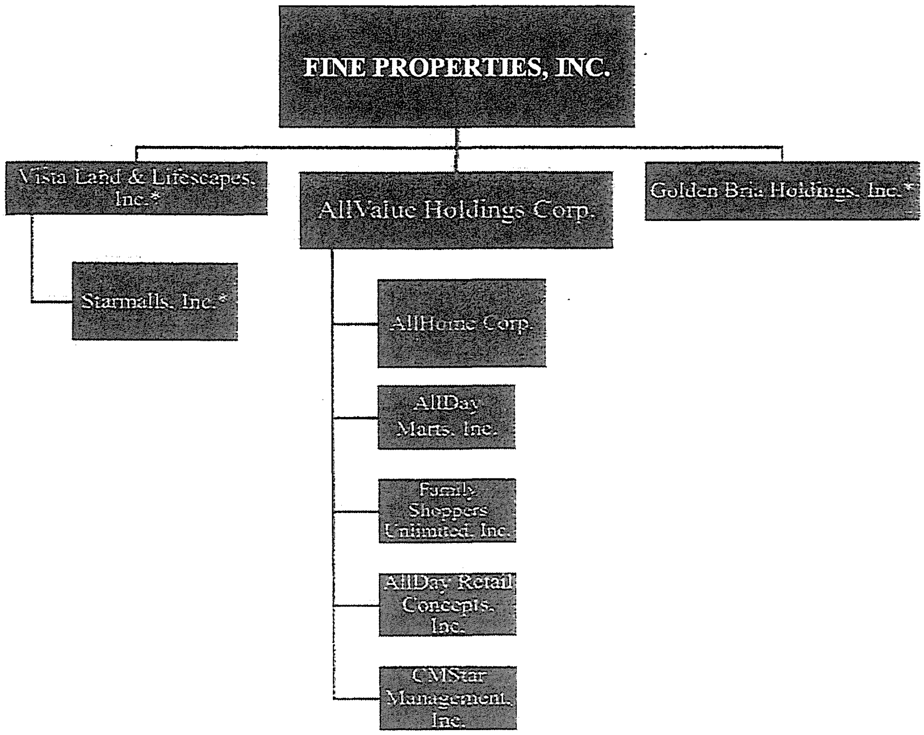
ALLHOME CORP.
[A Wholly Owned Subsidiary of AllValue Holdings Corp.]
Lower Ground Floor, Building B, Evia Lifestyle Centre
Almanza Dos, Las Piñas City
Reconciliation of Retained Earnings Available for Dividend Declaration
As of and for the Year December 31, 2018

Unappropriated Retained Earnings Available at Beginning of Year	P	167,196,870
Net Profit Realized during the Year		
Net profit per audited financial statements		511,406,994
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**678,603,864**

ALLHOME CORP.

[A Wholly Owned Subsidiary of AllValue Holdings Corp.]

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP
ULTIMATE PARENT COMPANY AND PARENT COMPANY



The Village Server, Inc. is a stand-alone company and is fully owned by the Villar family.

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2023)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions**	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates**			✓
	Amendments: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments* (effective *January 1, 2019*)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

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

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

ALLHOME CORP.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	2018		2017		2016	
Current Ratio						
Current Assets	4,973,802,366		2,976,971,758		2,470,951,236	
Current Liabilities	2,752,335,679	1.81	2,024,899,129	1.47	1,461,589,991	1.69
Solvency Ratio						
Net Income after Tax + Non-Cash Expenses	708,504,175		265,393,122		186,224,128	
Total Liabilities	5,536,827,107	0.13	3,673,089,566	0.07	2,270,435,881	0.08
Debt-to-equity Ratio						
Total Liabilities	5,536,827,107		3,673,089,566		2,270,435,881	
Total Equity	2,678,603,864	2.07	1,507,196,870	2.44	1,394,589,373	1.63
Asset-to-equity Ratio						
Total Assets	8,215,430,971		5,180,286,436		3,665,025,254	
Total Equity	2,678,603,864	3.07	1,507,196,870	3.44	1,394,589,373	2.63
Interest Coverage Ratio						
EBITDA	954,419,339		326,704,400		221,648,917	
Interest Expense	46,364,729	20.59	28,713,753	11.38	21,899,534	10.12
Gross Profit Ratio						
Gross Profit	2,130,335,581		1,324,445,340		927,967,410	
Total Revenues	7,192,220,055	30%	4,896,285,914	27%	3,430,563,398	27%
EBITDA Margin						
EBITDA	954,419,339		326,704,400		221,648,917	
Total Revenues	7,192,220,055	13%	4,896,285,914	7%	3,430,563,398	6%
Net Profit Ratio						
Net Profit	511,406,994		112,607,497		46,567,335	
Total Revenues	7,192,220,055	0.07	4,896,285,914	0.02	3,430,563,398	0.01
Book Value Per Share						
Total Equity	2,678,603,864		1,507,196,870		1,394,589,373	
Number of Shares Outstanding	20,000,000	133.93	13,400,000	112.48	10,000,000	139.46
Earnings Per Share						
Net Profit	511,406,994		112,607,497		46,567,335	
Weighted Average No. of Shares	13,400,000	38.16	13,400,000	8.40	10,000,000	4.66

COMPANY

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