

CEBU HOLDINGS, INC.

President's Report

April 10, 2018

Madam Chairman,
Fellow members of the board,
Colleagues,
Ladies and gentlemen,
Good afternoon.

2017 was another year of sustained growth for Cebu Holdings, as we continued to enhance the business, surpassing our targets and expanding our reach as a company.

We registered double-digit growth as revenues increased by 14 percent to P3.1 billion. Net income likewise exceeded that of the previous year's by 11 percent to P753.4 million.

Our performance was driven by solid contributions from our leasing business, which accounts for 69 percent of the total revenue. Residential sales contributed 11 percent, theater operations 5 percent and interest and other income brought in 15 percent.

With this, we were able to release dividends of P0.15 per share for this reporting year, or P288 million.

Property development and commercial leasing remained robust as we continued to enhance our existing estates.

At Cebu Business Park, our Ayala Center Cebu continues to be a strong revenue driver for the company. With an average daily foot traffic of over 105,000, our Ayala mall continued to enjoy high increasing merchant sales and a high occupancy rate of 97 percent.

Ayala Center Cebu was also recognized as the Shopping Center of the Year - Large Category in 2017. This was given by the Department of Trade and Industry and the Philippine Retailers Association for the mall's initiatives to constantly improve the retail experience.

Last year, we completed Tech Tower office building along Camiguin Road of Cebu Business Park. This added over 16,000 square meters to our total leasing portfolio.

Meanwhile, we also finished the BPI Cebu Corporate Center—thru Solinea, Inc., a partnership with Alveo Land. This iconic building at a prominent address along Luzon Ave., offers office 168 units for sale and is 63 percent sold out.

We also continued to sell units of our residential condos including Ayala Land Premier's 1016 Residences, Park Point Residences and The Alcoves, as well as Alveo's Sedona Parc and Solinea.

In the 2nd half of this year, Cebu Business Park will be home to the first Seda Hotel in Cebu. The homegrown hotel brand by Ayala Land will have 301 rooms and will become a central convergence place for business travelers.

At subsidiary, CPVDC's Cebu I.T. Park, office leasing remains strong with our four eBloc Towers, which collectively comprise over 80,600 square meters of our portfolio.

Last year, we completed the Garden Row, a 1,600 square meter landscaped promenade with popular dining outlets. This will enhance the over-all pedestrian experience, connecting the growing number of buildings within the IT Park.

To diversify our leasing portfolio and cater to the I.T. Park's growing population, we are currently constructing Central Bloc, a stacked two-hectare mixed-use project. This consists of a regional mall offering close to 50,000 square meters of retail space, two more office towers with over 67,000 square meters of gross leasable area, and another 214-room Seda Hotel.

Gatewalk Central, our mixed-use estate in Subangdaku, Mandaue, which we launched in 2016, is currently in construction. Land development will be completed by end of this year, while the Ayala mall of this mixed-use estate is set to open in 2021.

Gatewalk Central is an 18-hectare mixed-use estate which will offer a dynamic and highly-energized lifestyle experience with modern residential and commercial components. It will feature a regional mall which will add a total gross leasable area of 115,000 square meters to our retail portfolio upon its completion.

Residential sales were composed mainly of lots sold at the last phase of our seaside residential subdivision, Amara in Liloan, Cebu. Launched in December of 2016, sales of this last phase contributed P199 million to revenue.

The year 2017 was highlighted by the launch of our fourth estate in Cebu, Seagrove, in Punta Engaño, Lapu-Lapu City. This 14-hectare mixed-use estate will be an exciting seaside and eco-tourism destination in front of 40 hectares of mangroves. This development will add a new dimension to the leisure and tourism industry in Cebu.

We will be pouring in about P4 billion in investment for its initial phase. This includes land cost and development, a boardwalk promenade with retail and entertainment concepts, and the very first Holiday Inn Resort in the Philippines.

As we continue to revitalize our current mixed-use estates and focused on expansion to more key cities in Metro Cebu, we have been able to move faster to build new economic growth centers that will improve the quality of lives and bring more business and employment to more communities in the Province of Cebu.

As we accomplish our goals as a company, it is important that the values of innovation and sustainability are well-established in our operations.

Our mixed-use estates strive to become models for sustainable development and introduce innovations in line with the four focus areas of parent company, Ayala Land, namely Site Resilience, Pedestrian and Transit Connectivity, Eco-efficiency and Local Economic Development.

We plan and design our developments to make it more resilient to changes in the environment by creating a healthy balance of green open spaces and built-up areas.

As we masterplanned our Mactan seaside development, Seagrove, we initiated environment protection activities such as coastal cleanups with employees and coral reef studies for tree nursery and rehabilitation sites in the area. We likewise collected existing native and endemic beach forest tree species, which we will propagate and use for future landscaping requirements.

We also introduced innovations for pedestrian mobility and transit connectivity. Last year, we completed new bus stops within Cebu Business Park and Cebu I.T. Park, serving passengers of a scheduled bus service that travels to Northern and Southern Cebu.

In the management of our estates, we constantly strive for efficient resource use and effective waste management. In 2017, we invested in various improvements including a new wastewater treatment facility by Manila Water Company to serve the growing community in Cebu I.T. Park.

We take pride in knowing that over 91,000 jobs are generated by companies within Cebu Business Park and Cebu I.T. Park. In 2017, we also noted over 3,000 small businesses providing ancillary services such as food, transportation, and accommodation around our mixed-use business estates.

Our efforts in line with sustainability were featured in a publication of the UN Development Programme and the Philippine Business for the Environment. The book called *Transformational Business*, cites Cebu Business Park as the top example of how large-scale infrastructure in provincial capitals can bring inclusive economic growth while driving business forward.

It also cites our shared-value program, *Agbayay para sa Kalikupan*, as a “sustainable solid waste management model that bridges waste management with entrepreneurship, and CSR with inclusive development.”

Creating and constantly evolving our estates is our way of delivering on our commitment to catalize economic growth and create business and livelihood opportunities for Cebuanos. Our mixed-use estates concretize our commitment to nation-building and sustainable development.

With the positive outlook in the region, reflected by NEDA’s projection of a 7.7 to 8.3 average growth rate for the Visayas – higher than the national GDP growth target for 2017 to 2022 – we are confident that we are well positioned among the industry drivers to capitalize on this growth.

As Cebu Holdings, Inc. celebrates its 30th anniversary in 2018, we are inspired to create communities that will contribute to the development and future progress of Cebu and the region.

Last year, our total capital expenditure invested was P2.1 billion. Our asset base had almost tripled (286%) from P5.3 billion to P20.6 billion over the last ten years.

We are setting up the platform to establish new operational frameworks, starting with the company’s planned merger with its subsidiary, Cebu Property Ventures and Development Corp. This will increase our ability to move farther and faster as we respond to an ever-changing market.

We are optimistic that with these advancements, Cebu Holdings is well-positioned for growth to deliver better value in the years to come.

All these, we could not have realized without the wisdom and guidance of our Board and management team, the hard work of our employees, and the confidence of our shareholders.

Thank you for your continued support as we move farther and faster towards another 30 years.

At this point, I would like to direct your attention to the audio visual presentation we have prepared.