

FILINVEST DEVELOPMENT CORP.

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16 March 2020

SECURITIES AND EXCHANGE COMMISSION

Ground Floor, North Wing Hall
Secretariat Building, PICC Complex
Vicente Sotto Street, Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Attention: **ATTY. RACHEL ESTHER J. GUMTANG-REMALANTE**
Officer-In-Charge, Corporate Governance and Finance Department

THE PHILIPPINE STOCK EXCHANGE

6th to 10th Floors, PSE Tower
5th Avenue corner 28th Street, Bonifacio Global City
Taguig City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.

37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas, Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICDD)

Re: **Filing of Current Report under Section 17 of the Securities Regulation Code amid COVID-19 Pandemic**

Gentlemen/Ladies:

Pursuant to the state policy of ensuring full and fair disclosure by issuers of registered securities and in compliance with the directive of the Securities and Exchange Commission requiring all publicly listed companies to apprise the investing public of the potential risks and impact of the COVID-19 pandemic on their business operations, Filinvest Development Corporation hereby discloses the attached report on the potential risks associated with COVID-19, as well as how the Company mitigates and manages those risks.

Very truly yours,

FILINVEST DEVELOPMENT CORPORATION

By:


SHARON P. PAGALING-REFUERZO
*Corporate Secretary and
Corporate Information Officer*

In January 2020, the Coronavirus outbreak which started in China, became a major global concern including the Philippines. At that point, when it was still too early to determine the total economic impact of the outbreak to the Philippine economy, the government has implemented certain monetary and fiscal tools to counter potential adverse economic fallout. However, as the fatal Covid-19 outbreak intensified in March outside China, each affected countries had to resort to extreme measures to contain and avert the rapid contagion of the dreaded virus. For the Philippines, the government implemented the drastic move of limiting close physical contact and movement among the public particularly in areas with high population densities. Such was the case in Metro Manila wherein a month-long lockdown of the entire metropolis was instituted. Undeniably, such measures would decelerate all forms of social and business activities leading to a grinding movement (hopefully minimal) of the entire Philippine economy in general.

For Filinvest Development Corp. (FDC, Filinvest or the Group) and its subsidiaries, the negative impact of Covid-19 will be felt more significantly in its hospitality and real estate retail businesses. The effects of the contagion have already affected the travel and tourism sectors resulting from the imposition of travel ban policies of various countries including the Philippines. Chinese tourists, which comprised 17.6% of tourist arrivals in the Philippines in 2018, have been significantly compromised as a result of such travel ban from China. This is also true for Korean tourists which likewise account for a significant portion of tourist arrivals in the Philippines in the recent years. Moreover, the overall anxiety and extreme caution that are also being observed by the local population are likewise seen to result in the decrease of local tourism.

These developments are expected to have direct negative impact on Filinvest's hospitality operations in terms of occupancy rates of the six hotels that the Group is currently operating – one in Metro Manila, two in Luzon and three in the Visayas. Two of these hotels (Boracay and Mimosa) however have just more recently started its operations and have not reached its optimal operations. With these developments, respective operations of these hotels could be calibrated accordingly to adjust to current developments. In 2018, Filinvest's hotel operations accounted for 4% of the Group's total revenues and other income and 2% of its net income. For September 30, 2019, the segment accounted for 4% and 2%, of total revenues and other income and net income, respectively.

Should the Coronavirus outbreak persist and is not contained in the near future, mobility of the local population will be impaired that could affect foot traffic in retail establishments. Temporary suspension of mall operations is being mulled, except for outlets offering basic services like supermarkets, banks and healthcare centers. Filinvest's real estate business however has never been reliant on its retail segment. The only major mall that it operates is the Festival Mall in Alabang. Unlike other conglomerates, Filinvest's mall operations are designed more to compliment its real estate and township developments and service specific areas and communities where it has major activities and undertaking. In 2018, Filinvest's mall and retail business accounted for 2% of the Group's total revenues and other income and 1% of its net income. For September 30, 2019, the segment accounted for 3% and 3%, of total revenues and other income and net income, respectively.

On a global scale, inward remittances from Filipino OFWs, particularly those in Hong Kong, Macau and mainland China, are expected to experience a significant decrease in activities as OFWs would naturally be shifting to a more cautious mode by setting individual priorities to more critical family needs. To an extent, this should affect our residential sales. In the case of Filinvest, as of the period ended September 30, 2019, OFW sales accounted for 32.0% of its total real estate sales. Out of this total OFW sales, 71% originated from the Middle East, more than half of which are from United Arab Emirates and Qatar, areas that are currently not yet or least affected by the pandemic. Based on the foregoing, the impact of Covid-19 should not significantly impact our overall real estate performance on a worst case scenario.

Businesses that cater principally to Chinese employees such as POGOs would be to an extent be adversely affected due to the travel ban and more stringent health precautionary measures. For the Group, the business segment vulnerable to this adverse development would be the BPO and hospitality businesses. From the beginning, Filinvest has been following a stringent process of selecting BPO locators and employees. The recent outbreak made it more imperative for Filinvest to be extra cautious in sanitary and hygiene observance of POGO employees.