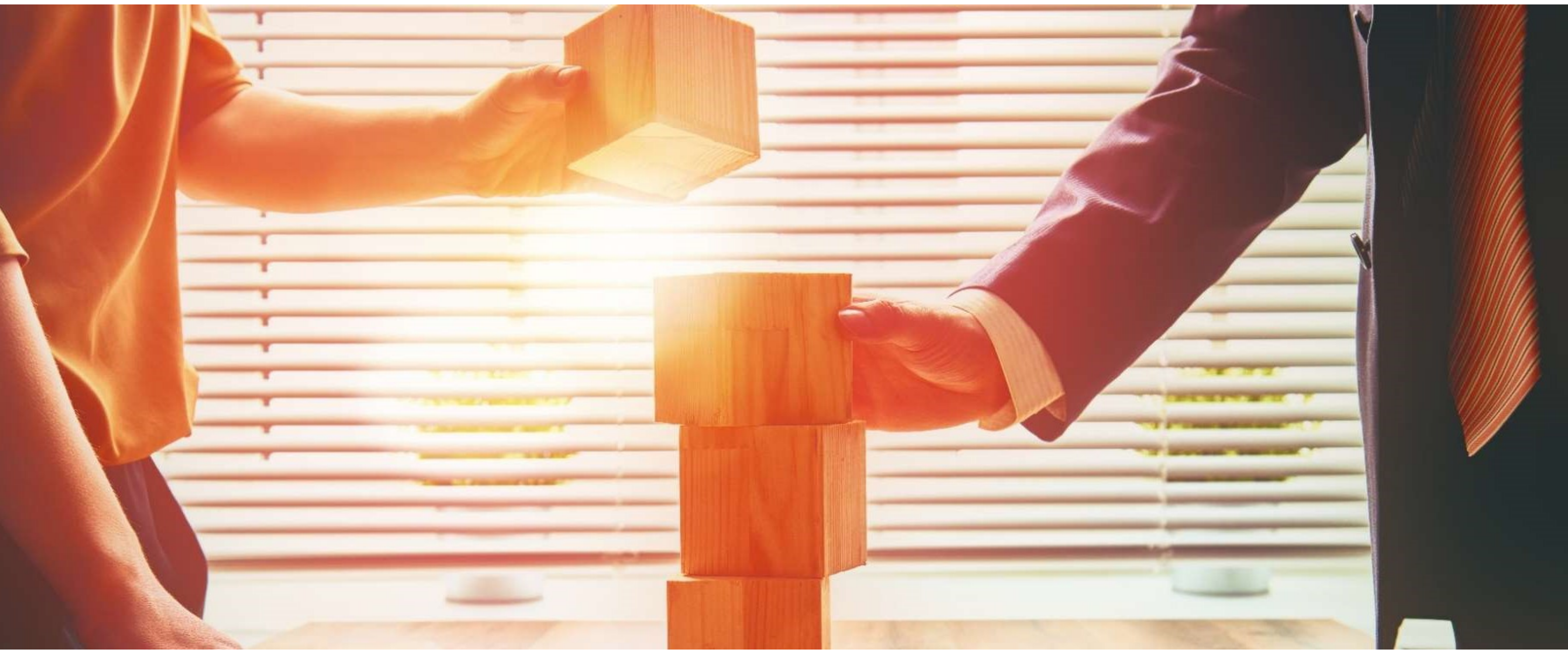

SUGOI S.A.

FINANCIAL STATEMENTS
MARCH 31, 2020
with independent auditor's review report
on interim financial information

SUGOI S.A.

FINANCIAL STATEMENTS

MARCH 31, 2020

CONTENTS

SUGOI S.A

Comments on performance related to the financial information for the quarter ended March 31, 2020

São Paulo, May 15, 2020 SUGOI S.A. In compliance with legal and statutory provisions, the Management of Sugoi S.A. ("Sugoi") submits for your consideration the Management Report and the Financial Statements, accompanied by the Independent Auditor's Report, for the quarter ended March 31, 2020.

HIGHLIGHTS

- Net revenue for the quarter totaled R$ 34.1 million;
- The Company ended the 1Q20 with a Gross Margin of 40%;
- Profit for the period was R$ 6.5 million;
- The Company's Land bank reached a potential PSV of R$ 3.5 billion;
- The company had 3 enterprises qualified for the State Government's "Nossa Casa (Casa Paulista)" Program.

Considerations Covid-19

The Company has adopted measures to mitigate the transmission of viruses at each work point, whether at construction sites, points of sale and its head office. The practices adopted were hygiene with greater frequency, daily audit of controls, flexibility in working hours and adoption of the home office, meeting the guidelines of WHO (World Health Organization) and Health Surveillance seeking to preserve the physical and psychological health of its employees, including dismissal from work all those over 60 years.

Our operations continue on the construction sites, still with negligible impacts, and we believe that in this sense, there should be no significant interference in the execution of the projects. However, eventual external restrictions such as public transportation of employees, supply of inputs and raw materials essential for the continuity of the works, may have a significant impact, a possibility that cannot be considered and measured at this time.

We redirect our sales force to serve our client at a distance, expanding the online dissemination of enterprises via applications and social networks and maintain daily contact with top management for monitoring the scenario and prompt decision making.

Faced with so many uncertainties and daily adjustments in government guidelines, we have considered possible impacts on our operation, but we have made frequent guidelines to try to anticipate problems in order to minimize them.

Nossa Casa Program

Sugoi has had 3 developments qualified for the State Government's Nossa Casa (Casa Paulista) Program. Vida e Alegria, Mirai Parque do Carmo and Villagio Franco da Rocha. The program consists of a subsidy of up to R$ 16 thousand reais for clients and families with income of up to 3 minimum wages. These subsidies are additional and complementary to the Minha Casa Minha Vida Program of the Federal Government.

Operational and Financial Performance

Launches and sales

For the first quarter the company did not make any new launches. For the second quarter we expect to launch R$ 50 million

Completed projects and projects under construction

The company is expected to deliver R$ 250 million in VGV in 2020, projects launched in 2017 and 2018. In the first quarter of the year, the company did not deliver projects.

Land bank

On March 31, 2020, the Company's land bank represented an estimated VGV of R$ 3.5 billion, expected to be launched in the next 5 years.

Operating revenue

Net operating revenue totaled R$ 34.1 million in the first quarter of 2020, an increase compared to R$ 28 million in the same period of 2019, such increase reflects the recognition of revenue from projects launched in previous years, especially in 2018.

Cost of real estate units

In the first quarter of 2020, the cost of real estate totaled R$ 20.6 million, compared to a cost of R$ 15.1 million in the same period of 2019, a fact that occurred due to the increase in launches and recognition of the costs of projects under construction.

Selling, general and administrative expenses

In the first quarter of 2020, expenses with sales totaled R$ 1.9 million, an increase compared to R$ 1.6 million in the same period of 2019, an increase due to the increase in launches made in 2019.

Net general and administrative expenses were R$ 3.4 million in the first quarter of 2020, an increase compared to R$ 1.4 million in the same period of 2019. These expenses are in accordance with the Company's planning, aiming to sustain the demand for launches and works that will occur in the coming years.

Gross profit

In the first quarter of 2020, the gross profit was R$ 13.5 million, up from R$ 12.9 million in the same period of 2019. This increase is justified by the volume of work in progress

Profit for the period

In the first quarter of 2020 we reported an accumulated net profit of R$ 6.5 million. The positive result is especially attributable to the increase in launches in previous years, especially in 2018.

Reinvestment of profits and distribution of dividends

In accordance with the provisions of article 189 of Law 6,404/76, no payment of dividends was proposed.

Independent Auditors

Pursuant to CVM Ruling 381 of January 14, 2003, we inform that the Company engaged Crowe Macro Auditores Independentes S.S. to provide services related to the audit of its financial statements. Still in accordance with CVM Ruling 381 of January 14, 2003, we inform that the Company did not hire other services from the independent auditor responsible for the audit of its financial statements, other than those related to audit work.

São Paulo, May 15, 2020.

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INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION - ITR

To the
Management and shareholders of
Sugoi S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Sugoi S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2020, which comprises the statement of financial position as at March 31, 2020, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended, including the notes to the interim financial information.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Technical Pronouncement NB TG 21 (R4) - Interim Financial Reporting and with the international standard IAS 34 - Interim Financial Reporting, applicable to real estate development entities in Brazil, registered with the Brazilian Securities and Exchange Commission ("CVM"), as well as for the presentation of such information in a manner consistent with the standards issued by the CVM, applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International standards on review of interim information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with Technical Pronouncement NBC TG 21 (R4) and IAS 34, applicable to real estate development entities in Brazil, registered with the Brazilian Securities and Exchange Commission (CVM), and presented in a manner consistent with the standards issued by the CVM, applicable to the preparation of the Quarterly Information (ITR).

Emphasis of matter

As described in Note 2.13, the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) has been prepared in accordance with Technical Pronouncement NB TG 21 (R4) and IAS 34, applicable to real estate development entities in Brazil, registered with the CVM. Accordingly, the determination of the accounting policy adopted by the entity for the recognition of revenue in contracts for the purchase and sale of unfinished real estate units on the issues related to the transfer of control, comply with the understanding expressed by Company Management regarding the application of NBC TG 47, aligned with that manifested by the CVM in CVM/SNC/SEP Circular Letter No. 02/2018. Our opinion is not qualified in respect of this matter.

Other matters

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (DVA) for the three-months period ended March 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for the purposes of IAS 34 applicable to real estate development entities in Brazil, registered with the CVM. These statements were subject to the same review procedures performed in conjunction with the review of quarterly information, in order to conclude whether they are reconciled to the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement NBC TG 09 - Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in accordance with the criteria defined in such Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole

São Paulo, May 15, 2020.

Crowe Macro Auditores Independentes
CRC-2SP033508/O-1

Fábio Debiaze Pino
Accountant CRC - 1SP251154/O-9

Sérgio Ricardo de Oliveira
Accountant CRC - 1SP186070/O-8

Sugoi S.A
Statements of financial position at March 31, 2020 and December 31, 2019
(In thousands of Reais - R$)

ASSETS

		Parent		Consolidated	
Assets	**Notes**	**3/31/2020**	**12/31/2019**	**3/31/2020**	**12/31/2019**
Current assets					
Cash and cash equivalents	**3**	4,420	4,399	16,420	23,464
Trade receivables	**4**	-	-	44,357	40,213
Real estate for sale	**5**	9,787	9,787	236,584	228,241
Other receivables	**6**	25,828	25,826	37,017	35,691
Taxes and contributions available for offset	-	227	227	573	551
Deferred selling expenses	-	-	-	5,769	5,896
		40,262	**40,239**	**340,720**	**334,056**
Noncurrent assets					
Real estate for sale	**5**	-	-	59,030	59,030
Related parties	**9**	41,380	33,261	6,830	6,827
Deferred selling expenses	-	-	-	-	-
Investments	**7**	103,713	92,948	3,224	3,224
Property and equipment, net	**8**	229	222	776	724
Intangible assets	-	591	694	591	694
		145,913	**127,125**	**70,451**	**70,499**
Total assets		**186,175**	**167,364**	**411,171**	**404,555**

The accompanying notes are an integral part of these financial statements.

Sugoi S.A
Statements of financial position at March 31, 2020 and December 31, 2019
(In thousands of Reais - R$)

LIABILITIES AND EQUITY

Liabilities	Notes	Parent 3/31/2020	Parent 12/31/2019	Consolidated 3/31/2020	Consolidated 12/31/2019
Current liabilities					
Borrowings	**11**	4,708	4,800	15,084	16,405
Debentures	**16**	14,743	23,442	14,743	23,442
Trade payables	**12**	253	203	12,949	8,205
Payroll and related taxes and other taxes payable	**13**	701	648	1,739	1,603
Other payables	**14**	16,832	13,540	18,972	15,082
Advances from customers and others	**15**	8,622	8,622	229,033	232,374
Related parties	**9**	56,048	43,863	375	376
Provision for investment losses	**7**	4,641	3,757	3,356	3,382
		106,548	**98,875**	**296,251**	**300,869**
Noncurrent liabilities					
Borrowings	**11**	8	1,529	8	2,368
Debentures	**16**	17,206	10,558	17,206	10,558
Current account with special partnership	**10**	10,405	10,405	10,405	10,405
Payroll and related taxes and other taxes payable	**13**	-	-	1,723	1,430
Other payables	**14**	-	-	500	500
Advances from customers and others	**15**	-	-	27,934	27,934
Provisions	**17**	-	-	1,538	1,509
Related parties	**9**	1,744	1,744	-	-
		29,363	**24,236**	**59,314**	**54,704**
Total liabilities		**135,911**	**123,111**	**355,565**	**355,573**
Equity	**18**				
Share capital		1,000	1,000	1,000	1,000
Legal reserve		200	200	200	200
Earnings reserve		49,064	43,053	49,064	43,053
Cumulative translation adjustment		-	-	185	90
		50,264	**44,253**	**50,449**	**44,343**
Noncontrolling interests		-	-	5,157	4,639
Total equity		**50,264**	**44,253**	**55,606**	**48,982**
Total liabilities and equity		**186,175**	**167,364**	**411,171**	**404,555**

The accompanying notes are an integral part of these financial statements.

Sugoi S.A

Statements of profit or loss for the three-month periods ended March 31, 2020 and 2019

(In thousands of Reais)

		Parent		Consolidated	
	Notes	**3/31/2020**	**3/31/2019**	**3/31/2020**	**3/31/2019**
Net revenue	**19**	-	-	34,137 -	28,051
Cost of sales	**19**	-	-	(20,593)	(15,126)
Gross profit	**19**	**-**	**-**	**13,544**	**12,925**
Operating income (expenses)					
General and administrative expenses	**20**	(2,543)	(799)	(3,410)	(1,442)
Selling expenses	**20**	(45)	(22)	(1,983)	(1,684)
Other operating income, net		-	-	(373)	(173)
Share of profit (loss) of subsidiaries and joint ventures	7	9,733	9,616	26	-
		7,145	8,795	(5,740)	(3,299)
Profit before finance costs (income)		**7,145**	**8,795**	**7,804**	**9,626**
Finance costs	-	(1,172)	(2,452)	(1,385)	(2,804)
Finance income	-	38	91	110	127
Finance costs (income), net		**(1,134)**	**(2,361)**	**(1,275)**	**(2,677)**
Profit before income tax and social contribution		**6,011**	**6,434**	**6,529**	**6,949**
Income tax and social contribution - current	-	-	(1)	-	-
Profit for the period		**6,011**	**6,433**	**6,529**	**6,949**
Attributable to:					
Owners of the Company				6,011	6,433
Noncontrolling interests				518	516
Basic and diluted earnings per share	**18 c**	**6,011**	**6,433**		

The accompanying notes are an integral part of these financial statements.

Sugoi S.A
Statements of comprehensive income for the three-month periods ended March 31, 2020 and 2019

(In thousands of Reais - R$)

	Parent		Consolidated	
	3/31/2020	**3/31/2019**	**3/31/2020**	**3/31/2019**
Profit for the period	6,011	6,433	6,529	6,949
Translation adjustment in subsidiaries	-	-	185	53
(=) Total comprehensive income for the period	**6,011**	**6,433**	**6,714**	**7,002**
Attributable to:				
Owners of the Company			6,196	6,486
Noncontrolling interests			518	516
	-	**-**	**6,714**	**7,002**

The accompanying notes are an integral part of these financial statements.

Sugoi S.A
Statements of changes in equity
(In thousands of Reais - R$)

	Paid-in capital	Legal reserve	Earnings reserve	Cumulative translation adjustment	Equity	Noncontrolling interests	Consolidated equity
Balance at January 1, 2019	1,000	200	17,958	52	19,210	2,555	21,765
Translation adjustment in subsidiaries	-	-	-	1	1	-	1
Profit for the period	-	-	6,433	-	6,433	516	6,949
Balance at March 31, 2019	**1,000**	**200**	**24,391**	**53**	**25,644**	**3,071**	**28,715**
Balance at January 1, 2020	1,000	200	43,053	90	44,343	4,639	48,982
Translation adjustment in subsidiaries	-	-	-	95	95	-	95
Profit for the period	-	-	6,011	-	6,011	518	6,529
Balances at March 31, 2020	**1,000**	**200**	**49,064**	**185**	**50,449**	**5,157**	**55,606**

The accompanying notes are an integral part of these financial statements.

Sugoi S.A
Statements of cash flows for the three-month periods ended March 31, 2020 and 2019
(In thousands of Reais - R$)

	Parent		Consolidated	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Cash flows from operating activities				
Profit for the period	6,011	6,433	6,529	6,949
Adjustments to reconcile profit to net cash generated by operating activities				
Depreciation and amortization	109	12	110	13
Provision for construction warranty	-	-	574	148
Deferred taxes	-	-	-	138
Share of profit (loss) of subsidiaries and joint ventures	(9,733)	(9,616)	(26)	-
	(3,613)	**(3,171)**	**7,187**	**7,248**
Changes in assets and liabilities				
(Increase)/decrease in assets				
Trade receivables	-	-	(4,144)	(13,013)
Real estate for sale	-	(1,211)	(8,343)	28,681
Taxes and contributions available for offset	-	(33)	(22)	(81)
Other receivables	(2)	(12,207)	(1,326)	(12,203)
Deferred selling expenses	-	-	127	(410)
Increase/(decrease) in liabilities				
Payroll and related taxes and other taxes payable	53	2	429	62
Trade payables	50	94	4,744	(2,071)
Other payables	3,290	10,299	3,343	10,147
Advances from customers	-	6,359	(3,341)	(17,770)
	(222)	**132**	**(1,346)**	**590**
Income tax and social contribution paid	-	(1)	-	-
Net cash generated by (used in) operating activities	**(222)**	**131**	**(1,346)**	**590**
Cash flows from investing activities				
Capital (increase)/decrease in subsidiaries, net	(148)	4,752	-	-
Translation adjustment in subsidiaries	-	-	95	-
In property and equipment	(116)	-	(162)	13
In intangible assets	103	(1,015)	103	(1,015)
Net cash generated by (used in) investing activities	**(161)**	**3,737**	**36**	**(1,002)**
Cash flows from financing activities				
Borrowings and others	609	1,913	4,316	4,256
Repayment of borrowings and others	(4,273)	(580)	(10,048)	(3,002)
Related parties	4,068	(7,428)	(2)	1,325
Net cash generated by (used in) financing activities	**404**	**(6,095)**	**(5,734)**	**2,579**
Increase/(decrease) in cash and cash equivalents	**21**	**(2,227)**	**(7,044)**	**2,167**
Cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	4,399	6,087	23,464	10,270
Cash and cash equivalents at the end of the period	4,420	3,860	16,420	12,437
Increase/(decrease) in cash and cash equivalents	**21**	**(2,227)**	**(7,044)**	**2,167**

The accompanying notes are an integral part of these financial statements.

Sugoi S.A

Statements of value added for the three-month periods ended March 31, 2020 and 2019

(In thousands of Reais - R$)

	Parent		Consolidated	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Revenues				
Sales and services	-	-	35,490	29,196
Other revenues	-	-	(373)	(173)
	-	**-**	**35,117**	**29,023**
Inputs purchased from third parties				
Cost of sales and services	-	-	(20,593)	(15,126)
Materials, energy, third-party services and other operating	(1,473)	-	(3,317)	(2,400)
Others	-	(454)	-	-
	(1,473)	**(454)**	**(23,910)**	**(17,526)**
Gross value added	**(1,473)**	**(454)**	**11,207**	**11,497**
Depreciation, amortization and depletion, net	(109)	(12)	(110)	(13)
Wealth created by the Company	**(1,582)**	**(466)**	**11,097**	**11,484**
Wealth received in transfer				
Share of profit (loss) of subsidiaries and joint ventures	9,733	9,616	26	-
Finance income	38	91	110	127
	9,771	**9,707**	**136**	**127**
Total wealth for distribution	**8,189**	**9,241**	**11,233**	**11,611**
Wealth distributed				
Personnel				
Salaries and related charges	922	85	927	85
Sales commissions	-	-	809	322
Management compensation	15	15	15	15
Taxes, fees and contributions				
Federal	-	1	1,353	1,145
Lenders and lessors				
Interest	1,172	2,452	1,385	2,804
Rentals	69	255	215	291
Shareholders				
Profit for the period	6,011	6,433	6,011	6,433
Noncontrolling interests in retained earnings	-	-	518	516
	8,189	**9,241**	**11,233**	**11,611**

The accompanying notes are an integral part of these financial statements.

1 General information

Sugoi SA and its subsidiaries ("Company") are primarily engaged in the management of Company's assets, the development, construction and sale of Company's real estate, and in holding equity interests in other companies, as shareholder. The development of real estate projects and the construction of real estate are carried out directly by the Company, its subsidiaries or other partners. The interest of partners occurs directly in the project through interests in Special Partnerships (SCP) or Special Purpose Entities (SPE), created for development of projects, as well as through strategic partnerships involving barter of land for the development of the real estate activity.

The Company, incorporated on April 4, 2011, is a publicly held company, with registered office at Avenida Chedid Jafet, 222, Bloco C, Conjunto 52, in the City of São Paulo, State of São Paulo, enrolled under CNPJ/MF (corporate taxpayer number) 13.584.310/0001-42, which has as main focus the segment of first home with management and administration of economic and medium level residential buildings, aimed at offering excellent quality products with the best cost-benefit of the market, intelligent projects that bet on security, comfort, innovation, and affordable prices.

The Company has a management with more than 40 years of experience in the real estate market and a network in various Brazilian capitals that allow easily obtaining and capturing differentiated business opportunities in the market. The Company has corporate governance that is transparent in its relations with the market, customers and investors, conducting inspection in each stage of the project and monitoring the physical and financial process of the construction.

Currently, the Company is present in the cities of São Paulo, Guarulhos, Itapecerica da Serra, Itapetininga, Francisco Morato, Campinas, Paulínia, Salto, São José do Rio Preto, Mauá, Franco da Rocha, Caçapava, Sumaré, Santo André, Mirassol and Rio Branco, in the states of São Paulo and Acre, with approximately 27,000 units under development, execution and delivery.

Since 2013, the Company has been assessed by the risk area of Caixa Economica Federal - (GERIC), and currently its GERIC covers the production of all its pipeline of projects.

The Company has important certifications, such as the PBQPH level A (Brazilian Housing Quality and Productivity Program) and ISO 9001, which further qualifies it in the entire cycle of the construction execution process and attests to the effectiveness in the process of the Company's activities, contributing to a better cost management and control.

On July 19, 2016, the Company obtained the CVM registration in the Category A, with private ownership control. This process is very important for the Company, which reinforces the commitment to good practices and corporate governance adopted by Management.

2 Summary of significant accounting practices

The significant accounting policies applied in the preparation of these financial statements are presented below. These policies have been applied in a consistent manner with the prior year, unless otherwise stated.

2.1 Statement of compliance

The Quarterly Information (ITR) has been prepared in accordance with Technical Pronouncement NBC TG 21 (R4) - Interim Financial Reporting and with the international standard IAS 34 - Interim Financial Reporting, applicable to real estate development entities in Brazil, registered with the Brazilian Securities and Exchange Commission (“CVM"). The aspects related to transfer of control in the sale of real estate units follow the understanding of the management of the Company regarding the application of NBC TG 47 in line with that manifested by the CVM in Circular Letter/ CVM/ SNC/ SEP nº 02/18, in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Information (ITR).

The individual and consolidated financial statements were approved by the Company’s Management on May 15, 2020.

2.2 Basis for preparation

The financial statements have been prepared on the historical cost basis, except for certain financial assets measured at fair value. The Company’s functional and presentation currency is the Brazilian Real, and it has not entered into transactions in foreign currencies.

The preparation of financial statements requires the Company’s Management to use critical accounting estimates and judgments in the application of accounting policies. The estimates are used to, among others, determine the useful life of property, plant and equipment, provisions for risks, allowance for doubtful debts, projects’ budgeted costs, taxes and similar charges. Based on this fact, actual results may differ from the results considered by these estimates.

The settlement of transactions that involve these estimates may result in significantly different amounts from the amounts recorded in the financial statements, due to the probabilistic approach inherent to the estimation process. The Company reviews its estimates and premises periodically, within a time period shorter than one year.

The areas which require a greater level of judgment by the Company’s Management in the process of applying the accounting policies and which have a greater complexity, as well as the areas in which assumptions and estimates are significant for the preparation of the financial statements are continually evaluated and based on historical experience and other factors, including expectations of future events, considered reasonable in the circumstances.

2.2.1 Individual financial statements

In the individual financial statements, the subsidiaries and joint ventures are accounted for under the equity method of accounting. The same adjustments are made in both individual and consolidated financial statements, in order to obtain the same profit or loss and equity attributable to Parent Company’s shareholders. The borrowing costs incurred in certain borrowings, which resources were applied by the Parent in the acquisition of land and construction of projects in the subsidiaries and joint ventures, are capitalized and presented in the individual financial statements in line item investments, in order to obtain the same profit or loss and equity attributable to Parent’s shareholders, which are presented in the consolidated financial statements. These adjustments, related to the borrowing costs attributable to units not sold of projects under construction, in the consolidated financial statements, are presented in line item “real estate for sale” and recognized against line item “cost of sales”, as the corresponding units are sold. The effect of the realization of borrowing costs on the consolidated financial statements is recognized in the individual financial statements based on the equity method of accounting.

In thousands of reais, unless otherwise stated

The financial statements from subsidiaries and joint ventures, for purposes of equity method of accounting, are prepared for the same reporting period of the Company and, when necessary, are adjusted to be in accordance with the Company's accounting policies.

The interest in subsidiaries and joint ventures is presented in the profit or loss of the Parent as "equity in subsidiaries and joint ventures", which represents the net profit from investee attributable to controlling shareholders.

After the application of equity method of accounting, the Company assess if it is necessary to record the additional loss in the recoverable amount in Company's investment in its subsidiary or joint venture. The Company determines, at each reporting date, if there is objective evidence that its investments in subsidiaries and joint ventures are impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of subsidiary or joint venture and their carrying amount, and recognizes such difference in the statement of profit or loss in the Parent company.

2.2.2 Consolidation

The following accounting policies are applicable in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities (including specific purpose entities - SPE), in which the Company holds control. The Company controls an entity when it is exposed to or has rights to variable results arising from its involvement with the entity, and has the ability to interfere in such returns due to the its influence over the entity. Subsidiaries are fully consolidated from the date in which the control is transferred to the Company. The consolidation ends from the date the Company loses its control in the entity.

	Interest percentage	
Direct subsidiaries and joint ventures	**3/31/2020**	**12/31/2019**
Vista Cantareira Empreendimentos Imobiliários Ltda.	95%	95%
Condomínio Varandas Jardim do Lago Ltda.	95%	95%
Residencial Monte Serrat SPE Ltda.	95%	95%
Haifa Investimentos e Participações Ltda.	100%	100%
Residencial São Mateus SPE Ltda.	95%	95%
Residencial Colina Francisco Morato SPE Ltda	95%	95%
Residencial Bom Retiro SPE Ltda	95%	95%
Residencial Jacú-Pessego II SPE Ltda	95%	95%
Residencial Colina Guarapiranga SPE Ltda	95%	95%
Residencial Paulínia I SPE Ltda	95%	95%
Residencial Parque do Carmo SPE Ltda.	95%	95%
Residencial Idemori SPE Ltda	95%	95%
Sugoi Projeto SPE Ltda	95%	95%
Residencial Sports Gardens da Amazônia Ltda.	95%	95%
Sugoi N Empreendimentos Imobiliários Ltda	50%	50%
Residencial Portal do Belo Horizonte SPE Ltda	95%	95%
Residencial Barcelona SPE Ltda.	95%	95%
Condomínio Varandas Jardim do Lago II SPE Ltda.	95%	95%
Residencial Isabel Ferrari SPE Ltda.	95%	95%
Residencial São Jose SPE Ltda.	95%	95%
Residencial Jacú-Pessego I SPE Ltda.	95%	95%

In thousands of reais, unless otherwise stated

Sugoi Residencial I SPE Ltda.	95%	95%
Sugoi Residencial II SPE Ltda.	95%	95%
Sugoi Residencial III SPE Ltda.	95%	95%
Residencial Via Verde SPE Ltda	95%	95%
Sugoi Residencial IV SPE Ltda.	95%	95%
Sugoi Residencial V SPE Ltda.	95%	95%
Sugoi Residencial VI SPE Ltda.	95%	95%
Sugoi Residencial VII SPE Ltda	95%	95%
Sugoi Residencial VIII SPE Ltda	95%	95%
Sugoi Residencial IX SPE Ltda	95%	95%
Sugoi Development USA, LLC	100%	100%
Sugoi Residencial X SPE Ltda.	95%	95%
Sugoi Residencial XI SPE Ltda.	95%	95%
Sugoi Residencial XII SPE Ltda.	95%	95%
Sugoi Residencial XIII SPE Ltda.	95%	95%
Sugoi Residencial XIV SPE Ltda.	95%	95%
Sugoi Residencial XV SPE Ltda.	95%	95%
Sugoi Residencial XVI SPE Ltda.	95%	95%
Sugoi Residencial XVII SPE Ltda.	95%	95%
Sugoi Residencial XVIII SPE Ltda	95%	95%
Sugoi Residencial XIX SPE Ltda	95%	95%
Sugoi Residencial XX SPE Ltda	95%	95%
Sugoi Residencial XXI Ltda	95%	95%
Sugoi Residencial XXII SPE Ltda	95%	95%
Sugoi Residencial XXIII SPE Ltda	95%	95%
Sugoi Residencial XXIV SPE Ltda	95%	95%
Sugoi Residencial XXV SPE Ltda	95%	95%

(b) Transactions with noncontrolling interests

The Company treats transactions with noncontrolling interests as transactions with owners of Group's assets. In the purchase of non-controlling interests, the difference between the consideration paid and the acquired subsidiary's net assets, is recorded in equity. The gains or losses on disposal of non-controlling interests are recognized in equity, in line item "accumulated losses".

When the Company ceases to hold control, any remaining interest in the investee is measured at fair value, and the change in the carrying amount is recognized in profit or loss. The fair value is the initial amount recognized, for subsequent record of interest held in a specific purpose entity (SPE) or a financial asset.

The non-controlling interests are stated in equity.

(c) Joint ventures

Investments in special purpose entities (SPEs) are accounted for under the equity method of accounting and are initially recognized at cost.

The unrealized gains with special purpose entities (SPEs) are eliminated to the extent of the Company's interest. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The accounting policies of joint ventures are modified, when necessary, to ensure consistency with the Company's accounting policies.

2.3 Cash and cash equivalents

Cash and cash equivalents are stated at cost and includes cash on hand and in banks, which are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

2.4 Present value adjustment

Monetary assets and liabilities are adjusted to present value based on the effective interest method when arising from short-term transactions, if material, and when arising from long-term transactions they are not subject to interest or are subject to: (i) fixed interest rates; (ii) interest rates that are clearly below the market for similar transactions; and (iii) adjusted only by inflation, not subject to interest. The Company regularly assesses the effect of such procedure.

2.5 Financial instruments

Classification and measurement of financial assets and liabilities

Under IFRS 9/CPC 48, on initial recognition, a financial asset is classified as: at amortized cost; at fair value through other comprehensive income ("FVOCI") - debt instrument; at FVTOCI - equity instrument; and at fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. The new significant accounting policies adopted by the Company are described below:

Financial assets at amortized cost - These assets are measured subsequently at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

• the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

• Debt instrument that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and

• the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets are substantially represented by cash and cash equivalents (Note 3), classified at fair value through profit or loss, trade receivables (Note 4), other receivables (Note 6) and amounts due from related parties (Note 9), classified as measured subsequently at amortized cost.

Financial liabilities were classified as measured at amortized cost or at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Financial liabilities are measured subsequently at amortized cost using the effective interest method. Interest expense, exchange gains and losses are recognized in the profit and loss. Any gain or loss on derecognition is recognized in profit or loss.

The financial liabilities of the Company are substantially represented by amounts due to related parties (Note 9), borrowings (Note 11), trade payables (Note 12), other payables (Note 14) and debentures (Note 16), which are classified as measured subsequently at amortized cost.

Impairment

Expected credit losses - ECLs are estimates weighted by the likelihood of credit losses based on historical credit loss experience and projections of related assumptions. ECLs are measured at present value based on all cash insufficiencies (i.e. the difference between all contractual cash flows that are due to the Company in accordance with the contract and all cash flows that the Entity expects to collect). ECLs are discounted at the financial asset effective interest rate.

2.6 Trade receivables

Units are usually sold during the launch and construction phases. The trade receivables are recognized based on the construction's percentage of completion (PoC), applied over the revenues from sold units, adjusted according to the contractual provisions, thus determining the amount of accumulated revenues to be recognized, which is deduced by the installments received.

The trade receivables are recognized initially at fair value and, subsequently, measured at amortized cost through the effective interest method.

If the recognized accumulated amount of revenue, less received installments, is lower than the expected amount receivable from the total receivables portfolio in a year or less, the revenue recognized is classified under current assets. If not, the exceeding portion is presented as noncurrent assets.

2.7 Real estate for sale

The amount recorded in inventory corresponds to the incurred cost in the current construction phase of real estate not yet sold, which is lower than the net realizable value.

The net realizable value is the estimated sale price in the normal course of business, less the estimated costs to completion and estimated selling expenses.

The cost comprises land, materials, workforce (from third parties) and other costs related to the construction.

2.8 Property and equipment

Property and equipment items are carried at acquisition cost, less depreciation, which was calculated on a straight-line basis at the rates mentioned in Note 8.

2.9 Impairment of non-financial assets

The Company assesses, at least annually, if there are indications of impairment of its property and equipment items. No indications that these assets may be impaired were identified, therefore, it was not necessary to recognize impairment losses.

2.10 Trade payables

Trade payables refer to obligations payable for goods or services, which were acquired in the normal course of operations. These obligations are classified as current liabilities if their payments are due in less than one year; if not, they are presented as noncurrent liabilities.

The trade receivables are recognized initially at fair value and, subsequently, measured at amortized cost through the effective interest rate method. In practice, they are usually recognized at the amount of the corresponding invoice.

2.11 Provisions

Provisions are recognized when: (i) the Company has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that the Company will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

The estimates and premises involved in the determination of the provision amounts, to cover future disbursements during the warranty period of units, present a significant risk of causing a material adjustment to subsequent periods. Therefore, the accounting estimates and judgments are reviewed on an ongoing basis and are based on historical experience and other factors, including the expectations of future events, that are considered to be reasonable in the circumstances.

2.12 Income tax and social contribution

Income tax and social contribution expenses comprise current and deferred taxes. The income tax and social contribution are recorded in the statements of profit or loss.

The current income tax and social contribution debit is calculated based on tax legislation in force at the reporting date. Management periodically assesses the assumptions made by the Company in its income tax and social contribution calculation, related to the situations in which the applicable legislation is open to interpretation. It recognizes provisions, when appropriate, based on estimated amounts payable to tax authorities.

As allowed by tax legislation, the Company chose the presumed profit regime, according to which the income tax base is calculated at the rate of 8% and social contribution at the rate of 12%, upon the gross revenues (32% when the revenue is related to services rendered and 100% upon finance income), upon which the statutory rates of 15% are applied, plus a surcharge of 10%, for the income tax, and 9% for the social contribution.

Deferred income tax and social contribution are recognized on temporary differences arising from real estate revenues taxed on a cash basis, and the amount is recognized using the accrual basis (Note 2.13).

In thousands of reais, unless otherwise stated

2.13 Recognition of revenues, costs and expenses

(a) Revenue recognition process

In the process of recognizing revenue from contracts with customers, the precepts introduced by CPC 47 were adopted as from January 1, 2018, also contemplating the guidelines contained in Circular Letter CVM/SNC/SEP No. 02/2018, of December 12, 2018, which establishes accounting procedures related to the recognition, measurement and disclosure of certain types of transactions arising from contracts for the purchase and sale of uncompleted real estate units in Brazilian publicly traded companies in the real estate development sector.

Under CPC 47, the recognition of revenue from contracts with customers has a new normative discipline, based on the transfer of control of the promised good or service, which may be at a point in time or over time, according to the satisfaction or not of the so-called "contractual performance obligations". Revenue is measured at the amount that reflects the consideration that is expected to be earned and is based on a five-step model detailed below: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company's business model is predominantly based on contracts for the purchase and sale of real estate units with "plan financing". In this model, usually aimed at low income customers, the customer signs a "contract for the purchase and sale of real estate unit in the plan" with the developer, already foreseeing the payment conditions, as follows: (i) Direct payments to the developer; (ii) Bank financing; (iii) Funds from the Severance pay fund (FGTS); and (iv) Possible subsidies from government housing programs.

The amounts directly paid to the developer (item (i) above) represent approximately 10% to 15% of the real estate unit value, with the remainder being bank financing, amounts from FGTS, and possible subsidies (items (ii) to (iv) above). The customer then signs a bank financing agreement ("private contract with a public deed") with a financial institution, including the amounts of bank financing, FGTS and possible subsidies from government housing programs. The release of these amounts is conditioned to the progress of the works, according to the percentage attested in the Project Monitoring Report according to the physical-financial schedule approved by the financial institution. This monitoring, for purposes of release of the installments, is carried out by the engineering area of the financial institution. At the time of signature of the bank financing agreement, the ownership of the real estate unit is transferred to the customer, being fiduciarily pledged to the respective financial institution.

Below is a summary of the contracts entered into in the "plan financing" modality, parties involved, guarantees and existing risks:

Contract	Parties	Real estate guarantee	Credit risk	Market risk	Dissolution risk
Bank financing	Developer (Sellers); Buyer and Financial Institution (Fiduciary Creditor)	Financial institution (FI)	10% - 15% of the Developer and 85% - 90% of the FI	Buyer and Financial institution	Not applicable In the event of default by the customer, the FI may consolidate the real estate unit on its behalf for subsequent sale of the property to third parties, in accordance with the procedures set forth in article 27 of Law

9,514/ 97. The amount collected will have as main objective the settlement of the customer’s debt balance to the FI.

(b) Determination of the profit or loss from development and sale of real estate

In sales of unfinished real estate units, the following procedures are observed:

- Sales revenues are recognized when there is a continuous transfer of control to a financial institution or customer, using the percentage of completion method (“PoC”) of each project, and this PoC is measured by the cost incurred in relation to the total budgeted cost of the respective projects. In the event that during the customer approval period with the FI, there are indications that the customer will not comply with its contractual part, a provision for dissolution is established for the full amount.

- The amounts of recognized sales revenues that are higher than the amounts actually collected from customers are recorded in current or noncurrent assets, in line item Trade receivables. The collected amounts in connection with the sale of real estate units that are higher than the recognized amounts of revenues are recorded in line item Advances from customers;

- Inflation adjustment on trade receivables balance until the delivery of the keys, as well as the present value adjustment on trade receivables balance, are allocated to the Revenue from real estate sale when incurred, according to the accrual basis;

- The cost incurred (including the cost of land and other expenses directly related to the formation of the inventory) corresponding to the real estate units sold is fully allocated to profit or loss. For real estate units not yet sold, the cost incurred is allocated to inventory (Note 2.7);

- The financial charges on trade payables for land acquisition and those directly associated with construction financing are capitalized and recorded in inventories of real estate for sale and allocated to the cost incurred of the real estate units under construction until their completion and observing the same criteria of allocation of the real estate development cost in the proportion of real estate units sold under construction;

- Current and deferred taxes on the difference between the revenue earned from real estate development and the accumulated revenue subject to taxation are calculated and recorded when this difference in revenue is recognized;

- Other expenses, including advertising and publicity, are recognized in profit or loss when incurred.

In thousands of reais, unless otherwise stated

2.14 New standards, technical pronouncements, revisions and interpretations

- **IFRS 16 - Leases (CPC 06 (R2))**

NBC TG 06 (R3) "Leases" (IFRS 16 - Leases) – The standard was applied as from January 1, 2019, and intends to unify the accounting model for leases, requiring lessees to recognize the liabilities assumed against the respective right-of-use assets for all leases that are in the scope of the standard, with the exception of those classifying under some form of exemption.

The Company adopted the standard using the modified retrospective approach that does not require the restatement of the comparative balances.

In adopting the standard, the Company recognized the lease liabilities in relation to the contracts that meet the lease definition, whose liabilities were measured at the present value of the remaining lease payments, discounted based on the incremental interest rate. The assets associated with the right of use were measured at an amount equal to the lease liability as of January 1, 2019, with no impact on retained earnings, in the amount of 1,117. The net balance of the right of use on March 31, 2020 is R$ 591 (R$ 694 on December 31, 2019) presented under the intangible asset heading and the updated liability on the same date is R$ 621 (R$ 730 on December 31, 2019), presented under the accounts payable heading.

- **IFRIC 23 - Uncertainty Regarding the Treatment of Income Taxes (ITG 22 - Uncertainty Regarding the Treatment of Income Taxes)**

This interpretation clarifies how to apply the recognition and measurement requirements of ITG 22 Uncertainty on the Treatment of Income Taxes (IAS 12 Income Taxes) when there is uncertainty about income tax treatments. In such circumstances, the Company should recognize and measure its current or deferred tax assets or liabilities by applying the requirements of NBC TG 32 (R4) / IAS 12 based on taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined based on this interpretation. Management has evaluated the effects of adopting this interpretation and has not identified any changes that could have a material impact on its individual and consolidated financial statements.

3 Cash and cash equivalents

		Parent		Consolidated
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Cash and banks	276	165	9,496	15,901
Bank Certificates of Deposit (CDBs)	4,144	4,234	6,924	7,563
	4,420	**4,399**	**16,420**	**23,464**

4 Trade receivable

		Consolidated
Description	**March 31, 2020**	**December 31, 2019**
Deferred sales revenue	338,246	305,387
(-) Amount received	(294,300)	(265,489)
	43,946	39,898
Other receivables	411	315
	44,357	**40,213**

In thousands of reais, unless otherwise stated

	Consolidated	
	March 31, 2020	**December 31, 2019**
Receivables from deferred sales	338,246	305,387
Total receivables	(294,300)	(265,489)
Deferred sales revenue (*)	182,538	192,768
Total receivables	226,484	232,666
Advances from customers	(13,134)	(15,902)
Total net portfolio receivable	**213,350**	**216,764**

(*) Subject to the effects of the present value adjustment of recognition.

As established in the sales agreements, the receivables are collateralized by the related real estate units. Moreover, the delivery of keys occurs only if the customer is compliant with his/ her contractual obligations. Therefore, Management considers the credit risk in the construction period insignificant.

5 Real estate for sale

	Parent		Consolidated	
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Land bank (i)	9,787	9,787	238,672	246,874
Real estate under construction	-	-	55,688	39,143
Real estate completed	-	-	1,254	1,254
	9,787	**9,787**	**295,614**	**287,271**
Current	**9,787**	**9,787**	**236,584**	**228,241**
Noncurrent	**-**	**-**	**59,030**	**59,030**

(i) The balances of real estate for sale refer to land for development whose real estate units are expected to be launched in less than one year, and this estimate is periodically reviewed by Management.

	March 31, 2020	**December 31, 2019**
Total cost incurred	288,484	251,549
Deferred cost of units sold	(231,542)	(211,152)
Cost of units of real estate for sale	**56,942**	**40,397**

6 Other receivables

	Parent		Consolidated	
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Advances to suppliers	2,011	2,010	8,883	7,497
Checks for collection	1,000	1,000	1,000	1,000
Brasinco Incorporações Ltda. (I)	9,830	9,830	9,830	9,830
Willian Gadelha (ii)	-	-	4,142	4,142
Brasinco Incorporações Ltda. (iii)	12,117	12,117	12,117	12,117
Others	870	869	1,045	1,105
	25,828	**25,826**	**37,017**	**35,691**

In thousands of reais, unless otherwise stated

(i) The Company is guarantor of a loan obtained by Brasinco Incorporações Ltda. and in view of such commitment, payments were made in this amount. There is no other amount payable to the financial institution, remaining only the refund of the amounts paid by Brasinco Incorporações Ltda.

(ii) Refers to a third-party debt that was subrogated by Sugoi to clear a real estate project, which will be later charged from the respective debtor.

(iii) Refers to the contractual right to receive another financial asset. (for more detail on the transaction see Note 14).

7 Investments

	Parent		Consolidated	
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Investments in subsidiaries and joint ventures	103,713	92,948	3,224	3,224
Provision for equity deficit	(4,667)	(3,757)	(3,382)	(3,382)
Investments (a)	99,046	89,191	(158)	(158)
Reclassification to liabilities	4,667	3,757	3,382	3,382
	103,713	**92,948**	**3,224**	**3,224**

The consolidated investment refers to the interest in the company "HTG Infraestrutura e Participação", valued by the equity method. The Company does not have the control of such company.

a) Changes in investments

In thousands of reais, unless otherwise stated

Subsidiary	Balancete at December 31, 2018	Share of Profit (loss) of subsidiaries and joint ventures	Addition (reduction)	Balance at December 31, 2019	Share of Profit (loss) of subsidiaries and joint ventures	Addition (reduction)	Balance at March 31, 2020
Vista Cantareira Empreendimentos Imobiliários Ltda.	6,010	(293)	-	5,717	2	-	5,719
Condomínio Varandas Jardim do Lago Ltda.	12,889	4,178	(5.079)	11,988	(27)	-	11,961
Residencial Monte Serrat SPE Ltda.	1,895	(179)	-	1,716	(28)	-	1,688
Haifa Investimentos e Participações Ltda.	(8)	(4)	-	(12)	(1)	-	(13)
Residencial São Mateus SPE Ltda.	17,323	20,188	17	37,528	2,980	-	40,508
Residencial Parque do Carmo SPE Ltda.	7,103	(662)	-	6,441	4,252	-	10,693
Residencial Colina Francisco Morato SPE Ltda.	(291)	(42)	-	(333)	(10)	-	(343)
Residencial Bom Retiro SPE Ltda.	11,064	17,629	-	28,693	3,161	-	31,854
Residencial José Vigna Talhado SPE Ltda.	(26)	(169)	-	(195)	(5)	-	(200)
Residencial Colina Guarapiranga SPE Ltda.	(16)	(1)	-	(17)	(19)	-	(36)
Residencial Paulínia I SPE Ltda.	(20)	(2)	-	(22)	(1)	-	(23)
Residencial Idemori SPE Ltda.	(9)	(1)	-	(10)	-	-	(10)
Sugoi Projeto SPE Ltda.	(41)	(1)	-	(42)	-	-	(42)
Residencial Sports Gardens da Amazônia Ltda.	(1,006)	(444)	-	(1,450)	(737)	-	(2,187)
Sugoi Inovare Empreendimentos Imobiliários Ltda.	(2)	(1)	-	(3)	-	-	(3)
Residencial Portal do Belo Horizonte SPE Ltda.	(25)	(5)	-	(30)	(1)	-	(31)
Residencial Barcelona SPE Ltda.	(768)	(696)	-	(1,464)	(3)	-	(1,467)
Condomínio Varandas Jardim do Lago II SPE Ltda.	(10)	(22)	-	(32)	1	-	(31)
Residencial Isabel Ferrari SPE Ltda.	(7)	(2)	-	(9)	-	-	(9)
Residencial São José SPE Ltda.	(6)	(5)	-	(11)	(1)	-	(12)
Residencial Barra Bonita SPE Ltda.	(4)	(1)	-	(5)	(14)	-	(19)
Sugoi Residencial I SPE Ltda.	(5)	(2)	-	(7)	(1)	-	(8)
Sugoi Residencial II SPE Ltda.	(4)	(3)	-	(7)	(1)	-	(8)
Sugoi Residencial III SPE Ltda.	(4)	(2)	-	(6)	(1)	-	(7)
Residencial Via Verde SPE Ltda.	(1)	-	-	(1)	-	-	(1)
Sugoi Residencial IV SPE Ltda.	(1)	(1)	-	(2)	-	-	(2)
Sugoi Residencial V SPE Ltda.	(261)	255	-	(6)	423	-	417
Sugoi Residencial VI SPE Ltda.	(2)	(22)	-	(24)	(59)	-	(83)
Sugoi Residencial VII SPE Ltda.	(2)	-	-	(2)	-	-	(2)
Sugoi Residencial VIII SPE Ltda.	(2)	-	-	(2)	-	-	(2)
Sugoi Residencial IX SPE Ltda.	(2)	(9)	-	(11)	3	-	(8)
Sugoi Development USA, LLC	884	(811)	950	1,023	(141)	149	1,031
Sugoi Residencial XI SPE Ltda.	-	(9)	-	(9)	-	-	(9)
Sugoi Residencial XIII SPE Ltda.	-	(22)	-	(22)	(62)	-	(84)
Sugoi Residencial XIV SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial X SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XII SPE Ltda.	-	(4)	-	(4)	-	-	(4)
Sugoi Residencial XV SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XVI SPE Ltda.	-	(6)	-	(6)	(1)	-	(7)
Sugoi Residencial XVII SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XVIII SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XIX SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XX SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXI SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXII SPE Ltda.	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXIII SPE Ltda.	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XXIV SPE Ltda.	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XXV SPE Ltda.	-	(2)	-	(2)	(1)	-	(3)
HTG Infraestrutura e Participação Ltda.	-	(158)	(3,224)	(3,382)	-	-	(3,382)
HTG Infraestrutura e Participação Ltda. (agio)	-	-	3,224	3,224	-	-	3,224
	54,645	**38,658**	**(4,112)**	**89,191**	**9,706**	**149**	**99,046**

In thousands of reais, unless otherwise stated

8 Property and equipment

Description	Depreciation rate	Parent March 31, 2020	Parent December 31, 2019	Consolidated March 31, 2020	Consolidated December 31, 2019
Facilities	10% p.a.	44	44	44	44
Furniture and fixtures	10% p.a.	124	121	352	350
Machinery and equipment	20% p.a.	127	127	150	147
Leasehold improvements	20% p.a.	21	20	21	20
Telecommunication leases	20% p.a.	72	72	72	72
Vehicles		-	-	264	216
Properties		31	21	119	115
Sales stand	-	-	-	638	636
		419	405	1,660	1,600
Accumulated depreciation		(190)	(183)	(884)	(876)
		229	**222**	**776**	**724**

(a) Changes in the Property and equipment

Description	Parent 2019	Parent Additions	Parent Disposals	Parent 2020	Consolidated 2019	Consolidated Additions	Consolidated Disposals	Consolidated 2020
Facilities	44	-	-	44	44	-	-	44
Furniture and fixtures	121	3	-	124	350	2	-	352
Machinery and equipment	127	-	-	127	147	3	-	150
Leasehold improvements	20	1	-	21	20	1	-	21
Telecommunication leases	72	-	-	72	72	-	-	72
Vehicles	-	-	-	-	216	48	-	264
Properties	21	11	(1)	31	115	31	(27)	119
Decorated apartments	-	-	-	-	636	2	-	638
	405	15	(1)	419	1.600	87	(27)	1,66 0
Accumulated depreciation	(183)	(7)	-	(190)	(876)	(8)	-	(884)
	222	**8**	**(1)**	**229**	**724**	**79**	**(27)**	**776**

9 Related parties

Description	Parent March 31, 2020	Parent December 31, 2019	Consolidated March 31, 2020	Consolidated December 31, 2019
Noncurrent assets	41,380	33,261	6,830	6,827
Current liabilities	(56,048)	(43,863)	(375)	(376)
Noncurrent liabilities	(1,744)	(1,744)	-	-
	(16,412)	**(12,346)**	**6,455**	**6,451**

In thousands of reais, unless otherwise stated

Description (asset)	Parent		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Haifa Investimentos e Participações Ltda.	21	21	-	-
Sugoi Engenharia e Construção Ltda.	15	15	238	238
Residencial Monte Serrat Ltda.	93	55	-	-
Dahab Participações Ltda.	7	7	7	7
Kibutz Administração e Participações Ltda.	5.965	5.965	5.965	5.965
Residencial Colina Francisco Morato SPE Ltda.	1.476	1.386	-	-
Residencial Bom Retiro SPE Ltda.	-	-	52	49
Residencial José Vigna Talhado SPE Ltda.	303	287	-	-
Residencial Colina Guarapiranga SPE Ltda.	920	883	-	-
Residencial Paulínia I SPE Ltda.	162	162	-	-
Residencial Parque do Carmo SPE Ltda.	9.363	2.421	-	-
Residencial Idemori SPE Ltda.	414	401	-	-
Sugoi Projeto SPE Ltda.	91	91	-	-
Residencial Sports Gardens da Amazônia Ltda.	9.851	9.160	-	-
Sugoi N Empreendimentos Imobiliários Ltda.	259	236	-	-
Residencial Portal do Belo Horizonte SPE Ltda.	573	554	-	-
Residencial Barcelona SPE Ltda.	2.791	2.723	-	-
Condomínio Varandas Jardim do Lago II	628	609	-	-
Residencial Isabel Ferrari SPE Ltda.	195	181	-	-
Residencial São José SPE Ltda.	263	260	-	-
Residencial Jacú-Pessego I SPE Ltda.	119	89		
Sugoi Residencial I SPE Ltda.	195	194	-	-
Sugoi Residencial II SPE Ltda.	210	208	-	-
Sugoi Residencial III SPE Ltda.	251	195	-	-
Sugoi Residencial Via Verde SPE Ltda.	1	1	-	-
Sugoi Residencial IV SPE Ltda.	77	76	-	-
Sugoi Residencial V SPE Ltda.	2.129	2.466	-	-
Sugoi Residencial VI SPE Ltda.	890	828	-	-
Sugoi Residencial VIII SPE Ltda.	807	807	-	-
Sugoi Residencial IX SPE Ltda.	1.418	1.380	-	-
Tsuri Acre	16	16	16	16
Sugoi Residencial XI SPE Ltda.	170	145	-	-
Sugoi Residencial XIII SPE Ltda.	1.413	1.195	-	-
Sugoi Residencial XIV SPE Ltda.	1	1	-	-
Sugoi Residencial X SPE Ltda.	25	14	-	-
Sugoi Residencial XII SPE Ltda.	22	22	-	-
Sugoi Residencial XVI SPE Ltda.	107	106	-	-
Sugoi Residencial XV SPE Ltda.	12	1	-	-
Sugoi Residencial XXIV SPE Ltda.	1	1	-	-
Sugoi Residencial XXIII SPE Ltda.	1	1	-	-
Sugoi Residencial XXII SPE Ltda.	1	1	-	-
Sugoi Residencial XIX SPE Ltda.	1	1	-	-
Sugoi Residencial XX SPE Ltda.	1	1	-	-

In thousands of reais, unless otherwise stated

Sugoi Residencial XXI Ltda.	92	85	-	-
Sugoi Residencial XXV SPE Ltda.	1	1	-	-
Sugoi Residencial XVII SPE Ltda.	1	1	-	-
Sugoi Residencial XVIII SPE Ltda.	26	6	-	-
Outros	2	2	552	552
	41.380	**33.261**	**6.830**	**6.827**

	Parent		Consolidated	
Description (liability)	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Condomínio Varandas Jardim do Lago (fee)	873	873	-	-
Condomínio Varandas Jardim do Lago	10.297	9.969	-	-
Vista Cantareira Empreendimentos Imobiliários Ltda.	6.440	6.444	-	-
Residencial Monte Serrat Ltda.	587	587	-	-
Residencial Colina Francisco Morato SPE Ltda.	175	175	-	-
Residencial Parque do Carmo SPE Ltda.	110	110	-	-
Tsuri Brasil	-	-	11	11
Sports Gardem Amazônia	-	-	199	199
Residencial São Mateus SPE Ltda.	20.752	17.452	-	-
Residencial Guarapiranga SPE Ltda.	148	149	149	149
Residencial Bom Retiro SPE Ltda.	18.394	9.831	-	-
Sugoi Engenharia e Construção Ltda.	16	17	16	17
	57.792	**45.607**	**375**	**376**
Circulante	**56.048**	**43.863**	**375**	**376**
Não circulante	**1.744**	**1.744**	**-**	**-**

The balances of the accounts held with subsidiaries and joint ventures refer to non-interest-bearing loans in current account without a defined maturity and do not have predefined maturity.

The balances receivable by the parent company refer to amounts transferred to subsidiaries and joint ventures for development of real estate development projects in those companies. The balances in liabilities refer to amounts received from subsidiaries and joint ventures derived from collection from customers for sale of real estate units.

10 Current account with special partnership

	Parent		Consolidated	
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Current account with special partnership	10,405	10,405	10,405	10,405
	10,405	**10,405**	**10,405**	**10,405**

In thousands of reais, unless otherwise stated

The operations involving Special Partnership (SCP) are presented on a consolidated basis with the Company's operations. The acquisitions contracted with partners are presented in current and noncurrent liabilities according to the expectation of the Company's disbursement, in the line item of Current account with special partnership.

11 Borrowings

			Parent		Consolidated	
Type	**Financial institutions**	**Interest rate**	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Working capital	CEF	9.6% p.a. + CDI	2,034	2,242	2,034	2,242
SFH	CEF	11% p.a.	-	-	9,301	11,605
Lease	Banco Daycoval	22.99% p.a.	34	30	34	30
CCB	Banco PINE	CDI + 8.47% p.a.	965	1,364	965	1,364
CCB	CHB	CDI + 10.5% p.a.	1,683	2,693	1,683	2,693
Others	Others	N/A	-	-	1,075	839
			4,716	**6,329**	**15,092**	**18,773**
Current			**4,708**	**4,800**	**15,084**	**16,405**
Nocurrent			**8**	**1,529**	**8**	**2,368**

The balances by year of maturity are as follows:

	Parent		Consolidated	
Year	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
2020	3,187	4,800	12,724	16,405
2021	917	917	1,756	1,756
2022	612	612	612	612
	4,716	**6,329**	**15,092**	**18,773**

As established by CVM, through Ruling 475, the Company's Management presents the sensitivity analysis of material balances, considering:

- Scenario of probable interest rate variation estimated by Management:
  - Estimated interest rate for the years 2020 and 2021: 6.5% p.a.
- Scenario of possible interest rate variation, with deterioration of 25% (twenty-five percent), in the risk variable considered as probable:
  - Estimated interest rate for the years 2020 and 2021: increase to 8.1% per year.
- Scenario of remote interest rate variation, with deterioration of 50% (fifty percent), in the risk variable considered as probable:
  - Estimated interest rate for the years 2020 and 2021: increase to 9.8% per year.

In thousands of reais, unless otherwise stated

The impact presented in the table below refers to 2020 and 2021, when its significant obligations to financial agents will end and projections for the other years will no longer be necessary.

					Parent
Current year	Balance	Risk of increase in interest rat	6.5% p.a. Probable	8.1% p.a. Possible	9.8% p.a. Remote
2020	3,187	Accounting effect (cost/ expense)	207	258	312
2021	917	Accounting effect (cost/ expense)	60	74	90

					Consolidated
Year	Balance	Risk of increase in interest rate	6.5% p.a. Probable	8.1% p.a. Possible	9.8% p.a. Remote
2020	12,724	Accounting effect (cost/ expense)	827	1,031	1,247
2021	1,756	Accounting effect (cost/ expense)	114	142	172

12 Trade payables

		Parent		Consolidated
Maturities	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Past due	39	11	2,178	1,619
Falling due up to 30 days	191	189	9,193	4,984
Falling due between 31 and 60 days	16	3	505	259
Falling due between 61 and 90 days	-	-	15	172
Falling due from 91 to 120 days	-	-	111	235
Falling due from 121 to 180 days	7	-	432	44
Falling due after 180 days	-	-	515	892
Total falling due	214	192	10,771	6,586
Total	**253**	**203**	**12,949**	**8,205**

13 Payroll and related taxes and other taxes payable

		Parent		Consolidated
Description	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Taxes payable	501	501	503	503
Payroll and related taxes	193	139	261	198
Withholding taxes	7	8	352	388
Special current tax regime (RET)	-	-	623	514
Special deferred tax regime (RET)	-	-	1,723	1,430
	701	**648**	**3,462**	**3,033**
Current	**701**	**648**	**1,739**	**1,603**
Noncurrent	**-**	**-**	**1,723**	**1,430**

In thousands of reais, unless otherwise stated

14 Other payables

	Parent		Consolidated	
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Acquisition of equity interests (i)	15,203	11,802	15,203	11,802
Commission upon land	-	-	500	500
Contingencies (Civil/ Labor) (ii)	6	8	1,422	1,049
District payable	-	-	714	487
Others	1,623	1,730	1,633	1,744
	16,832	**13,540**	**19,472**	**15,582**
Current	**16,832**	**13,540**	**18,972**	**15,082**
Noncurrent	**-**	**-**	**500**	**500**

(i) The value is composed of: R$ 6,930 related to the acquisition of the company "Residencial Parque do Carmo SPE Ltda.", (R$ 2,930 at December 31, 2019), which will be paid through promissory notes and; R$ 8,273 related to the balance of the debt for the acquisition of contractual rights, described in (Note 6), generated by the conclusion of the agreement for the acquisition of the equity interest held by "Brasinco Incorporações Ltda. "in the context of the partnership for the development of real estate projects through the company "Haifa Investimentos e Participações Ltda", in which it already held 60% of the capital stock.

(ii) In the normal course of its activities, the Company is subject to tax, labor and civil lawsuits. Management, based on the opinion of its legal counsel and, when applicable, based on specific opinions issued by experts, assesses the expected outcome of ongoing lawsuits and determines the need to recognize a provision for contingent liabilities. The existing provision of R$ 1,422 (R$ 1,049 at December 31, 2019) refers to ongoing civil and labor lawsuits assessed by the Company's legal counsel as probable losses. In addition to the referred amount, R$ 11,910 (R$ 6,129 at December 31, 2019) were not computed also due to labor and civil lawsuits, assessed by the Company's legal counsel as possible loss, which is the reason why the Company did not record this amount in the financial statements.

15 Advances from customers and others

	Parent		Consolidated	
Description	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Advances from customers - developments	-	-	13,040	15,847
Advances from customers - barters, units launched	-	-	11,116	11,116
Creditors for committed real estate	2,942	2,942	151,618	152,176
Physical exchanges (*)	5,680	5,680	78,776	78,776
Others	-	-	2,417	2,395
	8,622	**8,622**	**256,967**	**260,308**
Current	**8,622**	**8,622**	**229,033**	**232,374**
Noncurrent	**-**	**-**	**27,934**	**27,934**

(*) In certain land purchase operations, the Company carried out a physical barter with units to be constructed. These physical barters were recognized at fair value, as land bank for development, as a balancing item to advances from customers, considering the cash price of the real estate unit given as accord and satisfaction, and these barter operations are recognized in profit or loss considering the same assumptions used for recognition of sales of real estate units.

In thousands of reais, unless otherwise stated

16 Debentures

	Parent		Consolidated	
Type	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Debentures	32,897	32,897	32,897	32,897
(-) Amortization	(7,265)	(4,810)	(7,265)	(4,810)
(-) Unamortized debenture costs	-	-	-	-
Interest on debentures	6,317	5,913	6,317	5,913
	31,949	**34,000**	**31,949**	**34,000**
Current	**14,743**	**23,442**	**14,743**	**23,442**
Noncurrent	**17,206**	**10,558**	**17,206**	**10,558**

On April 4, 2017, the Company obtained the approval for its first public issue of distribution of simple, nonconvertible, single series debentures, with a collateral in the amount of R$ 17,397, comprising 17,397 debentures with par value of R$ 1.00 each.

The debentures are adjusted by the Broad National Consumer Price Index (IPCA), plus interest of 9.15% per year on the nominal value, calculated on a *pro rata temporis* basis by business days, with monthly payments beginning in May 2019.

The debentures will be collateralized by land of a subsidiary and rights to equity interests in a subsidiary.

The Company and its subsidiaries have covenants in the debenture agreement that restrict the ability to make certain decisions and may require the early maturity or the execution of collateral if the Company does not comply with such covenants.

On November 7, 2019, the Company obtained approval for its second public issue program, not convertible into shares of the Company, in a single series, with collateral in the amount of R$ 15,500, in the amount of 15,500,000 debentures with the nominal unit value of R$ 1.00 each.

The debentures are adjusted by 100% of the CDI + 7.5% per year on the nominal value, calculated "pro rata temporis" by working days, with monthly payments starting in March 2020.

As collateral, the debentures will be secured by a lien on the fiduciary sale of land owned by a subsidiary and the fiduciary sale of shareholding rights in the capital stock of a subsidiary.

The Company and its subsidiaries have restrictive clauses in the debenture contract that restrict the ability to take certain shares and may require early maturity or execution of guarantees if the Company does not comply with these restrictive clauses.

In the first quarter of 2020, after receiving complete and detailed information from the Fiduciary Agent, the Company made the necessary adjustments for the proper segregation of the obligation between current and non-current.

In thousands of reais, unless otherwise stated

17 Provisions

		Consolidated
Description	**March 31, 2020**	**December 31, 2019**
Provision for warranty (i)	1,538	1,509
	1,538	**1,509**

(i) Provision for warranty – recognized during the project construction period to cover the estimated costs to be incurred during the five-year period after project completion.

18 Equity

(a) Share capital

Capital comprises 1,000,000 share units, partially paid in, and distributed as follows:

	March 31, 2020	December 31, 2019
Number of share units		
Kibutz Administration and Participações Ltda.	1,000,000	1,000,000
	1,000,000	**1,000,000**

Pursuant to the 7th amendment to the articles of organization entered into on February 3, 2016, Sugoi changes its legal type and corporate name and becomes a corporation, governed by Law 6,404, of December 15, 1976 ("Corporation Law").

According to the minutes of the General Shareholders' Meeting on November 24, 2016, Kibutz Participações Ltda. transfers its common shares to Kibutz Administração e Participações Ltda.

The Company structured the CVM category A registration granted on July 19, 2016, and is currently registered under code CVM 23957.

(b) Profits

In accordance with the articles of organization, the profit calculated at the end of each year can be distributed, retained (totally or partially) or capitalized, as determined by all shareholders. There is no minimum amount established to be distributed.

In compliance with the corporate law (article 193 of Law 6,404/76) a legal reserve in the amount of R$ 200 at December 31, 2016 was recognized.

(c) Earnings per share

The table below shows the consolidated profit (loss) and the calculation of basic and diluted earnings (loss) per share:

	March 31, 2020	December 31, 2019
Profit/ loss for the year/ period (in reais)	6,503,000	25,094,000
Number of shares	1,000,000	1,000,000
	6,503	**25,094**

Basic earnings (loss) per share is calculated by the division of the profit (loss) attributable to the Company's controlling shareholders by the weighted average number of common shares outstanding during the period, as established by NBC TG 41 (R2) (CVM Resolution 636/10) – earnings per share.

In thousands of reais, unless otherwise stated

Diluted earnings (loss) per share is calculated by the adjustment of the weighted average number of common shares outstanding, to assume the conversion of all diluted potential common shares.

There is no difference between basic earnings (loss) per share and diluted earnings (loss) since there are no potential common shares which could be issued in the future and converted. The debentures issued, as mentioned in Note 16, are not convertible into shares.

(d) Cumulative translation adjustment

The Company recognizes in this line item the effect of foreign exchange differences on the investment in foreign subsidiary Sugoi Development USA, LLC, whose functional currency is the currency to which a foreign operation is subject. The cumulative effect, recognized in a specific line in equity and in the statement of comprehensive income, will be transferred to profit or loss for the year as a gain or loss only upon the disposal or derecognition of the investment.

19 Gross profit

The reconciliation between gross revenue and net operating revenue is as follows:

		Consolidated
Description	**March 31, 2020**	**March 31, 2019**
Revenue from real estate	35,718	29,240
Sales canceled	(228)	(44)
Gross operating revenue	**35,490**	**29,196**
Taxes levied thereon	(1,353)	(1,145)
Net operating revenue	**34,137**	**28,051**
Cost of land, development and construction	(20,593)	(15,126)
Gross profit	**13,544**	**12,925**
Gross margin - %	39.7%	46.1%

20 Expenses by nature

		Parent		Consolidated
Description	**March 31, 2020**	**March 31, 2019**	**March 31, 2020**	**March 31, 2019**
Selling expenses				
Commissions	-	-	(808)	(322)
Advisory and consulting	(27)	(18)	(92)	(52)
Advertising and publicity	(4)	-	(633)	(480)
Expenses with sales stand and decorated apartments	-	-	(163)	(177)
Rental expenses	-	-	(123)	(37)
Other selling expenses	(14)	(4)	(164)	(616)
	(45)	**(22)**	**(1,983)**	**(1,684)**
General and administrative expenses				
Advisory and consulting	(1,091)	(325)	(1,369)	(627)
Personnel expenses	(921)	(100)	(927)	(100)
Rental expenses	(69)	(252)	(92)	(253)

In thousands of reais, unless otherwise stated

Office supplies expenses	(116)	(55)	(169)	(79)
Depreciation	(109)	(12)	(110)	(13)
Expenses on notary's office and registry	(4)	(8)	(95)	(100)
Provision for contingencies	-	-	-	(6)
Other administrative expenses	(233)	(47)	(648)	(264)
	(2,543)	**(799)**	**(3,410)**	**(1,442)**
	(2,588)	**(821)**	**(5,393)**	**(3,126)**

21 Real estate projects under development

Description	March 31, 2020	December 31, 2019
Deferred sale (Note 4)	182,538	192,768
Contributions on sales	(7,302)	(7,711)
	175,236	**185,057**
Costs to be incurred of units sold	(130,636)	(137,445)
	44,600	**47,612**
Deferred gross margin percentage	25.5%	25.7%

(a) The table below shows the deferred revenue (cost) of the project under construction.

Description	March 31, 2020	December 31, 2019
Recognized revenue	223,394	190.571
Contribution on sales	(8,936)	(7,632)
	214,458	**182,939**
Recognized	(152,795)	(130,528)
Gross profit	**61,663**	**52,411**
Deferred gross margin -%	**28.75%**	**28.65%**

(b) The table below shows the total budgeted cost to be incurred in the project.

Description	March 31, 2020	December 31, 2019
Units sold under construction	130,636	137,445
Units not sold under construction	52,766	50,961
Budgeted cost to be incurred	**183,402**	**188,406**
Real estate units under construction	55,688	39,143
Total cost to be deferred in the future	**239,090**	**227,549**

22 Insurance

The Company has insurance coverage in amounts considered sufficient by Management to cover any risks on its assets and/or liabilities.

The scope of our auditors' work does not include to issue an opinion on the sufficiency of the insurance coverage.

23 Risk management and financial instruments

(a) Risk management

The Company enters into transactions with financial instruments. These financial instruments are managed through operating strategies and internal controls, which are aimed at ensuring liquidity, profitability and security. Financial instruments for hedging purposes are contracted based on a periodic analysis of the risk exposure management intends to mitigate. The control policy consists of ongoing monitoring of the contracted conditions against market conditions. The Company does not make speculative investments in derivatives or any other risk financial instruments.

The carrying amounts of the financial assets and liabilities in the financial statements were determined according to criteria and accounting policies disclosed in specific explanatory notes.

The Company is exposed to the following risks arising from the use of financial instruments:

Credit risk

Arises from the possibility of the Company incurring losses due to default of its customers. To mitigate these risks, the Company performs an analysis of the financial situation of its customers and manages the credit risk through a credit rating and granting program.

Interest rate risk

Arises from the possibility of the Company generating gains or losses due to fluctuations in interest rates applied to its financial assets and liabilities. To mitigate such risks, the Company has contracts which ballast the financial assets and liabilities, through fixed rates.

Market risk

Arises from the possibility of fluctuations in market prices of raw materials and inputs used in the construction of the real estate units. These price fluctuations may cause significant changes in the Company's costs. To mitigate these risks, the Company manages the buffer stocks of these raw materials and inputs.

Liquidity risk

Arises from the possibility of reducing the amounts earmarked for payment of debts. Management monitors the rolling forecast of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Additionally, the Company maintains balances in financial investments which can be redeemed at any time to cover any mismatches between the maturity date of its contractual obligations and its cash generation.

Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated to the Company's processes, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those derived from legal and regulatory requirements and generally accepted business behavior standards. Operational risks arise from all the Company's operations.

The Company's objective is to manage the operational risk to avoid the occurrence of financial losses and damages to the Company's reputation, seek cost effectiveness and avoid control procedures that restrict initiative and creativity.

The main responsibility for developing and implementing controls to address operational risks is attributed to senior management. The responsibility is supported by the development of Company general standards for the management of operational risks in the following areas:

- requirements for proper segregation of duties, including the independent authorization of operations;
- requirements for reconciliation and monitoring of operations;
- compliance with regulatory and legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced and the appropriateness of controls and procedures to address the risks identified;
- requirements to report operational losses and proposed corrective actions;
- development of contingency plans;
- professional training and development;
- ethical and business standards;
- risk mitigation, including insurance when effective.

(b) Financial instruments

For disclosure purposes, the fair values of the financial assets and liabilities, together with their carrying amounts, are presented in the statement of financial position in the line items of cash and cash equivalents, financial investments, trade receivables and other receivables, trade payables, other payables, borrowings and related parties

(c) Capital management

The Company manages its capital in order to ensure the continuity of the return to its shareholders and benefit the other stakeholders, as well as to maintain an optimum capital structure to invest in its growth.

(d) Derivative financial instruments

The Company does not enter into derivative transactions in order to mitigate or eliminate risks inherent to its operation.

23 Subsequent events

Pandemic Covid-19 - Coronavirus

The Company has adopted measures to mitigate the transmission of viruses at each work point, whether at construction sites, points of sale and its head office. The practices adopted were hygiene with greater frequency, daily audit of controls, flexibility in working hours and adoption of the home office, meeting the guidelines of WHO (World Health Organization) and Health Surveillance seeking to preserve the physical and psychological health of its employees, including dismissal from work all those over 60 years.

Our operations continue on the construction sites, still with negligible impacts, and we believe that in this sense, there should be no significant interference in the execution of the projects. However, eventual external restrictions such as public transportation of employees, supply of inputs and raw materials essential for the continuity of the works, may have a significant impact, a possibility that cannot be considered and measured at this time.

We redirect our sales force to serve our client at a distance, expanding the online dissemination of enterprises, through applications and social networks and maintain daily contact with the top management for monitoring the scenario and prompt decision making.

Faced with so many uncertainties and daily adjustments in government guidelines, we have considered possible impacts on our operation, but we have made frequent guidelines to try to anticipate problems in order to minimize them.

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