

ETON PROPERTIES PHILIPPINES, INC.
*8th Floor Allied Bank Center,
6754 Ayala Avenue, Makati City
Metro Manila, Philippines*

MANAGEMENT REPORT

ITEM 1 – BUSINESS OF THE CORPORATION AND ITS SUBSIDIARIES

1. Business of the Corporation

Eton Properties Philippines, Inc. (hereinafter, “Eton” or the “Company”) is the premier real estate arm of LT Group, Inc., one of the Philippines’ biggest and well-established business conglomerates. The Company has distinguished itself for developing commercial and residential projects in well-chosen locations across Metro Manila and its outskirts. The Company’s diversified portfolio includes commercial centers and office buildings, residential and mixed-use high-rise and mid-rise condominiums, residential subdivisions, township projects.

Residential Projects

The Company’s residential condominium units, house-and-lots, and lots are designed to meet the discerning taste and lifestyle needs of its target market. Each residential project is outfitted with amenities and features with an eye for quality, aesthetics, and the recognition that the clients’ needs may grow and evolve in time. All residential projects are easily accessible from the city’s commercial, business and school districts, further ensuring the steady appreciation of their value. A number of residential projects are located within self-sustaining cities and communities developed by the Company, masterplanned to offer clients the best value in their class.

Commercial Centers and Office Buildings

With the Philippine economy’s continuous expansion, the Company recognizes the growing demand for commercial centers and office buildings especially among multinational firms in the BPO sector. With an eye to provide growth anchors around Metro Manila, the Company has designed and developed mixed-use business enclaves in the country’s emerging business centers. Strategically situated next to major thoroughfares and transportation hubs, each business enclave is accessible to workers, residents, and shoppers.

The Company’s commercial developments are masterplanned to ensure optimum functionality and include retail and entertainment components in unique formats to create a fully integrated and self-sustaining community. Conforming to global standards, the office buildings are mostly designed for the specific needs of the BPO industry, which account for the majority of the tenants, but also optimally serve the needs of the business community in general. Each offers the amenities that allow tenants to be productive and efficient at their work, while providing a safe and secure environment that promotes growth and encourages work-life balance.

2. Business of the Corporation’s Subsidiaries

The subsidiaries of the Company and their businesses are as follows:

a. Eton City, Inc.

Eton City, Inc. (hereinafter, “ECI”) is a wholly-owned subsidiary incorporated in 2008. It offers a first of its kind development in the country inspired by next generation waterfront cities, positioning itself for the middle to high-end market. ECI’s projects for the past three years include South Lake Village, Riverbend, Village Walk and Tierrabela, all located in Sta. Rosa, Laguna. In 2018, ECI launched the construction of the first retail complex in Eton City the Eton City Square.

b. Belton Communities, Inc.

Belton Communities, Inc. (hereinafter, “BCI”) is a wholly-owned subsidiary incorporated in 2007. It caters to the middle-income market segment. From well-located communities to exciting amenities and features, BCI’s projects are ideal for families who want a home that they can proudly call their own. BCI’s first foray in creating a family-centric neighborhood is North Belton Communities, a 10.8-hectare development consisting of three residential enclaves: The Manors, West Wing Residences and West Wing Villas.

c. FirstHomes, Inc.

FirstHomes, Inc. (hereinafter, “FHI”) is a wholly-owned subsidiary incorporated in 2010. It is positioned as a brand that caters to the broad affordable market segment. FHI was originally offered to provide innovatively-designed and fully-furnished compact condominium units in major growth centers such as Makati and Quezon City. In 2016, FHI sold its 4,820 sq.m. property located in Loyola Heights, Quezon City to Eton following the direction to consolidate all residential developments in Eton.

d. Eton Properties Management Corporation

Eton Properties Management Corporation (hereinafter, “EPMC”) is a wholly-owned subsidiary incorporated in 2011. It is a real estate management company organized to maintain the Company’s residential and commercial projects located in various sites. EPMC commenced its commercial operations in 2016.

ITEM 2 – FINANCIAL STATEMENTS

The consolidated Financial Statements and related Notes to Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Management Report.

ITEM 3 – DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no disagreements with the Company’s accountants on any accounting and financial disclosure during the three most recent years in the year ended 31 December 2018 or in any subsequent interim period.

ITEM 4 – MARKET FOR THE CORPORATION'S SHARES

1. Market Information

The Company's shares are not publicly traded. The Company has voluntarily delisted its shares from the Philippine Stock Exchange in 2012 and the delisting became effective on 2 January 2013.

2. Holders

The Company has approximately 1,666 stockholders as of 12 February 2019 and the total outstanding stocks as of the same date is 5,723,017,872 shares. The top twenty (20) stockholders as of 12 February 2019 are as follows:

Name of Stockholder	No. of Shares	Percentage to Total
1. Paramount Landequities, Inc.	3,203,210,526	55.9706539040
2. Saturn Holdings, Inc.	2,446,009,079	42.7398469428
3. PCD Nominee Corp. (Filipino)**	54,384,768	0.9502812889
4. Sytengco &/or Necisto U. Sytengco, Aylene Y.	4,330,000	0.0756593828
5. Sytengco, Aylene Y.	802,334	0.0140194215
Sytengco, Ned Bryan Y.	802,333	0.0140194041
6. Sytengco II, Necisto Y.	802,333	0.0140194041
7. Panlilio, Bong	718,130	0.0125480999
8. Cualoping Securities Corporation	606,801	0.0106028150
9. Tanenglian, Mariano	574,073	0.0100309489
10. Dela Cruz, Teresita	350,136	0.0061180309
11. Guild Securities Inc.	249,171	0.0043538393
12. Yap, Luis Y.	218,152	0.0038118350
13. Buison &/or Norma M. Buison, Edgardo J.	170,000	0.0029704608
14. Chua, Christopher	168,580	0.0029456487
15. Recto, Ramon A.	127,071	0.0022203495
16. Mendoza, Alberto &/or Jeanie C.	125,147	0.0021867309
17. L.M Garcia & Associates Inc.	122,913	0.0021476955
18. ZFF Ventures & Development Corp.	122,416	0.0021390113
19. David Go Securities Corporation	122,060	0.0021327908
20. Li, Berio T.	117,994	0.0020617444
Total	5,714,134,017	99.8447697491

** including 52,144,998 scrippless shares of Paramount Landequities, Inc.

3. Dividends

Dividend payment in the future will depend upon the earnings, cash flow and financial condition of the Company.

The undistributed earnings of subsidiaries which are included in the retained earnings are not available for declaration as dividend until declared and distributed by the subsidiaries as dividends.

All dividends are subject to the approval of the Company's Board of Directors and in the

case of stock dividend, by the Stockholders. In addition, stock or property dividends are likewise subject to the approval of the Commission.

The Company's retained earnings are restricted for payment of dividends to the extent of the amount of Treasury shares amounting to ₱7,955.00.

No dividends have been declared for the past three years.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company did not sell any unregistered or exempt securities, nor were there any recent issuances of securities constituting an exempt transaction in the past three years.

ITEM 5 – MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Full Year 2018

a) Result of Operations

The Company recorded a net income of ₱478.76 million in 2018, climbing 37.62% from the previous year net income of ₱347.88 million. The combined increase in real estate sales and steady leasing business drove the Company's net earnings this year.

Real estate sales improved by 101.65% to ₱1.70 billion on the back of higher sales of lots, house and lots, and condominium units by the Company. Leasing revenues, meanwhile, grew by 7.69% to ₱1.49 billion as a result of rental rate escalations and stable occupancy of office spaces. Also contributing to the net increase in revenue for the year is the income from serviced apartments and property management services.

Over-all gross profit rate, on the other hand, declined from 62.94% in 2017 to 49.93% in 2018 following the sale of a 2.1 hectares land in Manggahan, Pasig to ALI-Eton Property Development Corporation.

Likewise, other Charges significantly dropped by 56.78% or ₱122.27 million compared to last year due to lower finance charges recognized by the Company in 2018 as a portion of it was capitalized as part of project costs.

Provision for income tax increased from ₱164.22 million in 2017 to ₱189.69 million in 2018 due to the timing difference in the net income reported for tax purposes as against the financial income reported in the financial statements.

The Company's wholly-owned subsidiaries, ECI and BCI, contributed gross revenues amounting to ₱257.67 million and ₱249.32 million, respectively.

Expenses

General and administrative expenses jumped by 14.01% or ₱95.95 million primarily due to the increase in utilities, repairs & maintenance and depreciation expense. Selling expenses, likewise rose by 117.10% or ₱54.56 million as compared to 2017 due to the increase in commissions as a result of higher reservation sales booked during the year.

b) Financial Condition

As of December 31, 2018, the Company's consolidated assets stood at ₱31.48 billion, ₱1.75 billion higher than the ₱29.73 billion consolidated assets as of December 31, 2017. The net increase primarily pertains to the increase in investment properties following the continuous development of projects like Cyberpod Centris Five in Quezon City and WestEnd Square in Makati City.

At the end of 2018, total debt at the consolidated level stood at ₱14.33 billion, a 9.89% increase from the December 2017 level of ₱13.04 billion. The increase in debt level was due to borrowings obtained by the Company from the Bank of Philippines Island (BPI) to finance the development of its on-going projects.

Total equity, on the other hand, increased by ₱458.71 million due to the net income recognized for the period.

c) The Company's top five (5) key performance indicators are as follows:

1. *Net Income*

The Company posted net income after tax of ₱478.76 million for the year ended December 31, 2018, higher than the net income generated in 2017 of ₱347.88 million. The increase was mainly due to higher revenues on real estate sales and leasing income.

2. *Current Ratio (Current Assets/Current Liabilities)*

Current ratio as of December 31, 2018 is 1.75:1 compared to 2.18:1 as of December 31, 2017. The decrease was mainly due to the increase in trade and other payables and current portion of loans payable and decrease in real estate inventories.

3. *Earnings Per Share*

The Company reported earnings per share of ₱0.0837 per share for the period ended December 31, 2018 and ₱0.0608 as of end of 2017. Diluted earnings per share for the period ending December 31, 2018 and 2017 is at ₱0.0837 and ₱0.0608 per share, respectively.

4. *Debt to Equity Ratio (Total Liabilities/Total Equity)*

The Company's debt to equity ratio as of December 31, 2018 and 2017 is 0.84:1 and 0.78:1, respectively. The increase is due to the borrowings secured from BPI in 2018 for the construction of the Company's on-going projects.

5. *Quick Ratio*

(Cash and Cash Equivalents and Receivables/Current Liabilities)

Quick ratio as of December 31, 2018 and December 31, 2017 is 0.66:1 and 0.59:1, respectively. The improvement is primarily due to higher cash and cash equivalents coming from the proceeds of the loan drawn from BPI.

d) Known Trends, Events of Uncertainties

There are no known trends or any known demands, events of uncertainties that will affect the Company's liquidity. Expected inflows from operations are deemed sufficient to sustain the Company's operations for the next six months.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues of income from continuing operations.

e) Significant Elements of Income or Loss

There is no significant element of income that did not arise from continuing operations.

f) The causes for any material change from period to period which shall include vertical and horizontal analyses of material item.

Results of the vertical analyses showed the following:

1. Cash and cash equivalents	8.40%
2. Receivables	5.37%
3. Real Estate project in progress	15.97%
4. Other current assets	5.05%
5. Investment properties	60.35%
6. Property and equipment	3.03%
7. Deferred income tax assets	0.11%
8. Other noncurrent assets	1.72%
9. Accounts payable and other current liabilities	10.92%
10. Deposits from customers	3.54%
11. Deposits and other liabilities	2.22%
12. Payable to landowners	5.99%
13. Loans Payable	22.85%
14. Equity	54.48%

Results of the horizontal analyses showed the following:

1. Cash and cash equivalents	72.66%
The increase was attributed to the increase in the cash flows from operations and loan proceeds from BPI.	
2. Receivables	-20.73%
The decrease pertains to customer payments collected during the year.	
3. Real estate inventory	-19.49%
The decrease was mainly due to cost recognized on sold units.	
4. Prepayments other current assets	-4.21%
The decrease was attributable to the decrease in Advances to contractors partially offset by the increase in Input VAT and Creditable	

Withholding Taxes.

5. Investment properties	14.48%
The increase was mainly due to the actual project cost incurred for the Company's ongoing projects.	
6. Property and equipment	-3.22%
The decrease was mainly due to the depreciation recognized during the year.	
7. Deferred income tax assets	8.14%
The increase primarily represents the timing difference between tax and book basis of accounting for real estate and leasing transactions.	
8. Other noncurrent assets	2.39%
The increase was mainly due to the increase in refundable deposit partially offset by decrease in software.	
9. Trade and other payables	3.71%
The increase was mainly due to the increase in contractors payable and retention payable.	
10. Customer's Deposits	12.88%
The increase primarily pertained to collections from customers of real estate sales which are not yet qualified for revenue recognition.	
11. Payable to landowner	-2.72%
The decrease was mainly due to payment of outstanding balance related to various land purchases.	
12. Loans Payable	18.27%
The increase was mainly due to the bank loans availed to finance the Company's working capital requirements partially offset by payments made during the year.	
13. Deposits and other liabilities	-3.17%
The decrease mainly represents the decrease in security deposits, advance rental and unearned rental income.	
14. Equity	2.75%
The increase was due to the net income realized for the current period.	

ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:

Full Year 2017

a) Result of Operations

The Company ended the year with net income after tax of ₱347.88million, 10.7% lower than last year's net income after tax of ₱389.50 million. Decrease in net income after tax is attributed to the lower real estate sales of the Company's completed projects, 8 Adriatico in Manila, 68 Roces and West Wing Villas in Quezon City, West Wing Residences at Eton City in Sta. Rosa, Laguna. Over-all gross profit rate, however, improved from 52.6% in 2016 to 62.9% in 2017. This is mainly attributable to the change in the Company's revenue mix from 54.8% real estate sales and 45.2% rental income in 2016 to 36.45% real estate sales, 59.88% rental income and 3.67% revenue from serviced apartments in 2017.

Rental income also increased to ₱1,388.01 million in 2017 from ₱1,278.45 million in 2016 or an improvement of 8.6% due to higher rental rates from contract renewals in 2017 with the Company's existing tenants. Additional rental income was also realized in the current year coming from the newly completed retail complex at Eton Tower Makati. Also contributing to the net increase in revenue for the year is the income from serviced apartments and property management services. The Company's serviced apartments at Eton Tower Makati called The Mini Suites and Eton's property management company, EPMC, started its operations in the latter part of 2016.

Other Charges increased by 7.8% compared to last year, this is mainly due to higher other income in 2017.

Provision for income tax decreased from ₱211.76 million in 2016 to ₱164.22 million in 2017 due to the timing difference in the net income reported per tax as against the financial income.

On the other hand, its subsidiaries, ECI and BCI recognized revenues of ₱370.15 million and ₱256.20 million, respectively.

Expenses

General and administrative expenses increased, by 14.0% or ₱84.24 million primarily due to the increase in taxes & licenses, repairs & maintenance and depreciation expense relating to the start of operations of The Mini Suites. Finance charges however, slightly decreased by ₱2.6 million or 0.7% for 2017.

b) Financial Condition

As of December 31, 2017, the Company's consolidated assets stood at ₱29.73 billion or ₱546.80 million higher than the ₱29.18 billion consolidated assets as of December 31, 2016. The net increase primarily pertains to the increase in investment properties due to the continuous development of projects like Cyberpod Centris Five, Centris Walk Expansion and WestEnd Square. Property and equipment also increased by ₱935.50 million mainly due to the reclassification of the Company's serviced apartment from investment properties.

Total liabilities increased by ₱186.81 million mainly due to the increase in loans payable of ₱2,009.20 million resulting from the additional loans drawn by the Company from PNB. This was partially offset by the decrease in payable to landowners of ₱1,825.27 million as the Company fully paid the remaining balance of the purchase price of some of its land acquisitions.

Total equity, on the other hand, increased by ₱359.98 million mainly due to the net income recognized for the period.

c) The Company's top five (5) key performance indicators are as follows:

1. Net Income

The Company posted net income of ₱347.88million for the year ended December 31, 2017, lower than the net income generated in 2016 of ₱389.50 million. The decrease was mainly due to lower revenues on real estate sales.

2. Current Ratio (Current Assets/Current Liabilities)

Current ratio as of December 31, 2017 is 2.28:1 compared to 1.90:1 as of December 31, 2016. The improvement in the Company's current ratio is due to the reclassification of a portion of payables to landowners from current to noncurrent as the maturity date of the related promissory notes were extended by three years in 2017.

3. Earnings Per Share

The Company reported earnings per share of ₱0.0608 per share for the period ended December 31, 2017 and ₱0.0681 as of end of 2016. Diluted earnings per share for the period ending December 31, 2017 and 2016 registered at ₱0.0608 and ₱0.0681per share, respectively.

4. Debt to Equity Ratio (Total Liabilities/Total Equity)

The Company's debt to equity ratio as of December 31, 2017 and 2016 is 0.78:1 and 0.79:1, respectively. The increase is primarily due to the additional bank loan from PNB in 2017 which was partially offset by payments made for some of the Company's payables to landowners.

5. Quick Ratio

(Cash and Cash Equivalents and Receivables/Current Liabilities)

Quick ratio as of December 31, 2017 and December 31, 2016 is 0.59:1 and 0.63:1, respectively. The lower quick ratio for 2017 is due to the reclassification of a portion of payables to landowners from current to noncurrent as the maturity date of the related promissory notes were extended by three years in 2017.

d) Known Trends, Events of Uncertainties

There are no known trends or any known demands, events of uncertainties that will affect the Company's liquidity. Expected inflows from operations are deemed sufficient to sustain the Company's operations for the next six months.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues of income from continuing operations.

e) Significant Elements of Income or Loss

There is no significant element of income that did not arise from continuing operations.

f) The causes for any material change from period to period which shall include vertical and horizontal analyses of material item.

Results of the vertical analyses showed the following:

1. Cash and cash equivalents	5.15%
2. Receivables	7.17%
3. Real Estate project in progress	21.01%
4. Other current assets	6.85%
5. Investment properties	55.82%
6. Property and equipment	3.32%
7. Deferred income tax assets	0.08%
8. Other noncurrent assets	0.60%
9. Accounts payable and other current liabilities	11.15%
10. Deposits from customers	3.32%
11. Deposits and other liabilities	2.41%
12. Payable to landowners	6.52%
13. Loans Payable	20.45%
14. Equity	56.15%

Results of the horizontal analyses showed the following:

1. Cash and cash equivalents	-32.65%
The decrease was attributed to cash disbursements made by the Company relating to the continuous development of its projects during the year.	
2. Receivables	-19.00%
The decrease pertained to customer payments collected during the period.	
3. Real estate inventory	-4.69%
The decrease was mainly due to cost recognized on sold units.	
4. Prepayments other current assets	2.34%
The increase was attributable to the increase in Input VAT paid relating to purchase of goods and services, and prepaid taxes yet to be amortized on the remainder of the year.	

5. Investment properties	7.27%
The increase was mainly due to the development costs incurred for the Company's ongoing projects during the year.	
6. Property and equipment	1,830.14%
The increase was mainly due to the reclassification of the cost of condominium units, and the furniture, fixtures and equipment related to the serviced apartments of the Company which was previously recognized under investment properties.	
7. Deferred income tax assets	2.73%
The increase primarily represented the timing difference between tax and book basis of accounting for real estate transactions.	
8. Other noncurrent assets	-5.87%
The decrease was mainly due to the decline in Deferred Input VAT partially offset by higher refundable deposits recorded during the year.	
9. Trade and other payables	-1.37%
The slight decrease was mainly due to the decrease in accrual of various expenses.	
10. Payable to related parties	-100.00%
The decrease mainly pertained to the payment of the outstanding balance of the purchase price of land acquired from a related party.	
11. Customer's Deposits	10.71%
The increase primarily pertained to collections from customers of real estate sales which are not yet qualified for revenue recognition.	
12. Payable to landowner	-48.51%
The decrease was mainly due to payment of outstanding balance related to various land purchases.	
13. Loans Payable	49.35%
The increase was mainly due to the bank loans availed to finance the Company's working capital requirements partially offset by payments made during the year.	
14. Deposits and other liabilities	2.89%
The increase mainly represents the increase in security deposits, advance rental and unearned rental income and real estate sales.	
15. Equity	2.20%
The increase was due to the net income realized for the current period.	

Full Year 2016

a) Result of Operations

The Company reported a net income after tax of ₱389.51 million for the year ended 2016. This is 24.3% higher than last year's net income after tax for the same period of ₱313.25 million. Growth in net income after tax can be traced to the 14.1% or ₱183.4 million improvement in gross profit. Other factors that contributed to the higher net income are the stable sales take-up of the Company's completed projects, 8 Adriatico in Manila and the continuous development of Eton Tower Makati, 68 Roces and West Wing Villas in Quezon City, and West Wing Residences at Eton City in Sta. Rosa, Laguna which is nearing its completion. Over-all gross profit rate is 52.57%, almost the same rate in 2015.

Rental revenue for the year also increased by 9% from ₱1.17 billion to ₱1.28 billion during the same period in 2015, as the lease contracts were renewed at higher rental rates, especially for the Company's BPO offices.

Other Charges increased by 75.8% compared to the same period last year. This is mainly due to the increase in finance charges by ₱181.91 million or 103.5% as the Company recognized its borrowing costs as expense in the period incurred. Likewise, additional interest expense were incurred relating to the new bank loans obtained by the Company in 2016 and from outstanding payable to landowners for land acquisitions made during the last quarter of 2015 and the first quarter of 2016.

Provision for income tax decreased from ₱250.36 million in 2015 to ₱211.76 million in 2016 due to the timing difference in the net income reported per tax as against the financial income.

On the other hand, its subsidiaries, ECI, BCI and FHI recognized revenues of ₱157.01 million, ₱183.68 million and ₱150.62 million, respectively.

Expenses

General and administrative expenses, on the other hand increased by 8.8% or ₱51.50million primarily as a result of increase in personnel costs partially offset by the decrease in taxes & licenses incurred by the Company in relation to its application for increase in capital stock with the SEC in 2015. Selling expenses likewise increased by 24.7% or ₱10.5 million due to higher sales commission paid relating to new sales of the Company's residential projects.

b) Financial Condition

As of 31 December 2016, the Company's consolidated assets stood at ₱29.18 billion or ₱3.09 billion higher than the ₱26.10 billion consolidated assets as of 31 December 2015. Investment Properties increased by ₱4.82 billion mainly due to the purchase of land located in Mactan, Cebu and increase in Other Current Assets of ₱684.59 million. Increase in Other Current Assets was attributed to the advances made to the contractors of the Company's new projects. Cash and cash equivalents increased by ₱179.35 million due to the proceeds received from new bank loans obtained during 2016.

Total liabilities also increased by ₱2.68 billion primarily due to the recognition of additional payable to landowners relating to the purchase of land made during the period. The Company also availed of a new bank loan from PNB and Asia United Bank (AUB)

amounting to ₱2,000.00 million and ₱1,500.00 million, respectively. These were partially offset by principal payments made by the Company for loans which became due during the period.

Total equity, on the other hand, increased by ₱401.24 million mainly due to the net income recognized for the period.

c) The Company's top five (5) key performance indicators are as follows:

1. Net Income

The Company posted net income of ₱389.51 million for the year ended 31 December 2016, significantly higher than the same period in 2015 of ₱313.25 million. The increase was mainly due to higher revenues and also attributable to the improvement in the over-all gross profit rate of the Company.

2. Current Ratio (Current Assets/Current Liabilities)

Current ratio as of 31 December 2016 is 1.90:1 compared to 2.10:1 as of 31 December 2015. The improvement in the Company's current ratio is attributable to lower current liabilities as a result of the payment made on the payable to landowner.

3. Earnings Per Share

The Company reported earnings per share of ₱0.0681 per share for the period ended 31 December 2016 and ₱0.0547 as of end of 2015. Diluted earnings per share for the period ending 31 December 2016 and 2015 registered at ₱0.0681 and ₱0.0547 per share, respectively.

4. Debt to Equity Ratio (Total Liabilities/Total Equity)

The Company's debt to equity ratio as of 31 December 2016 and 31 December 2015 is 0.79:1 and 0.64:1, respectively. The increase is primarily due to the additional payable to landowners and bank loan recognized during the year.

5. Quick Ratio

(Cash and Cash Equivalents and Receivables/Current Liabilities)

Quick ratio as of 31 December 2016 and 31 December 2015 is 0.63:1 and 0.73:1, respectively. The higher ratio is primarily due to the lower current liabilities as of year-end.

d) Known Trends, Events of Uncertainties

There are no known trends or any known demands, events of uncertainties that will affect the Company's liquidity. Expected inflows from operations are deemed sufficient to sustain the Company's operations for the next six months.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues of income from continuing operations.

e) Significant Elements of Income or Loss

There is no significant element of income that did not arise from continuing operations.

f) The causes for any material change from period to period which shall include vertical and horizontal analyses of material item.

Results of the vertical analyses showed the following:

1. Cash and cash equivalents	7.79%
2. Receivables	9.02%
3. Real Estate project in progress	22.46%
4. Other current assets	6.80%
5. Investment properties	53.01%
6. Property and equipment	0.18%
7. Deferred income tax assets	0.09%
8. Other noncurrent assets	0.65%
9. Accounts payable and other current liabilities	11.51%
10. Income tax payable	0.00%
11. Payable to related parties	1.99%
12. Deposits from customers	3.06%
13. Deposits and other liabilities	2.39%
14. Deposit for future stock subscription	0.00%
15. Payable to landowners	11.14%
16. Loans Payable	13.95%
17. Equity	55.96%

Results of the horizontal analyses showed the following:

1. Cash and cash equivalents	8.57%
The increase was due to cash flows from operations.	
2. Receivables	-22.60%
The decrease was due to improved collection efficiency and adjustments pertaining to cancelled accounts during the period.	

3. Real estate inventory	-21.59%
The decrease was mainly due to cost recognized on sold units partially offset by development costs incurred for the Company's ongoing projects during the year.	
4. Prepayments other current assets	52.55%
The increase was attributable to the increase in Advances to Contractors for the down payment made to newly awarded construction contracts.	
5. Investment properties	45.31%
The increase was attributable to various purchases of land during the year.	
6. Property and equipment	19.04%
The increase was mainly due to the acquisition of various transportation and office equipment partially offset by the depreciation charges during the year.	
7. Deferred income tax assets	-53.31%
The decrease mainly represented the timing difference between tax and book basis of accounting for real estate transactions and de-recognition of deferred tax assets on NOLCO.	
8. Other noncurrent assets	-5.43%
The decrease was mainly due to the decline in Deferred Input VAT partially offset by higher refundable deposits recorded during the year.	
9. Trade and other payables	-4.50%
The decrease was mainly due to the decline in accrual of development costs and other expenses	
10. Payable to related parties	-0.76%
The decrease was mainly due to payment of outstanding payables related to acquisition of land from related party.	
11. Income tax payable	-100.00%
The decrease was mainly due to lower taxable income for the period.	
12. Customer's Deposits	-37.46%
The decrease was mainly due to revenue recognition of accounts that have reached the revenue recognition policy of the Company and cancellations of some accounts.	

13. Payable to landowner	16.25%
The increase was mainly due to various land purchases during the year partially offset by payments made.	
14. Loans Payable	240.38%
The increase was mainly due to the bank loans availed to finance the Company's working capital requirements partially offset by payments made during the year.	
15. Deposits and other liabilities	8.53%
The increase mainly represented the increase in security deposits, advance rental and unearned rental income and real estate sales.	
16. Equity	2.52%
The increase was due to the net income realized for the current period, conversion of Deposit for Future Stockholders Equity and additional equity infusion during the year.	

ITEM 6 – DIRECTORS AND EXECUTIVE OFFICERS

Please refer to Item 5 on pages 5 to 12 of the Information Statement.

ITEM 7 – CORPORATE GOVERNANCE REPORT

The evaluation system established by the Company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

The Compliance Officer is currently in charge of evaluating the level of compliance of the Board of Directors with its Manual on Corporate Governance as attested in the Certificate of Compliance that was submitted to the SEC. The Company actively assesses its performance and adherence to the guidelines in accordance with the required compliance reports of the Commission.

Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance.

The Company is compliant with current policies and prescribed practices on good corporate governance. The Audit Committee amended the Audit Committee Charter to be fully compliant with SEC Memorandum Circular No. 4, Series of 2012. Accordingly, the Board of Directors exercises its oversight functions over the operations, processes and reports of the Management to ensure transparency and adherence to good corporate governance. Likewise, the Board of Directors continually monitors the operations and risk assessments to ensure that the shareholders and stakeholders interests are protected.

Any deviation from the Company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanction/s imposed on said individual.

None

Any plan to improve corporate governance of the company.

The Company is continually improving its observance/implementation of the principles on Corporate Good Governance in order to add value to the shares.

ITEM 8 – UNDERTAKING TO PROVIDE ANNUAL REPORT

The Company shall, on written request, provide to shareholders, without charge, the Annual Report prepared pursuant to SEC Form 17-A. All such requests for a copy of the Annual Report should be directed to the Office of the Corporate Secretary, Atty. Erollyne C. Go, at the 2/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila, Philippines.