

**ETON PROPERTIES PHILIPPINES, INC.**

*8<sup>th</sup> 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 one of the Philippines’ biggest and well-established business conglomerates, LT Group, Inc. The Company has distinguished itself for developing commercial and residential projects in prime locations across Metro Manila and its surrounding areas. The Company’s diversified portfolio includes commercial centers and office buildings, residential and mixed-use high-rise and mid-rise condominiums, residential subdivisions, and township projects.

Residential Projects

The Company’s residential developments have always exemplified to provide residents an environment that will allow them to connect with each other, live comfortably and realize their deepest aspirations while nurturing a strong sense of community.

Residential developments of the Company are built to engender an enduring community spirit that will allow residents to thrive. Situated in prime locations, each residential development is within easy access of schools, hospitals, transportation hubs, health and wellness centers, and modern-day conveniences, allowing residents to be within easy reach of everything that matters to their well-being.

These residential projects are safeguarded from the challenges of urban living through purposeful design elements which offers exclusivity and security, transforming each project into sanctuaries where residents can escape the pressures of city life.

The Company recognizes that individuals have various lifestyle needs, hence, each of its residential developments has been conceptualized to suit those who share similar expectations and requirements. This creates communities with members who share common aspirations and who may eventually come together to co-create their future.

Commercial Centers and Office Buildings

The Company’s massive land bank are some of Metro Manila's most attractive areas where diverse clientele and mobile markets converge. What the Company builds is just as important as where the Company builds, from accessible business-efficient environments to profitable urban hotspots for retail and dining.

The office projects of the Company are testimony to its commitment to build not just offices, but centers of convergence. The Company recognizes its role in reinforcing the productivity and complementing the lifestyle of today’s employees. Therefore, the Company has designed its office spaces to be accessible, modern, and supported by retail options relevant to the workforce.

The Company's office spaces are strategically located, making it easier for employers to attract the best talent in the area. Its accessibility also enables employees, clients and partners to work together with ease. The Company takes seriously the fundamental requirement in office buildings to maintain optimal productivity and optimum facilities. Offices are built in proximity to modern conveniences, retail outlets and entertainment spots to ensure that all the things that matter are within easy reach of employees, making work-life integration effortless.

The Company is committed in building office developments that meet the high standards of its clients, as well as foster a culture of collaboration and creativity in the cities where its properties can be found. The Company keeps its competitive advantage in the industry through developing projects keeping in mind its promise to never tire of seeking ways to improve and to continue being a developer worthy of respect and trust.

## **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 – INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS**

### **1. Audit Fee and Audit-Related fees**

The audit fees of the consolidated annual financial statements or services that are regularly provided by SyCip Gorres Velayo & Co. (“SGV”), the Company’s external auditor, in connection with statutory and regulatory filings or engagements are as follows:

2019 -	₱2,450,000 (exclusive of out-of-pocket expenses)
2018 -	₱3,000,000 (exclusive of out-of-pocket expenses)
2017 -	₱3,200,000 (inclusive of out-of-pocket expenses)

### **Other Assurance and Related Services**

In relation to the performance of the audit of the Company’s financial statements, the Company likewise engaged the services of SGV for tax compliance purposes for the period ended December 31, 2019 and 2018.

### **2. Tax Fees**

The Company did not engage SGV for any special tax compliance services for the years ended 2019 and 2018.

### **3. All Other Fees**

There were no other fees billed in each of the last two fiscal years for products and services provided by SGV other than the services reported above.

### **4. The audit committee’s approval policies and procedures for the above services**

Upon recommendation and approval of the Audit Committee, the appointment of the external auditor was delegated to the Board of Directors during the annual stockholders’ meeting in 2007. Financial statements should be approved by the Board of Directors before its release.

### **5. 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 2019 or in any subsequent interim period.

### **6. Additional Components of Financial Statements**

#### **a. Tabular Schedule of Standards and Interpretations**

The accounting policies adopted are consistent with those of the previous financial year except that the Group changed its policy on recognition of borrowing cost on real estate

inventories and has adopted the following pronouncements starting January 1, 2019. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

**b. Map on the Relationships of Companies that are Part of the Conglomerate**

The Company's corporate structure is as shown in Schedule J (page 55) of the Annual Report.

**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 1,668 stockholders as of 26 May 2020 and the total outstanding stocks as of the same date is 5,723,017,872 shares. The top twenty (20) stockholders as of 26 May 2020 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)**	54,387,683	0.9503322236
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
<b>Total</b>	<b>5,714,136,932</b>	<b>99.8448206838</b>

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

### **3. Dividends**

Dividend payments 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.

The Company has not distributed dividends for the past three years.

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

For the past three years, the Company has not sold any unregistered or exempt securities, nor were there any recent issuances of securities constituting an exempt transaction.

## **ITEM 5 – MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Management's Discussion and Analysis**

#### *1<sup>st</sup> Quarter of 2020*

##### a) Results of Operations

The Company ended the quarter with a net income after tax of ₱169.1 million, 13% or ₱19.8 million higher than the ₱149.4 million recorded in 2019. The improvement in the net income is attributable to the improvement in the leasing segment and serviced apartment as both surpassed prior year's performance.

Real estate sales decreased by ₱105.5 million or 43% due to lower real estate sales from the Group's completed projects, 8 Adriatico in Manila, 68 Roces along Don Alejandro Roces Avenue in Quezon City and North Belton Communities in Caloocan City. On the other hand, Rental income improved by ₱70.8 million or 18% due to rental rates escalation from the Group's existing and new tenants and stable occupancy of office spaces. Revenue from rooms and other operated departments also grew by ₱19.5 million or 59% due to the increase in occupancy rate in The Mini Suites, the Group's serviced apartment project in Eton Tower Makati.

Also contributing to the increase in net income is the decrease in contracts cancellation from real estate sales and lower selling and marketing expenses. On the other hand, Interest income decreased by ₱12.7 million or 54% as a result of lower interest earned from money market placements. General and administrative expenses, meanwhile, is higher by ₱38.1 million or 23% as compared to last year due to the additional provision for Estimated Credit Loss (ECL)

on trade receivables. This is partially mitigated by lower taxes and licenses expenses, repairs and maintenance costs and outside services incurred during the period.

In December 2019, a novel strain of corona virus (COVID-19) was reported to have spread in China. The World Health Organization has declared the outbreak as “a public health emergency of international concern.” In the Philippines, COVID-19 started to become widespread in early March 2020 compelling the government to declare the country in a state of public health emergency followed by placing the entire Luzon under the enhanced community quarantine, strictly requiring social distancing and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. These actions of the government resulted in widespread business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

The implementation of the above government measures had caused temporary closure of some of the Group’s tenants in Centris, Corinthian, Eton Square Ortigas and WestEnd Square during the quarantine period. These recent developments are expected to result in lower rental revenue and gross margin in the next reporting period. Likewise, based on the Company’s initial assessment of the impact of COVID-19, on Contract Receivables, Lease Receivables and other assets on a per contract basis has resulted in a provision for ECL of ₱57.6 Million for the period ended 31 March 2020.

In support and compliance with the government measures to protect the welfare and interest of the Group’s employees and stakeholders, including its business counterparties, the Group has implemented safety measures and initiated its business continuity plan. Management believes that these measures can mitigate the further negative impact of the outbreak to the Group’s business and to its financial condition and performance for the next reporting period.

#### b) Financial Condition

As of 31 March 2020, the Group’s consolidated assets stood at ₱30,676.6 million, lower than the ₱31,827.7 million consolidated assets as of 31 December 2019. The decrease primarily pertains to decrease in Cash and Cash Equivalents as the Group’s prepayment of loan with BPI amounting to ₱1.2 billion was partially offset by the increase in Investment Properties and Trade and Other Receivables.

Increase in Investment Properties was mainly due to the continuous development of WestEnd Square, a mixed-use development in Makati and NXTower I, a 30-storey tower between Emerald Avenue and Ruby Road in Ortigas Central Business District.

Real estate inventories, meanwhile, decreased to ₱4,319.2 million as of 31 March 2020 from ₱4,362.5 million as of 31 December 2019 or a decrease of 1.0% mainly due to the real estate sales recognized during the first three months of 2020.

Total liabilities decreased by ₱1,344.9 million or 10.0% from ₱13,992.3 million as of 31 December 2019 to ₱12,647.4 million as of 31 March 2020 mainly due to the decrease in loans payable by ₱1,501.6 million from ₱6,265.7 million as of 31 December 2019 to ₱4,764.1 million as of 31 March 2020 which pertains to principal payments made during the period.

This was partially offset by higher trade and other payables, customers’ deposits and other noncurrent liabilities accounts. The increase in trade and other payables of ₱81.0 million or 2% mainly pertains to accrual of expenses already incurred but not yet paid as of 31 March 2020.

c) The Group's top five (5) key performance indicators are:

1. Net Income

The Group posted net income of ₱169.1 million for the three months ended 31 March 2020. This is 13% higher than last year's net income after tax for the same period of ₱149.4 million. The increase in net income is mainly due to the increase in revenue from the leasing segment as the segments surpassed prior year's performance. <sup>[1]</sup><sub>SEP</sub>

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

Current ratio as of 31 March 2020 and 31 December 2019 is 1.24:1 and 1.19:1, respectively. The increase was mainly due to the reclassification of trade receivables from real estate sales which will become due in the next 12 months.

3. Basic and Diluted Earnings Per Share

The Group reported basic earnings per share of ₱0.030 and ₱0.026 for the three months ended 31 March 2020 and 2019, respectively.

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

Debt to equity ratio decreased to 0:70 as of 31 March 2020 from 0.78 as of 31 December 2019. The decrease was mainly due to the principal payment of bank loans made during the period.

5. Quick Ratio (*Cash and Cash Equivalents and Receivables/Current Liabilities*)

Quick ratio as of 31 March 2020 of 0.31:1 is lower than the quick ratio as of 31 December 2019 of 0.42:1 primarily due to lower current assets as of end of the first three months of 2020. The decrease in current assets is mainly due to the decrease in cash and cash equivalents due to the principal payment of bank loans made during the period.

d) Known Trends, Events of Uncertainties

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

There are no events that will trigger direct or contingent financial obligation that is material to the Group, 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 Group with unconsolidated entities or other persons created during the reporting period. <sup>[1]</sup><sub>SEP</sub>

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. Please see Results of Operation.

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 any material item:

Results of our vertical analyses showed the following material items:

1. Current and noncurrent portion of trade and other receivables – 6% consist of the revenues recognized to date which are still collectible from the respective buyers and tenants.
2. Real estate inventories – 14% consist of actual project cost incurred to date and the cost of land purchased by the Group for its various residential projects. Deducted from this account is the cost of residential and condominium units sold to date based on project's percentage of completion.
3. Other current assets – 6% consist mainly of prepaid taxes, creditable withholding taxes, input VAT, deferred rent assets and advances to contractors.
4. Investment properties – 66% mainly includes the Group's land bank and actual project cost incurred for leasable commercial, office and residential spaces.
5. Trade and other payables – 12% mainly includes retention payables and trade payables to contractors/suppliers, accrued expenses and accrued project cost.
6. Current and noncurrent portion of loans payable – 16% includes term loans from Philippine National Bank (PNB) and Asia United Bank (AUB) used to finance the Group's on-going projects and working capital requirements.
7. Current and noncurrent portion of payables to landowners – 6% represents the amount payable by the Group to various landowners for the acquisition of land.
8. Equity – 59% includes the posted net income for the past three months.

Results of our horizontal analyses showed the following material changes:

1. Cash and cash equivalents – 63% decrease mainly due to principal payment of bank loans with BPI.
2. Current and noncurrent portion of trade and other receivables – 6% increase mainly due to the reclassification of trade receivables from real estate sales which will become due in the next 12 months.
3. Other current assets – 10% increase pertains to input VAT paid during the period coming from the on-going construction of the Group's real estate projects, and prepaid taxes yet to be amortized during the remainder of the year.
4. Deferred tax assets – 6% decrease primarily represents the timing difference between tax and book basis of accounting.
5. Customers' deposit – 7% increase primarily pertains to collections from customers of real estate sales which are not yet qualified for revenue recognition.
6. Current and noncurrent portion of loans payable – 24% decrease pertains to principal payments made during the period.



## Full Year 2019

### a) Result of Operations

The Company ended the year with a Net Income after tax of ₱900.38 million this is 83.10% or ₱408.65 million higher than the ₱491.73 million recorded in 2018. The improvement in the Net Income is attributable to the improvement in the total revenue as the leasing segment and serviced apartment both surpassed prior year's performance.

Leasing revenues grew by 14.26% or ₱213.10 million as compared to 2018 as a result of rental rate escalations and stable occupancy of office spaces. Revenue from rooms and other operated department also increased by 95.04% or ₱88.62 million. Real estate sales, however, declined by 16.4% or ₱279.4 million vis-a-vis last year's performance following a one-time sale of 2.1 hectares land in Manggahan, Pasig to Ali Eton Property Development Corporation in 2018.

Over-all gross profit rate, improved from 50.32% to 62.58% in 2019. The significant improvement was also due to the one-time sale of land as mentioned above.

Other charges significantly dropped by 91% or ₱84.70 million compared to last year due to higher interest income on money market placements as well as other income. This is partially offset by the increase in finance charges.

Provision for income tax increased from ₱189.69 million in 2018 to ₱378.36 million in 2019 due to higher revenue and 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 ₱409.87 million and ₱411.93 million, respectively.

### Expenses

General and administrative expenses decreased by 13.53% or ₱105.62 million primarily due to the lower utilities, repairs & maintenance and provision for estimated credit loss. Selling expenses rose by 10.33% or ₱10.45 million as compared to 2018 due to the increase in commissions as a result of higher reservation sales booked during the year.

### b) Financial Condition

As of 31 December 2019, the Company's consolidated assets stood at ₱31.83 billion, slightly higher than the ₱31.32 million consolidated assets as of 31 December 2018. The net increase primarily pertains to the increase in investment properties following the continuous development of projects like NXTower I in Ortigas and WestEnd Square in Makati City.

At the end of 2019, total debt at the consolidated level amounted to ₱13.99 billion, a 2.33% decrease from the December 2018 level of ₱14.33 billion. The decrease in debt level was due to payment of loans.

Total equity, on the other hand, increased by ₱839.24 million due to the net income recognized during the year.

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

*1. Net Income*

The Company posted net income after tax of ₱900.38 million for the year ended 31 December 2019, higher than the net income generated in 2018 of ₱491.73 million. The increase was mainly due to higher revenues.

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

Current ratio as of 31 December 2019 1.19:1 compared to 1.74:1 as of 31 December 2018. The decrease was mainly due to higher current liabilities due to reclassification of payable to landowners from non-current to current as the obligation will become due within the next 12 months.

*3. Earnings Per Share*

The Company reported earnings per share of ₱0.1573 per share for the period ended 31 December 2019 and ₱0.0859 as of end of 2018. Diluted earnings per share for the period ending 31 December 2019 and 2018 is at ₱0.1573 and ₱0.0859 per share, respectively.

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

The Company's debt to equity ratio decreased to 0.78 from 0.84 in 2018, the decrease was mainly due to principal payment of bank loans during the period.

*5. Quick Ratio (Cash and Cash Equivalents and Receivables/Current Liabilities)*

Quick ratio as of 31 December 2019 and 31 December 2018 is 0.42:1 and 0.66:1, respectively. The decline is primarily due to lower cash and cash equivalents and current receivables.

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 of 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	7.30%
2. Receivables	5.01%
3. Real Estate project in progress	13.71%
4. Other current assets	5.09%
5. Investment properties	63.70%
6. Property and equipment	2.80%
7. Right of use asset	0.86%
8. Deferred income tax assets	0.03%
9. Other noncurrent assets	1.50%
10. Accounts payable and other current liabilities	11.09%
11. Deposits from customers	3.07%
12. Lease liabilities	1.57%
13. Deposits and other liabilities	2.60%
14. Payable to landowners	5.75%
15. Deferred income tax liabilities	0.19%
16. Loans Payable	19.69%
17. Equity	56.04%

Results of the horizontal analyses showed the following:

1. Cash and cash equivalents	-12.06%
The decrease was attributed to cash disbursements made by the Company relating to the continuous development of its projects during the year.	
2. Receivables	-5.52%
The decrease pertains to customer payments collected during the year.	
3. Real estate inventory	-12.02%
The decrease was mainly due to cost recognized on sold units.	
4. Other non-current assets	-11.97%
The decrease was mainly due to the decrease in the non-current portion of advances to contractors.	
5. Investment properties	7.20%
The increase was mainly due to the actual project cost incurred for the Company's ongoing projects.	

6. Property and equipment	-6.73%
The decrease was mainly due to the depreciation recognized during the year.	
7. Right of use asset	100%
The increase was mainly due to recognition of the right to use of leased asset in compliance with PFRS16.	
8. Deferred income tax assets	-71.41%
The decrease primarily represents the timing difference between tax and book basis of accounting for real estate and leasing transactions.	
9. Customer's Deposits	-12.24%
The decrease primarily pertained to deposits from customers of real estate sales which are recorded as revenue for period.	
10. Payable to landowner	-2.97%
The decrease was mainly due to payment of outstanding balance related to various land purchases.	
11. Loans Payable	-12.87%
The decrease was mainly due to the bank loan payment during the year.	
12. Deposits and other liabilities	18.15%
The increase was mainly due to lease liabilities recorded in relation to the right of use of leased assets. Likewise security deposits, advance rental and retirement liability increased.	
13. Equity	4.94%
The increase was due to the net income realized for the current period. This was partially offset by the impact of the adoption of PRFS 16 on leases and compliance on PAS 23 in treating borrowing costs as an expense for assets not considered as qualifying assets on the Retained Earnings.	

**A comparison of the key performance indicators for the period ended December 31, 2019 vis-à-vis the period ended in December 31, 2018 is summarized below.**

	December 31 2019		December 31 2018	
<b>A. CURRENT RATIO</b>				
current assets	<u>9,229,902,364</u>	1.19	<u>10,586,748,626</u>	1.74
current liabilities	7,743,432,461		6,101,588,717	
<b>B. DEBT TO EQUITY RATIO</b>				
total liabilities	<u>13,992,295,447</u>	0.78	<u>14,326,375,920</u>	0.84
stockholders' equity	17,835,397,803		16,996,159,032	
<b>C. QUICK RATIO</b>				
cash & cash equivalent	2,323,875,922		2,642,543,070	
receivable(current)	<u>923,780,710</u>		<u>1,396,772,534</u>	
	<u>3,247,656,632</u>	0.42	<u>4,039,315,604</u>	0.66
current liabilities	7,743,432,461		6,101,588,717	
<b>D. ASSET TO EQUITY RATIO</b>				
total assets	<u>31,827,693,250</u>	1.78	<u>31,322,534,952</u>	1.84
total equity	17,835,397,803		16,996,159,032	
<b>E. INTEREST COVERAGE RATIO</b>				
EBIT	<u>1,643,081,501</u>	4.51	<u>972,137,948</u>	3.34
Interest expense	364,339,860		290,711,789	
<b>F. GP RATE ON REAL ESTATE SALES</b>				
Gross Profit	<u>760,808,973</u>	0.53	<u>507,885,248</u>	0.30
Real Estate Sales	1,424,597,666		1,704,010,551	
<b>G. GP RATE ON RENTAL INCOME</b>				
Gross Profit	<u>1,260,944,180</u>	0.74	<u>1,121,171,035</u>	0.75
Rental Income	1,707,833,363		1,494,724,468	
<b>H. BASIC EARNINGS PER SHARE</b>				
Net income after tax	<u>900,383,799</u>	0.1573	<u>491,732,566</u>	0.0859
no of shares	5,723,007,872		5,723,017,872	
<b>I. DILUTED EARNINGS PER SHARE</b>				
	<u>900,383,799</u>	0.1573	<u>491,732,566</u>	0.0859
	5,723,007,872		5,723,017,872	

## **ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:**

### *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. Meanwhile, leasing revenues 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 31 December 2018, the Company's consolidated assets stood at ₱31.48 billion, ₱1.75 billion higher than the ₱29.73 billion consolidated assets as of 31 December 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 a net income after tax of ₱478.76 million for the year ended 31 December 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 31 December 2018 is 1.75:1 compared to 2.18:1 as of 31 December 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 31 December 2018 and ₱0.0608 as of end of 2017. Diluted earnings per share for the period ending 31 December 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 31 December 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 31 December 2018 and 31 December 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 31 December 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 31 December 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 ₱347.88 million for the year ended 31 December 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 31 December 2017 is 2.28:1 compared to 1.90:1 as of 31 December 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 of ₱0.0608 per share for the period ended 31 December 2017 and ₱0.0681 as of end of 2016. Diluted earnings per share for the period ending 31 December 2017 and 2016 registered at ₱0.0608 and ₱0.0681 per share, respectively.

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

The Company's debt to equity ratio as of 31 December 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 31 December 2017 and 31 December 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.	

## **ITEM 6 – DIRECTORS AND EXECUTIVE OFFICERS**

Please refer to Item 5 on pages 10 to 15 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. At present, the Company is in the process of drafting a new Manual on Corporate Governance pursuant to the recommendation of Memorandum Circular No. 24, Series of 2019.

*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.*

At present, the Company has no knowledge of any deviation committed by any of its personnel from the Company's Manual.

*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.**