

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 real estate arm of LT Group, Inc., developing commercial and residential projects 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 is one of two flagship township projects of the Company, dubbed as the Makati of the South. Its aim is to create vibrant lifestyle communities for middle and 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

Audit fees paid to SyCip Gorres Velayo & Co. (“SGV”), the Company’s external auditor, in connection with statutory and regulatory filings or engagements are as follows:

2020 - ₱2,450,000 (exclusive of out-of-pocket expenses)

2019 - ₱2,450,000 (exclusive of out-of-pocket expenses)

2018 - ₱3,000,000 (exclusive of out-of-pocket expenses)

Other Assurance and Related Services

The Company also engaged the services of SGV for tax compliance purposes for the period ended December 31, 2020 and 2019.

2. Tax Fees

SGV did not provide any special tax compliance services for the Company for the years ended 2020 and 2019.

3. All Other Fees

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

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

In 2007, the appointment of the external auditor was delegated by the stockholders to the Board of Directors. The delegated authority has not been revoked or reversed.

Financial statements are submitted to the Board of Directors for approval 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 2020 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.

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

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

ITEM 4 – MARKET FOR THE CORPORATION’S SHARES

1. Market Information

The Company voluntarily delisted its shares from the Philippine Stock Exchange in 2012 and delisting took effect on 2 January 2013. Up to the present time, the Company’s shares are not publicly traded.

2. Holders

There are approximately 1,668 holders of shares of the Company as of 30 March 2021.

The Company has a total outstanding capital stock of 5,723,017,872 shares as of 30 March 2021. Hereunder is the list of the top twenty (20) stockholders as of 30 March 2021:

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
Total	5,714,136,932	99.8448206838

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

3. Dividends

The Company distributes dividends subject to the availability of unrestricted retained earnings. Among others, the Board of Directors take into consideration the earnings, cash flow and financial condition of the Company before declaring any dividends.

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 representing at least two thirds (2/3) of the outstanding capital stock. In addition, stock or property dividends require 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

Full Year 2020

a) Result of Operations

For the year 2020, the Company reported a Net Income after tax of ₱802.1 million this is 10.92% or ₱98.28 million lower than the ₱900.38 million recorded in 2019. The decrease in the Net Income is mainly attributable to the decrease in real estate sales revenue partially offset by the decline in cost and operating expenses.

The Covid-19 pandemic impacted the business for the year when the government placed the entire Luzon under Community Quarantine.

However, despite the pandemic leasing revenues grew by 2.92% or ₱49.9 million as compared to 2019 as a result of rental rate escalations and stable occupancy of office spaces. Revenue from rooms and other operated department likewise increased by 12.82% or ₱23.32 million. On the other hand, real estate sales revenues significantly declined by 54.96% or ₱782.81 million vis a vis last year's performance 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.

Over-all gross profit rate slightly improved from 62.58% to 68.73% in 2020.

Other income and charges improved by 188.64% or ₱15.80 million compared to last year due to lower finance charges and increase in other income partially offset by the decrease in interest income on money market placements.

Provision for income tax decreased from ₱378.36 million in 2019 to ₱361.72 million in 2020 due to lower 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 of amounting to ₱171.86 million and ₱348.93 million, respectively.

Expenses

General and administrative expenses decreased by 10.91% or ₱73.68 million primarily due to the lower utilities, repairs & maintenance due to numerous cost cutting measures implemented during the year. Selling expenses significantly decreased by 71.28% or ₱79.56 million as compared to 2019 due to the decrease in commissions as a result of lower sales revenue booked during the year.

For 2020, the Company recorded additional provision for Estimated Credit Loss (ECL) on Contract Receivables, Lease Receivables and Other Assets on a per contract basis amounting to ₱17.7 million for possible default in collection of the said receivables. Also, certain receivables were subjected to deferment in compliance with the Bayanihan Act 1 and 2, and DTI Rules on rental collection.

The Company is closely monitoring the business activities of its tenants in order to assist to their operations. Our sustainable partnership with our tenants plays a vital role in navigating this crisis. Considering the effects of the pandemic, the Company put proactive measures to mitigate vacancy risk. The aim of the Company now is to work in partnership with tenants to finish the year with steady revenue and prepare to bounce back early next year.

The Company strictly follows national and local government advisories and guidelines as well as the best practices taken by the Philippine Department of Health (DOH) to support the government's objective to stop the spread of the Covid-19 virus. Pandemic situations like Covid-19 usually have a longer period of impact to business operation and pose greater risk of exposing personnel.

Learnings from this pandemic will be used to improve its Business Continuity Plan (BCPs) moving forward. Management believes that these measures can alleviate 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 the end of December 31, 2020, the Group's consolidated assets stood at ₱31.82 billion, slightly lower by ₱0.006 billion than the ₱31.83 billion consolidated assets as of December 31, 2019. The net decrease was primarily due to the decrease in Cash and Cash Equivalents of ₱0.92 billion due to the prepayment of loan with BPI amounting to ₱1.2 billion partially offset by the increase in Trade Receivables and Investment Properties amounting to ₱0.75 billion and ₱0.61 billion, respectively.

At the end of 2020, total debt at the consolidated level amounted to ₱13.18 billion, a 5.80% decrease from the December 2019 level of ₱13.99 billion. The decrease in debt level was due to payment of loans.

Total equity, on the other hand, increased by ₱806.06 million mainly 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 ₱802.10 million for the year ended December 31, 2020, lower than the net income generated in 2019 of ₱900.38 million. The increase was mainly due to lower sales revenues.

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

Current ratio as of December 31, 2020 1.59:1 compared to 1.19:1 as of December 31, 2019. The increase was mainly due to the reclassification of portion of payable to landowners from current to noncurrent as the promissory notes relating to the said liabilities have been extended for a period of three (3) years.

3. *Earnings Per Share*

The Company reported earnings per share of ₱0.1402 per share for the period ended December 31, 2020 and ₱0.1573 as of end of 2019. Diluted earnings per share for the period ending December 31, 2020 and 2019 is at ₱0.1402 and ₱0.01573 per share, respectively.

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

The Company's debt to equity ratio decreased to 0.71 from 0.78 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 December 31, 2020 and December 31, 2019 is 0.56:1 and 0.42:1, respectively. The increase is primarily due to lower current liabilities as a result reclassification of portion of payable to landowners from current to noncurrent as the promissory notes relating to the said liabilities have been extended for a period of three (3) years.

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	4.42%
2. Receivables	7.27%
3. Real Estate project in progress	13.02%
4. Other current assets	5.04%
5. Investment properties	65.62%
6. Property and equipment	2.58%
7. Right of use asset	0.78%
8. Deferred income tax assets	0.03%
9. Other noncurrent assets	1.24%
10. Accounts payable and other current liabilities	10.90%
11. Deposits from customers	3.14%
12. Lease liabilities	1.55%
13. Deposits and other liabilities	2.74%
14. Payable to landowners	3.33%
15. Deferred income tax liabilities	0.62%
16. Loans Payable	19.14%
17. Equity	58.58%

Results of the horizontal analyses showed the following:

1. Cash and cash equivalents	-39.44%
The decrease was attributed to the prepayment of loan with BPI amounting to ₱1.2 billion.	
2. Receivables	44.57%
The increase was mainly due to certain receivables that were subjected to deferment in compliance with the Bayanihan Act 1 and 2, and DTI Rules on rental collection.	
3. Real estate inventory	-5.05%
The decrease was mainly due to cost recognized on sold units.	
4. Other non-current assets	-16.95%
The decrease was mainly due to the decrease in the non-current portion of advances to contractors.	
5. Investment properties	3.01%
The increase was mainly due to the actual project cost incurred for the Company's ongoing projects.	
6. Property and equipment	-7.67%
The decrease was mainly due to the depreciation recognized during the year.	

7. Right of use asset	-9.40%
The increase was mainly due to recognition of the right to use of leased asset in compliance with PFRS16.	
8. Deferred income tax assets	-9.07%
The decrease primarily represents the timing difference between tax and book basis of accounting for real estate and leasing transactions.	
9. Customer's Deposits	1.95%
The decrease primarily pertained to deposits from customers of real estate sales which are recorded as revenue for period.	
10. Payable to landowner	-41.98%
The decrease was mainly due to payment of outstanding balance related to various land purchases.	
11. Loans Payable	-2.78%
The decrease was mainly due to the bank loan payment during the year.	
12. Deposits and other liabilities	5.59%
The increase was mainly due to the increase in security deposits, advance rental and retirement liability.	
13. Equity	4.54%
The increase was due to the net income realized for the current period.	

A comparison of the key performance indicators for the period ended December 31, 2020 vis-à-vis the period ended December 31, 2019 is summarized.

SUMMARY OF KEY PERFORMANCE INDICATORS

	December 31 2020		December 31 2019	
A. CURRENT RATIO				
current assets	8,832,453,648	1.59	9,229,902,364	1.19
current liabilities	5,555,944,648		7,743,432,461	
B. DEBT TO EQUITY RATIO				
total liabilities	13,180,473,923	0.71	13,992,295,447	0.78
stockholders' equity	18,641,463,192		17,835,397,803	
C. QUICK RATIO				
cash & cash equivalent	1,407,273,712		2,323,875,922	
receivable(current)	1,678,222,260		923,780,710	
	3,085,495,972	0.56	3,247,656,632	0.42
current liabilities	5,555,944,648		7,743,432,461	
D. ASSET TO EQUITY RATIO				
total assets	31,821,937,115	1.71	31,827,693,250	1.78
total equity	18,641,463,192		17,835,397,803	
E. INTEREST COVERAGE RATIO				
EBIT	1,365,953,581	6.76	1,643,081,501	4.51
Interest expense	202,131,167		364,339,773	
F. GP RATE ON REAL ESTATE SALES				
Gross Profit	402,164,537	0.63	760,808,973	0.53
Real Estate Sales	641,688,855		1,424,597,666	
G. GP RATE ON RENTAL INCOME				
Gross Profit	1,291,109,282	0.73	1,260,944,180	0.74
Rental Income	1,757,700,827		1,707,833,363	
H. BASIC EARNINGS PER SHARE				
Net income after tax	802,100,784	0.1402	900,383,799	0.1573
no of shares	5,723,007,872		5,723,017,872	
I. DILUTED EARNINGS PER SHARE				
	802,100,784	0.1402	900,383,799	0.1573
	5,723,007,872		5,723,017,872	

ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION

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 billion 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:

6. *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.

7. *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.

8. *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.

9. *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.

10. *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.	

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.

ITEM 6 – DIRECTORS AND EXECUTIVE OFFICERS

Please refer to Item 5 on pages 10 to 14 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 Revised Manual of Corporate Governance.

The Compliance Officer is currently in charge of evaluating the level of compliance of the Board of Directors with its Revised Manual on Corporate Governance as attested in the Certificate of Compliance submitted to the SEC. Management 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 generally 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.

In 2020, the Company adopted and submitted to the Commission its Revised Manual on Corporate Governance pursuant to the recommendations of Memorandum Circular No. 24, Series of 2019 (Code of Corporate Governance for Public Companies and Registered Issuers).

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 its 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 at the 2/F Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila, Philippines.