

JACKSTONES, INC.

593 Antonio Drive, Bagumbayan, Taguig City 1630

Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Year Ending 31 December 2019

Plan of Operation

Due to uncertainty brought about by the COVID 19, the Company has no plan to acquire new lands for development in the next 12 months. It will instead offer auxiliary real estate services in order to augment its sources of revenue.

Management's Discussion and Analysis

JAS's key performance indicators are as follows:

- a. Current Ratio
- b. Acid-Test Ratio
- c. Net Debt to Equity Ratio
- d. Debt to Asset Ratio
- e. Asset to Equity Ratio

Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

The following are the key performance indicators of JAS in related to its financial condition:

	JAS and its Subsidiary			JPI		
	2019	2018	2017	2019	2018	2017
i. Current Ratio	1.20	1.51	2.06	0.97	1.07	-
ii. Acid-Test Ratio	0.25	1.12	2.06	0.14	0.45	-
iii. Debt to Equity Ratio	4.17	1.85	0.91	(163.37)	12.33	-
iv. Debt to Asset Ratio	0.81	0.65	0.48	1.01	0.92	-
v. Asset to Equity Ratio	5.17	2.85	1.91	(162.37)	13.33	1.00

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. This tells investors how a company can maximize the current assets on its balance sheets to satisfy its current debt and other payables; calculated by dividing current assets by current liabilities.

Acid-Test Ratio

The acid-test ratio provides a simple and more accurate assessment of the Company's ability to pay its current liabilities. This is calculated as cash plus accounts receivable divided by current liabilities.

Debt to Equity Ratio

The debt-to-equity ratio is calculated by dividing a company's total liabilities by its shareholder equity. The ratio is used to evaluate a company's financial leverage and measure the degree to which a company is financing its operations through debt versus wholly-owned funds.

Debt to Asset Ratio

This ratio quantifies the percentage of the Company's assets that have been financed with short-term and long-term debts. This is calculated by dividing total debts by total assets.

Asset to Equity Ratio

The asset to equity ratio shows the relationship of the total assets of the company to the portion owned by shareholders. This ratio is an indicator of the company's leverage used to finance JAS.

Financial and Operational Results

Results of Operations

Comparison of key financial performance for the calendar year-ended December 31, 2019, 2018 and 2017 are summarized in the following tables:

	December 31		
	2019	2018	2017
Sales	-	-	-
Cost of Sales	-	-	-
Gross Profit	-	-	-
Administrative Expenses	7,849,362	4,721,770	2,856,610
Operating Loss	(7,849,362)	(4,721,770)	(2,856,610)
Foreign Exchange Gain (Loss)	(351,638)	158,353	(689,578)
Interest Income	705,895	484,173	307,282
Net Loss	(6,166,689)	(3,744,213)	(3,238,906)

The Company's negative income in FY 2019 is per forecast, as the company could not yet realize any revenue until 100% turnover and acceptance of the Michelia Residences project. The project is targeted to be completed only by November 2020 as approved by the Housing and Land Use Regulatory Board. As of December 31, 2019, the project is more or less 50% completed and is still on track as per project timeline. Likewise, there is no operation in years 2018 and 2017.

Financial Condition

JAS's objective when managing capital are to support JAS's ability to effectively deploy capital and to protect the interest of its shareholders.

Management shall utilize the capital structure that generates the most value for shareholders and this may entail adjustments to dividends paid to shareholders, loans obtained from banks, and the issuance of new shares. Total capital being managed by JAS as its total equity as shown in the attached statement of financial position.

JAS is also currently negotiating with various investment groups to raise new capital and is also seriously considering another public offering to raise more funds for its investments and holdings. JAS continues to review projects, ventures, businesses and assets that can be included in the holdings of it of which JAS may issue shares in exchange for owning them.

As of December 31, 2019, JAS's assets consist of cash in the amount of P5,022,715; short term investment of P5,196,150; real estate held for development and sale of P44,517,085; due from related parties of P10,296,958; contract assets of P1,393,337; prepayment and other current asset of P30,485,031; property and equipment – net P494,172; input VAT, non-current of P1,339,199; and deferred income tax assets P1,663,447 for a total assets of P100,408,094 compared to P72,995,337 total assets as of 31 December 2018.

Comparison of key financial position for the calendar year ended December 31, 2019, 2018 and 2017 are summarized in the following tables:

	December 31		
	2019	2018	2017
Current Assets	96,911,276	71,309,416	55,021,985
Non-current Assets	3,496,818	1,645,921	1,083,463
Total Assets	100,408,094	72,955,337	56,105,448
Current Liabilities	80,972,908	47,335,154	26,759,360
Non-current Liabilities	-	18,308	-
Total Liabilities	80,972,908	47,353,462	26,759,360
Deficit	(312,083,681)	(305,916,992)	(302,172,779)
Equity	19,435,186	25,601,875	29,346,088
Total Liabilities and equity	100,408,094	72,955,337	56,105,448

Likewise, the comparative increase (decrease) of financial analysis of balance sheets as of December 31, 2019, 2018 and 2017 as follows:

	December 31, 2019 vs 2018	December 31 2018 vs 2017
Current Assets	35.90%	29.60%
Non-Current Assets	112.45%	51.91%
Total Assets	37.63%	30.03%
Total Liabilities	71.00%	76.96%
Deficit	2.02%	1.24%
Equity	(24.09%)	(12.76%)

*Computed at increase (decrease) over last year divided by last year

Legal, Regulatory, and Corporate Developments

A Memorandum of Agreement between Ketton Holdings, Inc. and the previous shareholders states that any claims filed against JAS by ING following the closing date of sale, with regards to loan extended by ING to PACEMCO, shall be for the account of the previous shareholders. Accordingly, management believes that JAS's financial position and results of operations will not be significantly affected from the ultimate disposition of outstanding legal cases and claims. Further, there are no other material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of the future financial condition of JAS.

Other Relevant Information

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of JAS with unconsolidated entities or other persons created during the reporting period. Likewise, there are no material commitments for capital expenditures.

Impact of COVID-19

In early 2020, there was an outbreak of the Corona Virus Disease 2019 (COVID-19) which was declared by the World Health Organization (WHO) as a pandemic in March 2020. Due to this

outbreak, the government implemented strong measures to control the spread of the COVID-19 such as the Enhanced Community Quarantine (ECQ). These measures highly affected the economy of the Philippine market due to slow-down of the business activities.

JAS's operation is expected to be disrupted by the said measures. However, the extent of its effects could not be reasonably determined at this time.

Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Quarter Ending 31 March 2020

Plan of Operation

Due to uncertainty brought about by the COVID 19, the Company has no plan to acquire new lands for development in the next 12 months. It will instead offer auxiliary real estate services in order to augment its sources of revenue.

Management's Discussion and Analysis

JAS's key performance indicators are as follows:

- f. Current Ratio
- g. Acid-Test Ratio
- h. Net Debt to Equity Ratio
- i. Debt to Asset Ratio
- j. Asset to Equity Ratio

Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

The following are the key performance indicators of JAS in related to its financial condition:

	JAS and its Subsidiary			JPI		
	Mar 31	December 31		Mar 31	December 31	
	2020	2019	2018	2020	2019	2018
i. Current Ratio	1.13	1.20	1.51	0.95	0.97	1.07
ii. Acid-Test Ratio	0.19	0.25	1.12	0.10	0.03	0.33
iii. Debt to Equity Ratio	5.62	4.17	1.85	(39.73)	(163.37)	12.33
iv. Debt to Asset Ratio	0.85	0.81	0.65	1.05	1.01	0.92
v. Asset to Equity Ratio	6.62	5.17	2.85	(37.86)	(162.37)	13.33

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. This tells investors how a company can maximize the current assets on its balance sheets to satisfy its current debt and other payables; calculated by dividing current assets by current liabilities.

Acid-Test Ratio

The acid-test ratio provides a simple and more accurate assessment of the Company's ability to pay its current liabilities. This is calculated as cash plus accounts receivable divided by current liabilities.

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This ratio quantifies the percentage of the Company's assets that have been financed with short-term and long-term debts. This is calculated by dividing total debts by total assets.

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The asset to equity ratio shows the relationship of the total assets of the company to the portion owned by shareholders. This ratio is an indicator of the company's leverage used to finance JAS.

Financial and Operational Results

Results of Operations

Comparison of key financial performance for the calendar year-ended March 31, 2020, 2019 and 2018 are summarized in the following tables:

	March 31		
	2020	2019	2018
Sales	-	-	-
Cost of Sales	-	-	-
Gross Profit	-	-	-
Administrative Expenses	(3,126,115)	(1,813,661)	(1,791,176)
Operating Loss	(3,126,115)	(1,813,661)	(1,791,176)
Foreign Exchange Gain (Loss)	32,562	72,442	-
Interest Income	2,419	358,225	1,236
Income tax benefit	632,262	-	-
Net Loss	(2,458,872)	(1,382,994)	(1,789,940)

The Company's negative income in 1Q 2020 and 2019 is per forecast, as the company could not yet realize any revenue until 100% turnover and acceptance of the Michelia Residences project. The project is targeted to be completed only by November 2020 as approved by the Housing and Land Use Regulatory Board. As of March 31, 2020, the project is more or less 50% completed and is still on track as per project timeline. Likewise, there is no operation in year 2018.

Financial Condition

JAS's objective when managing capital are to support JAS's ability to effectively deploy capital and to protect the interest of its shareholders.

Management shall utilize the capital structure that generates the most value for shareholders and this may entail adjustments to dividends paid to shareholders, loans obtained from banks, and the issuance of new shares. Total capital being managed by JAS as its total equity as shown in the attached statement of financial position.

JAS is also currently negotiating with various investment groups to raise new capital and is also seriously considering another public offering to raise more funds for its investments and holdings. JAS continues to review projects, ventures, businesses and assets that can be included in the holdings of it of which JAS may issue shares in exchange for owning them.

As of March 31, 2020, JAS's assets consist of cash in the amount of P1,814,197; short term investment of P5,226,873; real estate held for development and sale of P55,460,417; due from related parties of P10,619,904; contract assets of P1,388,337; prepayment and other current asset of P33,502,891; property and equipment – net P465,993; intangible assets (software and licenses) – P217,411; input VAT, non-current of P1,382,560; and deferred income tax assets P2,295,709 for a total assets of P112,374,292 compared to P100,408,094 total assets as of 31 December 2019.

Comparison of key financial position for the quarter ended March 31, 2020 and calendar year-ended December 31, 2019 and 2018 are summarized in the following tables:

	March 31	December 31	
	2020	2019	2018
Current Assets	108,012,619	96,911,276	71,309,416
Non-current Assets	4,361,673	3,496,818	1,645,921
Total Assets	112,374,292	100,408,094	72,955,337
Current Liabilities	95,397,978	80,972,908	47,335,154
Non-current Liabilities	-	-	18,308
Total Liabilities	95,397,978	80,972,908	47,353,462
Deficit	(314,542,553)	(312,083,681)	(305,916,992)
Equity	16,976,314	19,435,186	25,601,875
Total Liabilities and equity	112,374,292	100,408,094	72,955,337

Likewise, the comparative increase (decrease) of financial analysis of balance sheets as of March 31, 2020, 2019 and 2018 as follows:

	March 31, 2020 vs 2019	March 31 2019 vs 2018
Current Assets	55.10%	29.76%
Non-Current Assets	155.66%	(49.33%)
Total Assets	57.50%	25.09%
Total Liabilities	102.42%	61.16%
Deficit	2.36%	1.18%
Equity	(29.90%)	(12.86%)

*Computed at increase (decrease) divided by last year

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such as the Enhanced Community Quarantine (ECQ). These measures highly affected the economy of the Philippine market due to slow-down of the business activities.

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