



## Item 1: Financial Statements

Please see that attached Interim Financial Statements of the Company as of 30 September 2021.

## Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

### 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 consolidated financial statement and JPI in relation to its financial condition as of September 30, 2021 and December 31, 2020, 2019 and 2018:

	JAS and its Subsidiary				JACKSTONES PROPERTIES INC.			
	September 30	December 31			September 30	December 31		
	2021	2020	2019	2018	2021	2020	2019	2018
<b>i. Current Ratio</b>	<b>1.10</b>	1.11	1.20	1.51	<b>1.03</b>	0.98	0.97	1.07
<b>ii. Acid-Test Ratio</b>	<b>0.29</b>	0.13	0.25	1.12	<b>0.25</b>	0.07	0.03	0.33
<b>iii. Debt to Equity Ratio</b>	<b>10.81</b>	7.57	4.17	1.85	<b>89.34</b>	(487.45)	(163.37)	12.33
<b>iv. Debt to Asset Ratio</b>	<b>0.92</b>	0.88	0.81	0.65	<b>0.99</b>	1.00	1.01	0.92
<b>v. Asset to Equity Ratio</b>	<b>11.81</b>	8.56	5.17	2.85	<b>90.34</b>	(486.45)	(162.37)	13.33

The analyses of the foregoing performance indicators are described in the financial and operational results of the Company presented in the subsequent paragraphs.

#### 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 and short-term investment 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 nine (9) month period ended September 30, 2021, 2020, 2019 and 2018 are summarized in the following tables (in Php):

	2021	2020	2019	2018
<b>Revenue</b>	<b>23,557,618</b>	5,419,377	-	-
<b>Direct cost</b>	<b>(14,823,599)</b>	-	-	-
<b>Gross Profit</b>	<b>8,734,019</b>	5,419,377	-	-
<b>Administrative Expenses</b>	<b>(9,503,889)</b>	(7,035,718)	(5,866,309)	(3,674,247)
<b>Operating Loss</b>	<b>(769,870)</b>	(1,616,341)	(5,866,309)	(3,674,247)
<b>Foreign Exchange Gain (Loss)</b>	<b>12,526</b>	88,915	(216,080)	-
<b>Finance Cost</b>	<b>(18,404)</b>	-	-	-
<b>Interest Income</b>	<b>89,179</b>	17,221	659,172	6,708
<b>Income Tax Expenses</b>	<b>(680,826)</b>	(293,468)	-	-
<b>Net Income (Loss)</b>	<b>(1,367,395)</b>	(1,803,673)	(5,423,217)	(3,667,539)

The revenue recognized in the Company's financial statements in 2021 refers to the lease agreement by and between JPI and a third-party entity of the property owned by Great Circle Holdings Inc. ("GCH"), JPI's related party under common control. JPI is assigned as the authorized representative for the real property owned by GCH situated in Taguig City for a total area of 7,847.96 square meter. The lease agreement with the third-party is for 25 months with escalation rate of 2.5% annually. The rental income recognized as of September 30, 2021 amounted to P12,329,082 (2020: P5,419,377). In addition, JPI recognized revenue from sales of Michelia Residences units amounting to P11,198,518 (2020: nil).

There is no operation in year 2018 to 2020. The significant portion of the administrative expenses of the Company pertains to salaries and benefits, repairs and maintenance, professional and consultancy fees and taxes and licenses.

### 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 September 30, 2021, JAS's consolidated assets consist of cash and cash equivalent in the amount of P38,920,152; short term investment of P5,016,981; real estate held for development and sale of P111,681,181; contract assets of P2,244,429; prepayment and other current asset of P7,852,081; property and equipment – net P3,936,114; input VAT, non-current of P1,546,298; right of use assets P464,140; and deferred income tax assets P1,545,973 for a total assets of P173,207,349 compared to P137,437,020 total assets as of 31 December 2020.

Comparison of key financial position as of September 30, 2021 and calendar year ended December 31, 2020, 2019 and 2018 are summarized in the following tables:

	September 31		December 31	
	2021	2020	2019	2018
<b>Current Assets</b>	165,714,824	124,959,674	96,911,276	71,309,416
<b>Non-current Assets</b>	7,492,525	12,477,346	3,496,818	1,645,921
<b>Total Assets</b>	173,207,349	137,437,020	100,408,094	72,955,337
<b>Current Liabilities</b>	150,508,964	112,968,440	80,972,908	47,335,154
<b>Non-current Liabilities</b>	8,027,452	8,439,252	-	18,308
<b>Total Liabilities</b>	158,536,416	121,407,692	80,972,908	47,353,462
<b>Deficit</b>	(316,847,934)	(315,489,539)	(312,083,681)	(305,916,992)
<b>Equity</b>	14,670,933	16,029,328	19,435,186	25,601,875
<b>Total Liabilities and equity</b>	173,207,349	137,437,020	100,408,094	72,955,337

The constant increase in current assets from 2018 to 2021 is primarily due to the construction and development cost of Michelia Residences. In the same matter, the increase in liabilities of the Company is from the advances from the Shareholders to finance the Company's Project.

### 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

The Company is affected by the outbreak of the Corona Virus Disease 2019 (COVID) due to economic slowdown resulting to losing of potential buyers who were interested to invest in real estate and the delay of project construction because of limited resources of materials and labor contractors when the lockdown of Metro Manila and provinces of Luzon was implemented in June 2020.

**PART II. OTHER INFORMATION**

JAS did not have any material information that was not previously reported in a report on SEC Form 17-C.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**JACKSTONES, INC.**



---

**Maximilian So Tanenglian**  
President

Date signed



---

**Maria Gracia L. Morfe**  
Accountant

Date signed

# ***Jackstones, Inc. and Subsidiary***

**Consolidated Unaudited Financial Statements  
As at September 30, 2021 and December 31, 2020  
and for each of the three months in the period ended  
September 30, 2021 and 2020**

## Jackstones, Inc. and Subsidiary

Consolidated Statements of Financial Position  
As at September 30, 2021 and December 31, 2020  
(All amounts in Philippine Peso)

	Notes	September 30, 2021	December 31, 2020
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	38,920,152	8,909,784
Short-term investment	2	5,016,981	4,982,833
Real estate held for development and sale	3	111,681,181	76,520,316
Due from related parties	7	-	254,732
Contract assets	8	2,244,429	1,417,900
Prepayments and other current assets	4	7,852,081	32,874,109
Total current assets		165,714,824	124,959,674
<b>Non-current assets</b>			
Property and equipment, net	5	3,936,114	8,427,759
Right-of-use asset, net	14	464,140	1,060,890
Input value-added tax, non-current	4	1,546,298	1,442,724
Deferred income tax assets	13	1,545,973	1,545,973
Total non-current assets		7,492,525	12,477,346
<b>Total assets</b>		<b>173,207,349</b>	<b>137,437,020</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	6	3,270,751	1,223,326
Advances from shareholders	7	131,677,769	102,977,769
Contract liabilities	8	13,969,109	7,587,810
Lease liabilities, current portion	7, 14	1,591,335	1,179,535
Total current liabilities		150,508,964	112,968,440
<b>Non-current liability</b>			
Lease liabilities, non-current portion	7, 14	-	411,800
Security deposit and advance rental	14	8,027,452	8,027,452
Total non-current liabilities		8,027,452	8,439,252
Total liabilities		158,536,416	121,407,692
<b>Equity</b>			
Share capital, net of treasury shares	1, 9	188,184,097	188,184,097
Share premium	9	143,334,770	143,334,770
Deficit		(316,847,934)	(315,489,539)
Total equity		14,670,933	16,029,328
<b>Total liabilities and equity</b>		<b>173,207,349</b>	<b>137,437,020</b>

The notes on pages 1 to 36 are integral part of these consolidated financial statements.



## Jackstones, Inc. and Subsidiary

Consolidated Statements of Total Comprehensive Income  
For each of the nine months ended September 30, 2021, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	Three months ended September 30			Nine months ended September 30		
		2021	2020	2019	2021	2020	2019
Revenue	10, 14	15,364,664	5,419,377	-	23,527,600	5,419,377	-
Cost of sales and services	11	(11,498,714)	-	-	(14,823,599)	-	-
Gross Profit		3,865,950	5,419,377	-	8,704,001	5,419,377	-
Operating expenses	12	(3,485,390)	(2,532,699)	(2,455,205)	(9,503,889)	(7,035,718)	(5,866,309)
Interest income	2	52,865	11,543	5,159	89,179	17,221	659,172
Other income		32,000	-	-	30,018	-	-
Foreign exchange gain (loss)	16	18,319	127,581	212,592	21,526	88,915	(216,080)
Profit (loss) from operations		483,744	3,025,802	(2,237,454)	(659,165)	(1,510,205)	(5,423,217)
Finance cost	7, 14	(4,625)	-	-	(18,404)	-	-
Profit (loss) before income tax		479,119	3,025,802	(2,237,454)	(677,569)	(1,510,205)	(5,423,217)
Income tax expense	13	(506,633)	(1,106,850)	-	(680,826)	(293,468)	-
(Loss) profit for the period		(27,514)	1,918,952	(2,237,454)	(1,358,395)	(1,803,673)	(5,423,217)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive (loss)							
Income for the period		(27,514)	1,918,952	(2,237,454)	(1,358,395)	(1,803,673)	(5,423,217)
Earnings (loss) per share (basic and diluted)	15	(0.0001)	0.0077	(0.0089)	(0.0054)	(0.0072)	(0.0217)

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

## Jackstones, Inc. and Subsidiary

Consolidated Statements of Changes in Equity  
For each of the nine months period ended September 30, 2021  
(All amounts in Philippine Peso)

	Share capital						Share premium	Treasury shares	Deficit	Total equity
	Authorized		Subscribed		Paid up					
	Note	No. of shares	Amount	No. of shares	Amount	Amount				
<b>Balances at January 1, 2019</b>		500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	(305,916,992)	25,601,875
<b>Comprehensive income</b>										
Loss for the period									(5,423,217)	(5,423,217)
Other comprehensive income		-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	(5,423,217)	(5,423,217)
<b>Balances at September 30, 2019</b>		500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	(311,340,209)	20,178,658
<b>Balances at January 1, 2020</b>	9	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	(312,083,681)	19,435,186
<b>Comprehensive income</b>										
Loss for the period									(1,803,673)	(1,803,673)
Other comprehensive income		-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	(1,803,673)	(1,803,673)
<b>Balances at September 30, 2020</b>		500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	(313,887,354)	17,631,513
<b>Balances at January 1, 2021</b>	9	500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	(315,489,539)	16,029,328
<b>Comprehensive income</b>										
Loss for the period									(1,358,395)	(1,358,395)
Other comprehensive income		-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	(1,358,395)	(1,358,395)
<b>Balances at September 30, 2021</b>		500,000,000	500,000,000	250,059,179	250,059,179	188,184,179	143,334,770	(82)	(316,847,934)	14,670,933

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

## Jackstones, Inc. and Subsidiary

### Consolidated Statements of Cash Flows For each of the nine months period ended September 30, 2021 (All amounts in Philippine Peso)

	Notes	Three months ended			Nine months ended		
		2021	2020	September 30 2019	2021	2020	September 30 2019
<b>Cash flows from operating activities</b>							
Profit (loss) for the period		479,119	3,025,802	(2,237,454)	(677,569)	(1,510,204)	(5,423,217)
Adjustment for:							
Depreciation expense	5	1,513,012	58,408	18,732	4,508,832	141,940	28,533
Amortization of right-of-use assets	14	198,917	-	-	596,751	-	-
Unrealized foreign exchange (gain) loss	16	(18,319)	(127,581)	(212,592)	(21,526)	(88,915)	216,080
Interest expense on lease liability	7, 14	4,625	-	-	18,404	-	-
Interest income	2	(52,865)	(11,543)	(5,159)	(89,179)	(17,221)	(659,172)
Operating income (loss) before changes in working capital		2,124,489	2,945,086	(2,436,473)	4,335,713	(1,474,400)	(5,837,776)
Decrease (increase) in assets:							
Due from related parties	7	-	(134,783)	156,226	254,732	(908,839)	13,945,420
Real estate held for development and sale	3	6,377,218	(75,000)	(12,827,101)	(35,160,865)	(10,916,412)	(32,405,111)
Contract asset	8	(496,094)	(67,562)	-	(826,529)	(687,945)	-
Prepayments and other current assets	4	892,895	(10,808,995)	(790,412)	25,022,028	(13,914,661)	(3,768,769)
Input value-added tax, non-current	4	(28,089)	-	-	(103,574)	(80,574)	(105,545)
Increase (decrease) in liabilities							
Trade payables and other liabilities	6	1,022,515	(121,335)	(832,340)	2,047,424	1,428,688	(129,499)
Deposit and other liabilities		-	1,063,085	-	-	8,027,452	-
Contract liabilities	8	(4,033,838)	(2,779,398)	11,647,945	6,381,299	352,500	11,647,945
Cash generated from (used in) operations		5,859,096	(9,978,902)	(5,082,155)	1,950,228	(18,174,191)	(16,653,335)
Interest received	2	36,500	11,543	5,159	55,031	17,221	659,172
Income tax paid		(506,633)	(293,468)	-	- (680,826)	(293,468)	-
Net cash from (cash used) in operating activities		5,388,963	(10,260,827)	(5,076,996)	1,324,433	(18,450,438)	(15,994,163)
<b>Cash flow from investing activities</b>							
Short-term investment	2	(15,718)	(136,230)	-	(34,148)	(217,411)	-
Interest received		16,365	-	-	34,148	-	-
Acquisition of intangible asset		-	-	-	-	(103,125)	-
Acquisition of property and equipment	5	-	(91,607)	(270,525)	(17,187)	(91,607)	(335,257)
Net cash used in investing activities		647	(227,837)	(270,525)	(17,187)	(412,143)	(335,257)
<b>Cash flow from financing activities</b>							
Advances from shareholders	7	4,900,000	2,500,000	6,000,000	28,700,000	17,000,000	6,000,000
Interest paid	14	(4,625)	-	-	(18,404)	-	-
Net cash provided by financing activities		4,895,375	2,500,000	6,000,000	28,681,596	17,000,000	6,000,000
Increase (decrease) in cash and cash equivalents		10,284,985	(7,988,664)	652,479	29,988,842	(1,862,581)	(10,329,420)
Cash and cash equivalents at January 1		28,616,848	11,110,132	17,444,091	8,909,784	5,022,715	28,854,662
Effect of foreign exchange changes on cash and cash equivalents	13	18,319	127,581	212,592	21,526	88,915	(216,080)
<b>Cash and cash equivalents at September 30</b>	2	38,920,152	3,249,049	18,309,162	38,920,152	3,249,049	18,309,162

The notes on pages 1 to 36 are integral part of these consolidated financial statements.

## **Jackstones, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

As at September 30, 2021 and December 31, 2020

And for for each of the three months in the period ended September 30, 2021 and 2020

(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

### **Note 1 - Business information**

#### **1.1 General information**

Jackstones, Inc. (the "Parent Company") was originally incorporated on April 22, 1964 as Pacific Cement Company, Inc. to engage in the manufacture and trading of cement and related products. In June 2000, the Securities and Exchange Commission (SEC) approved the change in primary purpose of the Company to that of a holding company and changed its corporate name to PACEMCO Holdings, Inc. (PACEMCO). Simultaneous therewith, PACEMCO spun-off its cement manufacturing and mining facility and assets to Pacific Cement Philippines, Inc. (PACEMPHIL), in exchange for 100% of the shares of stock of PACEMPHIL. This investment was subsequently sold in November 2000.

In December 2000, PACEMCO acquired 100% of the share capital of NextStage, Inc., and in June 2001, the SEC approved the merger of PACEMCO and its subsidiary, NextStage, Inc., with PACEMCO as the surviving corporation. Subsequently, the SEC also approved the change in name from PACEMCO to NextStage, Inc.

The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). As a public company, it is covered by Part I Section 2 A (i) of the Securities and Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirement under SRC Rule 68, as amended, Part II.

On April 16, 2014, the SEC approved the Company's application to change its corporate name to its present name and the extension of its corporate life for another 50 years immediately after the first 50 years from and after the date of incorporation.

On October 12, 2014, a group of individual and corporate shareholders sold their shares of stock representing 70% of the outstanding share capital of the Company to Ketton Holdings, Inc. and a group of individual investors. The sale effectively transferred control of the Parent Company to Ketton Holdings, Inc., a domestic corporation registered in the Philippine SEC, who became the ultimate controlling party, owning 54% equity interest in the Parent Company.

On March 23, 2015, the Parent Company's Board of Directors (BOD) approved the transfer of principal office from Bonifacio Technology Center, 2nd Avenue corner 31st Street, Bonifacio Global City, Taguig City to 593 Antonio Drive, Bagumbayan, Taguig City. The above resolution has been ratified by the shareholders on April 30, 2015 and approved by the SEC on July 6, 2015.

On March 10, 2017, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, approved the increase of the Parent Company's authorized share capital from P170 million divided into 170 million shares with P1 par value per share to P500 million divided into 500 million shares with P1 par value per share. This amendment was approved and ratified by the Parent Company's shareholders during the annual shareholders' meeting on June 13, 2017. The amendment was filed and approved by the SEC on February 7, 2018.

As at September 30, the Parent Company has 307 shareholders owning at least 100 shares each. Of the total shares outstanding, 20.10% were publicly held as at September 30, 2021.

## **Subsidiary information**

The Parent Company holds 100% ownership in the shares of stock of Jackstones Properties, Inc. (JPI). The Parent Company and its subsidiary are collectively referred to as the "Group".

JPI was incorporated and registered with the Philippine SEC on October 20, 2017 primarily to purchase, acquire, own, hold, use and dispose real property. The registered office address of JPI is located at 593 Antonio Drive, Bagumbayan, Taguig.

## **Status of operations**

In 2018, JPI purchased a land for future development and sale to start its commercial operations.

In 2019, JPI obtained the approval from Housing and Land Use Regulatory Board (HLURB) for the licenseto sell saleable units in the purchased land. The project has generated income in 2020.

In 2020, JPI entered into a Land Management Agreement with its related party, Great Circle HoldingsInc. which generated additional income for the subsidiary during the year.

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

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

Moreover, the shareholders continue to provide financial support to the Group to enable it to meet itsfinancial obligations when they fall due and carry out its business operations, going forward.

## **Impact of COVID-19 pandemic**

On March 17, 2020, the Philippine Government placed the entire Luzon Island under the Enhanced Community Quarantine (ECQ) due to the increasing corona virus diseases (COVID-19) cases in the country. The ECQ mandated the closure of non-essential businesses and strict home quarantine which resulted in the slowdown of the economy. Starting June 1, 2020 and as at reporting date, the Group'sprincipal place of business is under General Community Quarantine (GCQ) which limits movement and transportation but allows more businesses to operate at full capacity. Measures are implemented to protect the health and safety of Group employees, support business continuity, and manage financial impact to a minimum.

As of September 30, 2021, the construction activities of Michelia Residences is resumed and there are units that has been sold as presented in Note 3 of this financial statements.

Management is unable to reasonably estimate the financial impact of this event on its financial position, results of operation or cash flows in the next financial year due to the uncertainty of the future outcome ofthe current event. Management will continue to monitor the business developments amidst the pandemic and update the assessments made.

## **Note 2 - Cash and cash equivalents**

Cash and cash equivalent at September 30, 2021 and December 31, 2020 consist of:

	September 30, 2021	December 31, 2020
Cash on hand	2,000	2,000
Cash in banks	31,383,941	7,907,784
Cash equivalents	7,534,211	1,000,000
	38,920,152	8,909,784

Cash in banks earn interest at the respective bank deposit rates. Cash equivalent represents short-term investment with a local bank having a maturity of less than three (3) months from the date of placement and earning interest ranging from 1.75% to 1.85% for the years ended September 30, 2021 and December 31, 2020.

### *Short-term investment*

As at September 30, 2021, the Group has short-term investment amounting US\$104,341 or P5,016,981 (December 31, 2020 - US\$103,731 or P4,982,833) with a local bank having a maturity of six (6) months from the date of placement and earning interest of 0.75% (2020 - 0.75%) per annum.

Interest income earned from bank deposits and short-term investment for the period ended September 30, 2021 amounted to P27,175 (2020 - P2,422; 2019 - P504,435). Accrued interest from short-term deposits as at September 30, 2021 amounted to P7,159 (December 31, 2020 - P14,912) presented as part of prepayments and other current assets (Note 4) in the statements of financial position.

## **Note 3 - Real estate held for development and sale**

Real estate held for development and sale represent the construction of Michelia Residences, a townhouse project, in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board (HLURB) of the Philippines. This includes real estate held for sale on completed projects, cost of construction for on-going projects.

The movements in real estate held for development and sale follow:

	September 30, 2021	December 31, 2020
Balance at January 1	76,520,316	44,517,085
Additions during the year	44,997,136	35,578,465
Sold during the year	(9,836,271)	(3,575,234)
Balance	111,681,181	76,520,316

Real estate held for development and sale recognized as cost of sale for the period ended September 30, 2021 amounted to P9,836,271 (December 31, 2020: P3,575,234).

### *Critical accounting judgment: Provision for losses on real estate held for development and sale*

The Group provides for an allowance to write down real estate held for development and sale whenever the net realizable value becomes lower than cost. The allowance account is reviewed periodically.

As at September 30, 2021 and December 31, 2020, the Group has not provided any allowance for losses on real estate held for development and sale based on the assessment as described above.

#### **Note 4 - Prepayments and other current assets; Input VAT, non-current**

##### *Prepayments and other current assets*

Prepayments and other current assets as at September 30, 2021 and December 31, 2020 consist of:

	September 30, 2021	December 31, 2020
Input value-added tax (VAT)	5,952,029	7,996,625
Deposits	953,260	-
Creditable withholding taxes	834,851	899,223
Advances to employees	84,389	39,000
Restricted cash	10,000	1,991,428
Prepayments	10,393	6,600
Interest receivable	7,159	14,912
Advances to contractors	-	21,871,480
Others	-	54,841
	7,852,081	32,874,109

Advances to a contractor represent advanced payments which are settled through provision of construction services and delivery of materials. The services and materials are expected to be received within 12 months from reporting date.

Deposits pertain to water and utility deposits paid during the year related to 33 units of Michelia Residences.

Restricted cash pertains to cash held in escrow in compliance with the requirements of HLURB for a license to sell and certificate of registration. The restricted cash are refundable and will be derecognized upon completion of the townhouse project. The Group received the Certificate of Full Compliance from HLURB on February 4, 2021.

Advances to employees pertain to cash advances for operating expenses which are expected to be liquidated within 12 months from date of receipt.

Prepayments pertain to website expenses which are expected to be realized within twelve months after the reporting period.

##### *Input VAT, non-current portion*

The Group presented the input VAT related to the Parent Company amounting to P1,546,298 and (December 31, 2021 – P1,442,724), as non-current asset since the management assessed that there will be no activities that will generate revenue that are subject to VAT within the next 12 months.

The Group has identified target projects, ventures, businesses and assets that can be included in the holdings and that will generate revenue that are subject to VAT. Management assessed that it is premature to recognize an impairment of the input VAT as management's intention is to apply it against future VAT obligations.

##### *Critical accounting judgment: Recoverability of input VAT*

In determining the recoverable amount of input VAT, management considers the probability of future transactions that will be available against which the input VAT can be utilized, including adequacy of and compliance with the required documentation for anticipated tax audits in case the Group opted to file for refund with the tax authorities in the future. The Group performs an evaluation of the input VAT claims filed with the Bureau of Internal Revenue (BIR) on a continuous basis throughout the period.

Management uses judgment based on the best available facts and circumstances, including but not limited to, the adequacy of documentation, timely filing of application with the tax authority and evaluation of the individual tax credit claim's future recoverability and utilization. As of reporting date, management believes that it will be able to recover these input VAT on the following basis:

- Input VAT carried in the VAT returns does not expire and can be used against future output VAT obligations. As disclosed in Note 1, the Parent Company has identified target projects and business ventures that will generate revenues subject to VAT; and
- The Group has the option to apply for a tax refund on unused input VAT within a period of two (2) years.

#### **Note 5 - Property and equipment, net**

Property and equipment as at September 30, 2021 and December 31, 2020 consist of:

	Office equipment	Furnitures and fixtures	Leasehold improvement	Total
<b>At January 1, 2020</b>				
Cost	500,958	66,017	-	566,975
Accumulated depreciation	(68,153)	(4,650)	-	(72,803)
Net carrying value	432,805	61,367	-	494,172
<b>Year ended December 31, 2020</b>				
Opening net carrying value	432,805	61,367	-	494,172
Additions	224,811	-	11,732,313	11,957,124
Depreciation	(113,623)	(13,205)	(3,896,709)	(4,023,537)
Closing net carrying value	543,993	48,162	7,835,604	8,427,759
<b>At December 31, 2020</b>				
Cost	725,769	66,017	11,732,313	12,524,099
Accumulated depreciation	(181,776)	(17,855)	(3,896,709)	(4,096,340)
Net carrying value	543,993	(48,162)	7,835,604	8,427,759
<b>For the period ended September 30, 2021</b>				
Opening carrying value	543,993	48,162	7,835,604	8,427,759
Additions	5,714	11,473	-	17,187
Depreciation expense	(108,352)	(9,903)	(4,390,577)	(4,508,832)
Closing net carrying value	441,355	49,732	3,445,027	3,936,114
<b>At September 30, 2021</b>				
Cost	731,483	77,490	11,732,313	12,541,286
Accumulated depreciation	(290,128)	(27,758)	(8,287,286)	(8,605,172)
Net carrying value	441,355	49,732	3,445,027	3,936,114

Depreciation expense charged to profit or loss for the period ended September 30 are as follows:

	Notes	2021	2020	2019
Cost of sales and services	11	4,390,577	3,896,709	-
Operating expenses	12	118,255	199,631	9,802
		4,508,832	4,096,340	9,802



Critical estimate - Useful lives of property and equipment

The Group determines the estimated useful lives for its property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

Management has assessed that the useful lives of property and equipment are appropriate.

Critical judgment - Impairment of property and equipment

The Group likewise reviews the carrying values of property and equipment and assesses them for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management uses judgment based on available facts and circumstances, but not limited to evaluation of the future recoverability of property and equipment, in assessing whether a provision for impairment is required.

Management believes that there are no significant events or changes in circumstances which indicate that the carrying amount may not be recoverable at reporting date.

**Note 6 - Trade payables and other liabilities**

Trade payables and other liabilities at September 30, 2021 and December 31, 2020 consist of:

	September 30, 2021	December 31, 2020
Accrued expenses and other liabilities	2,731,887	628,321
Accounts payables	434,085	434,085
Payable to regulatory agency	104,779	137,401
Interest payable to a related party	-	23,519
	3,270,751	1,223,326

Trade payables are non-interest bearing and are normally settled within 30 days. Accrued expenses mainly consist of accruals for audit fee and other professional fees.

There are neither guarantees nor assets pledged to secure the Group's liabilities at September 30, 2021 and December 31, 2020.

The carrying amounts of trade payables and other liabilities approximate their fair values due to their short-term maturities.

Payable to regulatory agencies pertains to withholding taxes payable to the BIR.

## **Note 7 - Related party transactions**

The table below summarizes the Group's transactions and balances with its related parties.

	Transactions			Outstanding balance		Terms and conditions
	September 2021	September 2020	September 2019	September 2021	December 2020	
Due from <i>Entities under common control</i>	(254,732)	-	-	-	-	Due from entities under common control are related to payments made on behalf of the related parties. These are non-interest bearing, unsecured, receivable in cash and are generally collectible within one (1) year.
Land Management Agreement (Note 14) <i>Entity under common control</i>	-	-	-	1,591,335	1,591,335	Due to an entity under common control are related to Land Management Agreement with Great Circle Holdings, Inc. (note 14) These are non-interest bearing, unsecured and payable in cash.
Interest Payable (Note 6) <i>Entity under common control</i>	(23,519)	-	-	-	23,519	This pertains to the interest on lease liabilities as discussed in Note 14
Advances from <i>Shareholders</i>	28,700,000	17,000,000	6,000,000	131,677,769	102,977,769	Advances are extended for working capital requirements which are payable in cash with no fixed repayment date. These are non-interest bearing, unguaranteed and unsecured.
Key management compensation Salaries and other short-term benefits (Note 6)	1,765,920	1,755,369	1,061,152	160,287	152,211	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in cash every month. The Parent Company has not provided share-based payments, termination benefits or other long-term benefits to its key management personnel for the years ended September 30, 2021 and 2020.

In the normal course of the business, the Group receives advances from the shareholders for working capital purposes. The carrying amount of advances from shareholders approximates its fair value due to its short-term maturity.

### **Critical accounting judgment: Provision for impairment of amount due from related parties**

Provision for impairment of amount due from a related party is maintained at a level considered adequate to provide for potentially uncollectible receivables. Provision for impairment is determined using expected credit losses (ECLs). Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed low credit risk.

Expected credit losses on these balances have therefore been assessed to be insignificant as at September 30, 2021 and December 31, 2020.

### **Note 8 - Contract assets; contract liabilities**

#### *Contract assets*

The Group has recognized contract assets as at September 30, 2021 related to brokers' commission amounting to P2,244,428 (December 31, 2020 - P1,417,900). Brokers' commission pertains to the amount to be incurred in order to consummate the contract of sale for real estate properties. A portion is paid upon signing of the contract to sell and the remainder is to be paid once the deed of absolute sale has been issued to the buyer.

There are no amortization of contract assets for the period ended September 30, 2021, 2020 and 2019.

#### *Contract liabilities*

Contract liabilities consist of customer deposits and advance payments for additional improvement on bare units that have not yet been rendered. The Group will recognize the revenue as the construction is completed, which is expected to occur over the next 12 months from the reporting date.

Contract liabilities as at September 30, 2021 amounted to P13,969,109 (December 31, 2020 - P7,587,810).

#### *Critical accounting judgment: Revenue recognition*

At contract inception, the Group evaluates the following criteria before it can apply the revenue recognition model under PFRS 15: a) The parties to the contract have approved the contract and are committed to perform their obligations; b) The entity can identify each party's rights regarding the goods or services to be transferred; c) The entity can identify the payment terms for the goods or services to be transferred; d) The contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and e) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. This is relevant because customer's credit risk is an important part to determine whether a contract is valid.

If a contract with a customer does not meet the criteria, the Group shall continue to assess the contract to determine whether the criteria are subsequently met. When a contract with a customer does not meet the criteria and the Group receives consideration from the customer, the Group recognizes the consideration received as revenue only when either of the following events has occurred: a) The Group has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable; or b) The contract has been terminated and the consideration received from the customer is non-refundable.

As at March 31, 2021, no contracts with the customers have met the criteria for revenue recognition. The Group recognized the consideration received from the customers as contract liabilities and will continue to reassess if the revenue recognition criteria are subsequently met.

## **Note 9 - Equity**

### *Share capital, net of treasury shares*

Details of share capital at September 30, 2021 and December 31, 2020 are as follows:

	Shares	Amount
Common shares at P1 par value per share		
Authorized share capital	500,000,000	500,000,000
Fully paid		
Share capital issued	167,559,179	167,559,179
Treasury shares	(82)	(82)
Share capital issued and outstanding	167,559,097	167,559,097
Partially paid		
Subscribed share capital	82,500,000	82,500,000
Subscription receivable	(61,875,000)	(61,875,000)
Subscribed and paid	20,625,000	20,625,000
Share capital, net of treasury shares	188,184,097	188,184,097

Each common share confers upon a common shareholder: a) the right to vote at any shareholder's meeting or on any resolution of the shareholders; and b) the right to distribution of income under such terms and conditions as the BOD may approve. All holders of common shares shall have no pre-emptive rights to acquire new shares (including any common shares, securities convertible or exchangeable into shares, options, warrants or other rights to purchase or subscribe for shares or securities convertible or exchangeable into shares) to be issued by the Parent Company.

The Parent Company's record of registration of its securities under the Securities Regulation Code follows:

	February 7, 2018	October 27, 1967
Date of approval		
Number of shares registered	330,000,000	170,000,000
Issued/offer price	2.50	2.30

As discussed in Note 1, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, approved on March 10, 2017 the increase of the Parent Company's authorized share capital from P170,000,000 divided into 170,000,000 shares with a par value of P1.00 per share to P500,000,000 divided into 500,000,000 shares with a par value of P1.00 per share. This amendment was approved and ratified by the Parent Company's shareholders during the annual shareholders' meeting on June 13, 2017. The amendment was filed and approved by the SEC subsequently on February 7, 2018.

As at September 30, 2021 and December 31, 2020, the Company has 307 shareholders owning at least 100 shares each of the Company's common shares.

### *Share premium*

Details of share premium at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Beginning balance	113,074,880	113,074,880
Additions during the year	30,259,890	30,259,890
Ending balance	143,334,770	143,334,770

In 2013, as part of the Parent Company's equity restructuring and to improve and strengthen the financial condition of the Parent Company without affecting the present ownership, the Board of Directors approved the conversion of the Parent Company's due to related parties, advances from shareholders and deposits for future shares subscriptions aggregating to P113,074,880 to additional paid in capital on April 30, 2013. On the same date, the Parent Company's shareholders approved such conversion into equity (under share premium).

On February 7, 2018, the SEC approved the Parent Company's increase in authorized capital stock. As a result, portion of the deposit for future stock subscription was transferred to share premium amounting to P30,259,890.

*Proceeds from deposit for future stock subscription*

On July 27, 2017, the Parent Company and its parent company, Ketton Holdings, Inc., entered into a subscription agreement to subscribe to 82,500,000 new common shares at P2.50 per share or a total of P206,250,000. Cash received as initial payment for the subscribed shares amounted to P50,884,890, net of share issuance costs amounting to P677,610.

*Subscription Receivable*

Shares subscribed will be issued once the entire subscription has been fully paid. The movement in the subscribed shares and the resulting subscription receivable are as follow:

	Share capital subscribed		Share premium	Total amount
	No. of shares	Amount		
Total subscription	250,059,179	250,059,179	143,334,770	393,393,949
Subscribed and paid, gross of share issuance costs	(188,184,179)	(188,184,179)	-	(188,184,179)
Subscription receivable	61,875,000	61,875,000	143,334,770	205,209,770

**Note 10 - Revenue**

The Group's revenue from contracts with customers for the period ended September 30 are as follows:

	Note	2021	2020	2019
Sale of real property held for sale and development		11,198,518	-	-
Rental income	14	12,329,082	5,419,377	-
		23,527,600	5,419,377	-

Sale of real property held for development and sale are revenue from contracts with customers recognized over time as the related obligations are fulfilled, measured principally on basis of the estimated completion of physical proportion of the contract work.

Rental income is recognized on a straight-line basis over the lease term as provided under the terms of the lease contract.

### **Note 11 - Cost of sale and services**

Cost of sale and services for the month period end September 30, 2021 and 2020 consist of:

	Notes	Three months ended			Nine months ended		
		2021	2020	2019	2021	2020	2019
Cost of real property held for sale and development	3	9,836,271	-	-	9,836,271	-	-
Depreciation	5	1,463,526	-	-	4,390,577	-	-
Amortization of right-of-use assets	14	198,917	-	-	596,751	-	-
		11,498,714	-	-	14,823,599	-	-

Cost of real property held for development and sale includes allocated cost of land acquisition, site developmental cost, house construction cost, and other costs attributable to bringing the real estate inventories to its intended condition.

### **Note 12 - Operating expenses**

The components of administrative expenses for the three months ended September 30 are as follows:

	Three months ended			Nine months ended		
	2021	2020	2019	2021	2020	2019
Professional and consultancy fees	1,658,316	919,422	545,901	3,402,840	2,152,859	1,779,901
Salaries and other employee benefits	848,694	704,205	1,143,506	2,539,501	2,391,842	2,019,756
Taxes, licenses & regulatory fees	668,923	65,025	-	1,105,330	412,203	341,769
Repairs and maintenance	157,786	-	31,866	1,689,234	-	34,641
Depreciation expense	49,486	58,408	18,732	118,255	141,940	28,533
Advertising and promotion	-	52,311	-	81,245	52,311	-
Dues and subscription	-	6,000	-	253,000	6,000	-
Commission expense	-	677,422	503,572	-	1,495,335	503,572
Miscellaneous	102,185	49,906	211,628	314,484	383,228	1,158,137
	3,485,390	2,532,699	2,455,205	9,503,889	7,035,718	5,866,309

Taxes, licenses and regulatory fees mainly represent SEC registration fees, business permit and other local taxes.

### **Note 13- Income tax**

#### *Income tax benefit*

The components of income tax benefit as shown in statements of total comprehensive income for the year ended September 30 are as follows:

	Three months ended			Nine months ended		
	2021	2020	2019	2021	2020	2019
Current tax expense	506,633	293,468	-	680,826	293,468	-
Deferred tax benefit	-	813,382	-	-	-	-
	506,633	1,106,850	-	680,826	293,468	-

### *Deferred income tax assets*

#### *Recognized DIT asset*

Recognized DIT asset as at September 30, 2021 and December 31, 2020 consist of the tax effect of the following temporary differences:

	Note	September 30, 2021	December 31, 2020
Lease liabilities, net		159,134	159,134
Net operating loss carry over (NOLCO)	14	1,386,839	1,386,839
		1,545,973	1,545,973

In compliance with the Tax Reform Act (Act) of 1997, NOLCO for any taxable year shall be carried over as deduction from taxable income for the next three (3) consecutive taxable years immediately following the year of such loss.

Year loss was incurred	Year of expiration	December 31, 2020	Utilized during the year	September 30, 2021
2018	2021	255,772	-	255,772
2019	2022	4,367,026	-	3,924,044
		4,622,798	-	4,622,798
Tax rate		30%	25%	30%
		1,386,839	-	1,386,839

The realization of the future tax benefit related to the deferred tax asset is dependent on the Group's ability to generate future taxable income prior to the expiration of the NOLCO.

Management has considered these factors in reaching a conclusion to recognize DIT assets in the statement of financial position at September 30, 2021 and 2020.

#### *Unrecognized DIT assets*

In 2020, pursuant to Section 4 (b) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

	September 30, 2021	December 31, 2020
Net operating loss carryover (NOLCO)	4,111,692	3,233,795
Unrealized foreign exchange loss	15,501	32,395
	4,127,193	3,266,154

The Tax Reform Act of 1997 (the "Act") introduced the NOLCO benefit which can be applied against the Group's taxable income for three succeeding taxable years from the year the loss was incurred. In 2020, pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of business or enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the years of such loss.

The details of the Group's NOLCO are as follow:

Year loss was incurred	Year of expiration	December 31, 2020	Additions during the year	September 30, 2021
2018	2021	3,446,644	-	3,446,644
2019	2022	3,691,829	-	3,691,829
2020	2025	3,640,844	-	3,640,844
2021	2026	-	3,511,578	3,511,578
		10,779,317	3,511,578	14,290,895
Tax rate		30%	25%	30% / 25%
		3,233,795	877,897	4,111,692

The reconciliation between income tax expense at the statutory rate and the actual income tax benefit presented in profit or loss for the period ended September 30 are as follows:

	Three months ended September 30			Nine months ended September 30		
	2021	2020	2019	2021	2020	2019
Income (loss) before income tax	479,119	3,025,802	(2,237,454)	(677,569)	(1,510,205)	(5,423,217)
Adjustments for:						
Interest income subject to final tax	(52,865)	(11,543)	(5,159)	(89,179)	(17,221)	(659,172)
Unrecognized tax benefit on NOLCO	1,618,598	801,892	2,455,205	3,511,578	2,589,968	5,866,309
Unrealized tax benefit from unrealized foreign exchange loss	(18,319)	(127,581)	(212,592)	(21,526)	(88,915)	216,080
Nondeductible expense	-	930	-	-	4,600	-
Taxable income (loss)	2,026,533	3,689,500	-	2,723,304	978,227	-
Tax rates	25%	30%	30%	25%	30%	30%
Income tax expense (benefit)	506,633	1,106,850	-	680,826	293,468	-

#### Critical judgment- Deferred income taxes

PFRS requires the recognition of deferred income tax (DIT) assets to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Determining the realizability of DIT assets requires the estimation of profits expected to be generated from operations.

Management assessed that the Parent Company will not generate sufficient future taxable profits to realize the DIT assets.

#### **Note 14 – Lease agreement**

##### **Group as the lessee**

##### *Land Management Agreement*

In 2020, JPI and Great Circle Holdings, Inc. (GCH) entered into a Land Management Agreement granting JPI the right to maintain and utilize the property of GCH situated at 593 San Antonio Drive, Taguig Bagumbayan Industrial Park, Taguig City consisting of land and warehouses for leasing activities to third-parties or its related parties. JPI will receive the entire amount of rental income from third-parties or its related parties' lessees and in turn, pay GCH a 5% consideration, contingent on the rental income received. This is to allow JPI to recoup the costs incurred to improve the warehouses.



The agreement is for a period of two (2) years beginning May 4, 2020 until May 3, 2022, renewable upon mutual agreement of the parties. The foregoing agreement qualified as lease under PFRS 16.

Amounts recognized in the statements of financial position as at September 30 are as follows:

	September 30, 2021	December 31, 2020
Right of use asset		
Beginning of the year	1,060,890	-
Additions during the year	-	1,591,335
Amortization	(596,751)	(530,445)
	464,139	1,060,890
Lease liability		
Current	1,591,335	1,179,535
Non-current	-	411,800
	1,591,335	1,591,335

There are no cash outflow for leases for the period ended September 30, 2021 and December 31, 2020.

Amounts recognized in the statements of total comprehensive income for the period ended September 30 are as follows:

	2021	2020	2019
Amortization expense on right of use asset	596,751	530,445	-
Interest expense on lease liability	18,403	23,519	-
	617,175	553,964	-

#### *Discount rate*

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

#### *Critical estimates: Determination of incremental borrowing rate*

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to the Group and (2) security using the right-of-use assets.

#### *Critical judgment: Determination of the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Future minimum lease payments under lease liabilities and the net present value of the minimum lease payments as at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Not later than 1 year	1,646,136	1,229,521
Later than 1 year but not more than five years	-	416,615
	1,646,136	1,646,136
Future finance charges	(54,801)	(54,801)
	1,591,335	1,591,335

The present value of lease liabilities at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Not later than 1 year	1,591,335	1,179,535
Later than 1 year but not more than five years	-	411,800
	1,591,335	1,591,335

### Group as the lessor

#### *Lease agreement with a third-party lessee*

On May 4, 2020, the Group entered into a contract of lease with a third-party lessee for the property of GCH covered under the Land Management Agreement (Note 11). The lease contract is for a period of two (2) years and one (1) month beginning May 4, 2020 and terminating on June 3, 2022, unless pre-terminated or cancelled in accordance with the lease contract. The contract of lease is renewable for a period of one (1) year upon mutual agreement of the parties. An escalation of 2.5% will be effected on the rental amount on the second year of the lease.

The contract requires security deposits equivalent to three (3) months of rental amount or P3,861,306, which is refundable without interest, 90 days after the expiration of the contract or termination without prejudice to the lessor's right to deduct from the said deposit any unpaid amount due and owing to the lessor and to deduct any and all expenses which the lessor may incur as a consequence and/or result of the lessee's use of the leased premises.

The contract also requires advance rental payments equivalent to the last three (3) months of the lease period or P4,166,146. The advance rental shall apply to and be deemed payments for rentals accruing on the last three months of the lease period.

The security deposits and advance rental payments from the lessee are presented as non-current liability in the statements of financial position.

Rental income from the lease contract amounted to P8,162,936 for the year ended September 30, 2021 (2020 - P9,483,909).

The total estimated future minimum rental income on the lease of property as at September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021	December 31, 2020
Not later than 1 year	10,554,236	15,625,418
Later than 1 year but not more than five years	-	6,564,220
	10,554,236	22,189,638

**Note 15 - Earnings (loss) per share**

Loss per share (basic and diluted) was computed as follows:

	Three months ended September 30			Nine months ended September 30		
	2021	2020	2019	2021	2020	2019
Income (loss) for the period	(27,514)	1,918,952	(2,237,454)	(1,358,395)	(1,803,673)	(5,423,217)
Weighted average number of outstanding shares	250,059,097	250,059,097	250,059,097	250,059,097	250,059,097	250,059,097
Earnings (loss) per share	0.0001	0.0077	(0.0089)	(0.0054)	(0.0072)	(0.0217)

There were no potential dilutive shares as of September 30, 2021 and 2020.

**Note 16 - Foreign currency denominated monetary asset**

The Group's foreign currency denominated asset as at September 30, 2021 and 2020 pertains to its cash in bank and cash equivalent.

*As at September 30, 2021*

	US Dollar	Exchange rate as at September 30, 2021	Peso Equivalent
Cash in bank	6,227	50.959	320,861
Cash equivalent	104,341	48.082	5,016,981
	110,568		5,337,842

*As at December 31, 2020*

	US Dollar	Exchange rate as at December 31, 2020	Peso Equivalent
Cash in bank	6,224	48.04	299,001
Cash equivalent	103,731	48.04	4,983,237
	109,955		5,282,238

Foreign exchange gain (loss) for the period ended September 30 consists of:

	2021	2020	2019
Realized foreign exchange (loss) gain	-	-	-
Unrealized foreign exchange (loss) gain	21,526	88,915	(216,080)
	21,526	88,915	(216,080)

## **Note 17 - Critical accounting estimates, assumptions and judgments**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group believes the following represent a summary of these significant estimates, assumptions and judgments and their related impact and associated risks in the consolidated financial statements:

### **17.1 Critical accounting estimates**

- *Useful lives of property and equipment (Note 5)*
- *Determining incremental borrowing rate (Note 14)*

### **17.2 Critical judgments in applying the Group's accounting policies**

- *Provision for losses on land held for development and sale (Note 3)*
- *Impairment of property and equipment (Note 5)*
- *Provision for impairment of amount due from related party (Note 7)*
- *Revenue recognition (Note 8)*
- *Recoverability of DIT assets (Note 13)*
- *Determining lease term (Note 14)*

## **Note 18 - Financial risk and capital management**

### **18.1 Financial risk management**

The Group's overall risks management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

#### *Foreign exchange risk*

The Group is exposed to foreign exchange risk primarily with respect to its cash and cash equivalents maintained in U.S. Dollar. The Group's financial position and results of operations are affected by the movement in the U.S. Dollar to Philippine Peso exchange rate. Foreign exchange risk arises when recognized assets denominated in a currency that is not the entity's functional currency.

Transactions denominated in foreign currencies and related exchange rates are monitored by management in order to minimize risk based on Group's policies.

The Group's foreign denominated financial assets are presented in Note 16.

The following table demonstrates the sensitivity to a reasonably possible change in U.S. Dollar currency rates against the Philippine Peso with all variables held constant, of the Group's post-tax profit as at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
U.S. Dollar strengthened/weakened	+/-5.74%	+/-0.18%
Effect on pre-tax profit and equity	+/-117,085	+/-9,346

The sensitivity rates used represent the rates of change between the foreign currency at September 30, 2021 and 2020 and the foreign currency exchange rates determined 30 days from the reporting period, by which management is expected to realize the Group's financial assets.

### *Credit risk*

Credit risk refers to the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Group's business, could result to losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on amount due from related parties. The fair values of these financial assets approximate their net carrying amounts.

The Group has the following financial assets as at September 30, 2021 and December 31, 2020 where the expected credit loss model has been applied:

Class of financial assets	At gross amounts	Expected credit losses	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
<i>September 30, 2021</i>					
Cash and cash equivalents*	38,918,152	-	38,918,152	Performing	12-month ECL
Short-term investment	5,016,981	-	5,016,981	Performing	12-month ECL
Deposits	953,260	-	953,260	Performing	12-month ECL
Interest receivable	7,159	-	7,159	Performing	12-month ECL
Due from related parties	-	-	-	Performing	12-month ECL
Restricted cash	10,000	-	10,000	Performing	12-month ECL
<b>Total</b>	<b>44,905,552</b>	<b>-</b>	<b>44,905,552</b>		

\*Excluding cash on hand amounting to P2,000

Class of financial assets	At gross amounts	Expected credit losses	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
<i>December 31, 2020</i>					
Cash and cash equivalents*	8,907,784	-	8,907,784	Performing	12-month ECL
Short-term investment	4,982,833	-	4,982,833	Performing	12-month ECL
Interest receivable	14,912	-	14,912	Performing	12-month ECL
Due from related parties	254,732	-	254,732	Performing	12-month ECL
Restricted cash	1,991,428	-	1,991,428	Performing	12-month ECL
<b>Total</b>	<b>16,151,689</b>	<b>-</b>	<b>16,151,689</b>		

\*Excluding cash on hand amounting to P2,000

### *Cash and cash equivalents*

To minimize credit risk exposure from cash and cash equivalents and short-term investment, the Group maintains cash deposits and short-term placements in reputable banks. The Group assesses that cash and cash equivalents have low credit risk considering the bank's external credit ratings.

The Group maintains all of its cash deposits and short-term placements in banks with strong credit ratings to minimize exposure to credit risk. Amounts deposited in these banks as at September 30, 2021 and 2020 are as follows:

	September 30, 2021	December 31, 2020
Universal bank	30,803,598	8,388,602
Thrift bank	5,016,981	4,982,833
Commercial bank	590,342	519,182
	36,410,921	13,890,617

The remaining balance of cash and cash equivalents as at September 30, 2021 and 2020 amounting to P2,000 represent cash on hand, which is not exposed to credit risk (Note 2).

#### *Due from related parties*

Due from related parties are collectible on demand and therefore, expected credit losses are based on the assumption that repayment of balances outstanding are demanded at the reporting date. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, Parent Company has assessed that the outstanding balances are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

#### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. The Group manages liquidity risk by monitoring expected cash flows and seeks funding from its shareholders to meet its operating commitments.

The Group's financial liabilities as at September 30, 2021 and December 31, 2020, which are due and demandable, are as follows:

	Notes	September 30, 2021	December 31, 2020
Trade payables and other liabilities	6	3,165,972	1,085,925
Advances from shareholders	7	131,677,769	102,977,769
Security deposits	14	8,027,452	8,027,452
Lease liabilities	14	1,591,335	1,591,335
		144,462,528	113,682,481

As at September 30, 2021, trade payables and other liabilities presented above exclude amounts payable to BIR amounting to P3,872,000 (December 2020- P137,401). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

#### **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to implement business plans to make the Group profitable in the future. In order to maintain or adjust the capital structure, the Group may issue new shares. Total capital being managed by the Group as at September 30, 2021 and 2020 consists of:

	Note	2021	2020
Share capital, net of treasury shares	9	188,184,097	188,184,097
Share premium	9	143,334,770	143,334,770
Deficit		(316,847,934)	(315,489,539)
		14,670,933	16,029,328

The Group has identified target projects, ventures, businesses and assets that can be included in the holdings of the Group for which the Group may issue shares in exchange for owning them.

As discussed in Note 1, the Parent Company obtained approval from the SEC on February 7, 2018 for the Parent Company's increase in authorized capital stock amounting to P330,000,000. This enabled the Group to generate further capital infusion from its shareholders to support its business plans.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, to be held by the public.

The Parent Company has complied with the minimum public float as at September 30, 2021 and December 31, 2020.

### **Note 19 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **19.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention.

The Group is monitored as a single operating segment considering the limited transactions for three months ended September 30, 2021.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 17.

#### **Changes in accounting policies and disclosures**

##### *(a) New and amended standards adopted by the Company*

There are no standards, amendments or interpretations that are effective beginning after January 1, 2021 that are relevant to the Company.

*(b) New standards, amendments and interpretations not yet adopted*

- PAS 1: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- the definition of right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group does not expect the amendment to have a significant impact to the Group's financial statements.

- PFRS 9 Financial Instruments - Fees in 10% Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group do not expect the amendment to have a significant impact to the Group's financial statements.

There are no other relevant standards, amendments or interpretations that are effective beginning on or after January 1, 2021 that are expected to have a material impact on the Group's financial statements.

## **19.2 Consolidation**

### *Subsidiary*

Subsidiary is an entity (including structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of a subsidiary by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized is recorded as goodwill.



Inter-company transactions, balances and unrealized gains on transactions between the Parent Company and its subsidiary are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

### **19.3 Financial assets**

#### Classification

The Group classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and (b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

The Group did not hold financial assets under category (a) during and as at September 30, 2021 and December 31, 2020. The Group's financial assets are detailed in Note 18.1.

#### Recognition and subsequent measurement

The Group recognizes a financial asset in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

## Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented within operating expenses in the statement of total comprehensive income.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

### *General approach*

The Group applies the general approach to provide for ECLs on due from related parties. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### *Measurement of ECLs*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented in other gains/(losses).

## **19.4 Financial liabilities**

### Classification

The Group classifies its financial liabilities as: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities measured at amortized cost. The Group does not have any financial liabilities at fair value through profit or loss.

The Group's financial liabilities comprise of trade payables and other liabilities (Note 6), security deposits (Note 14) and advances from shareholders (Note 7) which are carried at amortized cost using the effective interest rate method. These are included in current liabilities, except for maturities greater than 12 months after the reporting date or when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

### Recognition

Other financial liabilities at amortized cost are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

### Measurement

The Group's financial liabilities are initially measured at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate method.

### Derecognition

Financial liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

## **19.5 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Group did not enter into any legally enforceable master netting agreements or other similar arrangements that would require offsetting of financial assets and liabilities as at September 30, 2021 and 2020.

## **19.6 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Group will not fulfill an obligation.

As at September 30, 2021 and December 31, 2020, the Group has no assets and liabilities measured at fair value.

#### **19.7 Cash and cash equivalent**

Cash includes cash on hand and deposits held at call with banks. Cash equivalent is a short-term, highly liquid investment that is readily convertible to known amounts of cash with original maturity of three (3) months or less from the date of placement and is subject to an insignificant risk of changes in value.

See Note 19.3 for relevant accounting policies for classification, recognition, measurement and derecognition of cash and cash equivalent.

#### **19.8 Short-term investment**

Short-term investment is a short-term, liquid investment that is convertible to known amounts of cash with original maturity more than three (3) months to less than a year from the date of placement and is subject to minimal risk of changes in value.

See Note 19.3 for relevant accounting policies for classification, recognition, measurement and derecognition of short-term investment.

#### **19.9 Real estate held for development and sale**

Real estate held for development and sale is carried at the lower of cost or net realizable value. The cost of real estate under development is determined using the inputs method. Cost includes construction and development costs of the real estate property plus other costs and expenses incurred incidental to the development of the property. Cost is further reduced by any provision for write-down. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale.

The excess of cost of real estate under development and sale over the net realizable value is recognized as write-down in profit or loss. Reversals of previously recorded write-downs are credited to profit or loss based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Real estate under development is derecognized when sold or written-off. When real estate under development is sold, the carrying amount of the asset is recognized as an expense in the period in which the related revenue is recognized.

#### **19.10 Prepayments and other current assets**

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Advances to a contractor represent advance payments to contractor which are settled through provision of construction services and delivery of materials. These are recognized at fair value, which approximate the contractor's invoice amounts, and subsequently capitalized as real estate inventories when the related services or materials are received.

Restricted cash are amounts paid by the Group in compliance with government requirements, which are refundable upon completion of the townhouse project. If part or all of a restricted cash becomes non-refundable, e.g. where no refund will be paid due to violations in the regulations, the right to receive the cash bond or part thereof is impaired, and the carrying amount is reduced and the corresponding loss is recognized in profit or loss. See Note 19.3 for relevant accounting policies for classification, recognition, measurement and derecognition of restricted cash.

Other currents assets in the form of advances to employees and advances to suppliers are recognized initially at fair value and subsequently measured at amortized cost, which normally equal its nominal amount, less provision for impairment, if any.

Prepayments and other current assets are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position either with the passage of time through use or consumption.

### **19.11 Input VAT**

Input VAT represent taxes imposed on the Group for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than twelve (12) months after the reporting date, in which these are classified as non-current assets.

### **19.12 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Capital expenditures related to a project which are partially received or incurred are classified as construction in-progress and are stated at historical cost. These are not reclassified to the other property, and equipment accounts and depreciated until such time that the relevant assets are substantially completed and ready for intended use.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives (in years), as follows:

	No. of years
Office equipment	5 years
Furniture and fixture	5 years
Leasehold Improvement	5 years or term of lease, whichever is shorter

Leasehold improvements are amortized over the estimated useful lives of the improvements or the anticipated term of the lease, whichever is shorter. Management renews its lease when the term expires.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized under other operating income (expense) in the consolidated statement of total comprehensive income.

### **19.13 Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risk specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately as other operating income in the statement of total comprehensive income.

### **19.14 Current and deferred income tax**

The income tax expense for the period normally comprises current and deferred tax. Income tax expense is recognized in profit or loss within income tax (expense) credit, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. DIT is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

DIT expense or credit is recognized for the changes in DIT assets and liabilities during the period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when DIT assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

DIT assets are derecognized when it is utilized or when it is no longer probable that future taxable profit can be utilized from the temporary deductible differences. DIT liabilities are derecognized when the temporary taxable differences have been settled.

The Group reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

#### **19.15 Trade payables and other liabilities**

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets and expenses are recognized. Trade payables and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

#### **19.16 Contract asset and contract liabilities**

Costs incurred as a result of obtaining a contract which are payable upon signing of the contract to sell and deed of absolute sale are capitalized as contract assets considering that this would not have been incurred if the contract had not been obtained. The contract asset is amortized as the related revenue from the contract is recognized.

Contract liabilities presented represent the reservation fees and advance payments for customized improvements that have not yet qualified for revenue recognition. These are classified as current liabilities and will be released to revenue when all criteria for revenue recognition are met.

As a practical expedient, the Group did not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recognize a revenue from the performance obligation in accordance with paragraph 120 of PFRS 15 since the performance obligation is part of a contract that expected to be completed within 12 months from the reporting date.

#### **19.17 Borrowings and borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.



Borrowings are classified as current liabilities unless the Firm has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Borrowing costs, not directly attributed to a qualifying asset, are recognized and charged to profit or loss in the year in which they are incurred.

Borrowings are derecognized when the obligation is settled, paid or discharged.

### **19.18 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required upon settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statement of financial position.

### **19.19 Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

### **19.20 Equity**

#### *Share capital*

Ordinary shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

#### *Share premium*

Any amount received by the Group in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Group and can be used only for purposes specified under corporate legislation.

#### *Subscriptions receivable*

Subscriptions receivable pertains to the unpaid subscription price by the shareholder.

### *Share issuance cost*

Share issuance costs incurred for the listing and offering process of the Group are recognized as deduction to share premium in accordance with PIC - Question and Answer (PIC - Q&A) 2011-04.

### *Retained earnings (deficit)*

Retained earnings (deficit) include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Appropriated retained earnings pertain to the portion of the accumulated profit from operations which are restricted or reserved for a specific purpose, such as capital expenditures for expansion projects, and approved by the Group's Board of Directors.

Unappropriated retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Group which are available for dividend declaration.

### *Treasury shares*

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity.

### *Deposit for future stock subscription*

Deposit for future stock subscriptions refers to the payment made by shareholders of the Group on subscription to the increase in the authorized capital which cannot be directly credited to capital stock issued pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock.

Under the SEC Financial Reporting Bulletin No. 6 as revised in 2017, an entity should not consider a deposit for future subscription as an equity instrument unless all of the following elements are present:

- a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- b) There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- c) There is stockholders' approval of said proposed increase; and
- d) An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

After the registration and approval of the increase in capital stock by the SEC last February 7, 2018, the amount was reclassified under share capital account and share premium account.

## **19.21 Earnings per share**

Basic earnings (loss) per share is computed by dividing profit (loss) for the year attributable to the shareholders by the weighted average number of shares outstanding during the year.

The diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares, if any. The Group has no dilutive potential ordinary shares during and at the end of each reporting period.

### **19.22 Dividend distribution**

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

### **19.23 Revenue recognition**

#### *a) Contract revenues from sale of real estate properties*

The Group develops and sells residential units. Under a contract to sell a residential unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. The Group assesses the commercial substance of the contract and the probability that it will collect the consideration.

When a contract with a customer does not meet the criteria for revenue recognition and the Group receives consideration from the customer, the Group shall recognize the consideration received as revenue only when either of the following events has occurred:

- a) The entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable; or
- b) The contract has been terminated and the consideration received from the customer is non-refundable.

The Group satisfies its performance obligation as it develops the property. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

For income taxation purposes, income from sale of real estate properties are recognized in full in the year when substantial down payment from the buyer is received following the provisions of the Tax Code. Otherwise, taxable income is based on cash collections under installment method.

#### *b) Rental income*

Rental income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Rental income is shown net of value-added tax. Any difference between the rental income determined on a straight-line basis and the actual lease payment is recognized as a rent receivable or unearned rental income as the case may be. These are included in non-current assets or liabilities, except if the remaining lease period is within one year after the reporting period, which are then classified as current assets or liabilities.

#### *c) Interest income*

Interest income is recognized when it is determined that such income will accrue to the Group and is presented net of final tax withheld by the banks.

#### *d) Other income*

All other income is recognized as earned or when the right to receive payment is established.

### **19.24 Costs and expenses**

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized: (i) on the basis of a direct association between the costs incurred and the earning of specific items of income; (ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position. Costs and expenses are presented in the profit or loss according to their function.

### **19.25 Employee benefits**

#### *Short-term benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within twelve (12) months are measured using their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve (12) months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

#### *Retirement benefit obligation*

The Group has yet to adopt a formal retirement plan for the benefit of its qualified employees. Under Republic Act (RA) 7641, otherwise known as the Retirement Pay Law, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a company, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service, a fraction of at least 6 months being considered as 1 whole year. The Group computed for the retirement benefit obligation amounting to P349,501 as at September 30, 2021 (2020 - P349,501) in accordance with the minimum requirements of RA 7641 but considered not material for recording and disclosure.

#### *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 19.26 Leases

### Group as the lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (a) *Measurement of lease liabilities*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### (b) *Measurement of right-of-use assets*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

*(c) Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*(d) Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of service tools and equipment.

**Group as the lessor**

Leases in which the Group does not transfer substantially all the risks and rights for the leased assets to the lessee are classified as operating lease. Assets leased out under operating leases are included in investment properties in the statement of financial position. Rental income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as rental income. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The Group has no finance leases during and at the end of each reporting period.

**19.27 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are prepared in Philippine Peso, which is the Group’s functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### **19.28 Related party relationships and transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### **19.29 Segment Reporting**

For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis. The Group's reportable segments are consistent with how the management internally disaggregates financial information for the purpose of making internal operating decisions and evaluating performance. Operating segments are components of the Group: (a) that engage in business activities from which these may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

### **19.30 Subsequent events**

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.