

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q, **AS AMENDED**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended 30 June 2024
2. SEC Identification Number 24986
3. BIR Tax Identification No. 000-275-073
4. Exact name of issuer as specified in its charter JACKSTONES, INC. (Formerly: NextStage, Inc.)
5. Taguig City, Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 593 Antonio Drive, Bagumbayan, Taguig City  
Address of principal office
- 1630  
Postal Code
8. **8277 9455**  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|-----------------------------------------------------------------------------|
| Common Stock        | 250,059,097                                                                 |

11. Are any or all of these securities listed on a Stock Exchange.  
 Yes [ / ]    No [ ]  
 If yes, state the name of such stock exchange and the classes of securities listed therein:  
 Philippine Stock Exchange                      167,559,179
12. Check whether the issuer:
  - (a) has filed all reports required to be filed by Section 17 of the SRC and **SRC Rule 17.1** thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);  
 Yes [ / ]                      No [ ]
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
 Yes [ ]                      No [ / ]

## PART I. FINANCIAL INFORMATION

### Item 1: Financial Statements

Please see that attached Interim Financial Statements of the Company as of 30 June 2024.

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

#### Plan of Operation

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 June 30, 2024 and December 31, 2023, 2022 and 2021:

|                           | JAS and its Subsidiary |             |      |       | JACKSTONE PROPERTY INC. |             |       |        |
|---------------------------|------------------------|-------------|------|-------|-------------------------|-------------|-------|--------|
|                           | June 30                | December 31 |      |       | June 30                 | December 31 |       |        |
|                           | 2024                   | 2023        | 2022 | 2021  | 2024                    | 2023        | 2022  | 2021   |
| i. Current Ratio          | 0.75                   | 0.95        | 1.10 | 1.10  | 0.70                    | 1.06        | 1.07  | 0.99   |
| ii. Acid-Test Ratio       | 0.52                   | 0.73        | 0.75 | 0.40  | 0.43                    | 0.75        | 0.66  | 0.28   |
| iii. Debt to Equity Ratio | 5.00                   | 4.74        | 7.29 | 12.53 | 4.58                    | 9.46        | 9.39  | 110.16 |
| iv. Debt to Asset Ratio   | 0.83                   | 0.83        | 0.88 | 0.93  | 0.82                    | 0.82        | 0.90  | 0.99   |
| v. Asset to Equity Ratio  | 6.00                   | 5.74        | 8.29 | 13.53 | 5.58                    | 11.49       | 10.39 | 111.16 |

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 six (6) months period ended June 30, 2024, 2023, 2022 and 2021 are summarized in the following tables (in Php):

|                              | 2024         | 2023        | 2022         | 2021        |
|------------------------------|--------------|-------------|--------------|-------------|
| Revenue                      | 8,967,629    | 19,705,868  | 38,491,786   | 8,162,936   |
| Direct Cost                  | (884,486)    | (9,071,990) | (32,548,753) | (3,324,885) |
| Gross Profit                 | 8,083,143    | 10,633,878  | 5,943,033    | 4,838,051   |
| Administrative Expenses      | (10,333,158) | (8,930,093) | (7,743,913)  | (6,018,503) |
| Operating Income (Loss)      | (2,250,015)  | 1,703,785   | (1,800,880)  | (1,180,452) |
| Foreign Exchange Gain (Loss) | 33,249       | (8,278)     | (77,829)     | 3,207       |
| Finance Cost                 | (2,808)      | -           | -            | (13,779)    |
| Interest Income              | 1,255,085    | 1,290,684   | 115,661      | 34,598      |
| Other Income                 | 153,318      | 7           | 42,799       | -           |
| Income Tax Benefit           | (252,876)    | (978,306)   | (135,180)    | (174,687)   |
| Net Loss                     | (1,064,047)  | 2,007,892   | (1,855,429)  | (1,331,113) |

The revenue recognized in the Company's financial statements in 2024 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 is for 25 months with escalation rate of 2.5% annually. The rental income recognized as of June 30, 2024 is amounted to P8.967 million (June 30, 2023: P8.255 million).

The negative income in 2Q 2024 resulted from increase in administrative expenses, specifically, from penalties and fines related to a BIR audit, and commission expenses from the sale of units in the previous year.

### 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 June 30, 2024, the consolidated financial statements of JAS show its assets consisting of:

- cash and cash equivalent in the amount of P83,859,866;
- investment property of P45,005,427;
- receivable of P1,811,648;
- real estate held for development and sale of 28,952,952;
- due from related parties of P18,821,964;
- contract assets of P1,669,403;
- prepayment and other current asset of P5,190,007;
- property and equipment – net P359,467;
- input VAT, non-current of P1,910,002;
- other non-current asset of P5,972,187; and
- deferred income tax assets P821,072.

Total assets as of June 30, 2024 amounted to P194,373,994 compared to P183,299,418 total assets as of June 30, 2023.

Comparison of key financial position for the three (3) months period ended June 30, 2024 and calendar year ended December 31, 2023, 2022 and 2021 are summarized in the following tables:

|                                     | June 30              | December 31   |               |               |
|-------------------------------------|----------------------|---------------|---------------|---------------|
|                                     | 2024                 | 2023          | 2022          | 2021          |
| <b>Current Assets</b>               | <b>121,483,876</b>   | 150,481,644   | 173,556,626   | 168,505,832   |
| <b>Non-current Assets</b>           | <b>72,890,118</b>    | 41,437,287    | 5,942,023     | 5,217,372     |
| <b>Total Assets</b>                 | <b>194,373,994</b>   | 191,918,931   | 179,498,649   | 173,723,204   |
| <b>Current Liabilities</b>          | <b>161,986,816</b>   | 158,467,706   | 157,846,378   | 152,857,869   |
| <b>Non-current Liabilities</b>      | <b>-</b>             | -             | -             | 8,027,452     |
| <b>Total Liabilities</b>            | <b>161,986,816</b>   | 158,467,706   | 157,846,378   | 160,885,321   |
| <b>Deficit</b>                      | <b>(299,131,689)</b> | (298,067,642) | (309,866,596) | (318,680,984) |
| <b>Equity</b>                       | <b>32,387,178</b>    | 33,451,225    | 21,652,271    | 12,837,883    |
| <b>Total Liabilities and equity</b> | <b>194,373,994</b>   | 191,918,931   | 179,498,649   | 173,723,204   |

JAS has no additional advances from shareholders during the period while the current liabilities pertain to additional customers deposit from the sale of Michelia Residence units.

Likewise, the constant increase in current assets from 2021 to 2023 is primarily due to the construction and development cost of Michelia Residences, collection proceeds from sale of house units and investments in time deposits. In the same matter, the movement in liabilities of the Company is pertains to collection of deposits from customers and reversal of deposits to revenue. The decrease in Company's current assets in 2024 was due to maturity of its time deposits which were utilized for the on-going construction of a three-story building located at Kanlaon St., Brgy. Sta. Teresita, Quezon City., which resulted in increase in the Company's noncurrent assets.

Further the increase in the Company's current liabilities is due to receipt additional customer deposits from the sale of the Michelia Residence unit and increase in accrued liabilities.

Likewise, the comparative increase (decrease) of financial analysis of balance as follows:

|                           | June 30, 2024 vs<br>December 31, 2023 | June 30, 2023 vs<br>December 31, 2022 | June 30, 2022 vs<br>December 31, 2021 |
|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Current Assets</b>     | (19.27%)                              | 2.75%                                 | (0.15%)                               |
| <b>Non-current Assets</b> | 75.90%                                | (16.32%)                              | (0.09%)                               |
| <b>Total Assets</b>       | 1.28%                                 | 2.12%                                 | (0.15%)                               |
| <b>Total Liabilities</b>  | 2.22%                                 | 1.14%                                 | 0.99%                                 |
| <b>Deficit</b>            | 0.36%                                 | (0.65%)                               | 1.42%                                 |
| <b>Equity</b>             | (3.18%)                               | 9.27%                                 | (14.45%)                              |

#### 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.

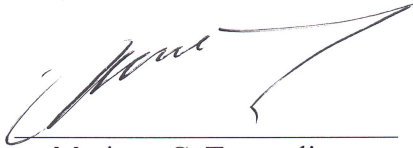
## **PART II. OTHER INFORMATION**

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

## SIGNATURES

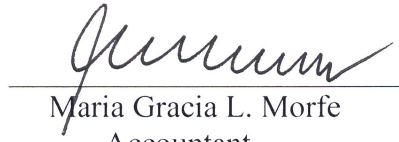
Pursuant to the requirements of the Securities Regulation Code, the issuers has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JACKSTONES, INC.



Mariano C. Tanenglian  
President

1<sup>4</sup> August 2024  
Date signed



Maria Gracia L. Morfe  
Accountant

1<sup>4</sup> August 2024  
Date signed

# Jackstones, Inc. and Subsidiary

**Consolidated Unaudited Financial Statements**

**As at June 30, 2024 and December 31, 2023 and for each of the  
three months and six months in the period ended June 30, 2024 and  
2023**

**Jackstones, Inc. and Subsidiary**

Consolidated Statements of Financial Position  
As at June 30, 2024 and December 31, 2023  
(all amounts in Philippine Peso)

|                                           | Notes | 2024               | 2023               |
|-------------------------------------------|-------|--------------------|--------------------|
| <b>Assets</b>                             |       |                    |                    |
| <b>Current assets</b>                     |       |                    |                    |
| Cash and cash equivalents                 | 2     | 83,859,866         | 115,910,196        |
| Receivables                               | 3, 9  | 1,811,648          | 66,016             |
| Real estate held for development and sale | 4     | 28,952,952         | 28,527,470         |
| Contract assets                           | 10    | 1,669,403          | 2,265,221          |
| Prepayments and other current assets      | 5     | 5,190,007          | 3,712,741          |
| Total current assets                      |       | 121,483,876        | 150,481,644        |
| <b>Non-current assets</b>                 |       |                    |                    |
| Property and equipment, net               | 6     | 359,467            | 986,340            |
| Investment property, net                  | 7     | 45,005,427         | 17,555,049         |
| Advances to a related party               | 9     | 18,821,964         | 12,471,964         |
| Right-of-use asset, net                   | 17    | -                  | 350,006            |
| Input value-added tax (VAT)               | 5     | 1,910,002          | 1,841,542          |
| Deferred tax asset                        | 16    | 821,072            | 732,869            |
| Other non-current assets                  | 5     | 5,972,186          | 7,449,517          |
| Total non-current assets                  |       | 72,890,118         | 41,437,287         |
| <b>Total assets</b>                       |       | <b>194,373,994</b> | <b>191,918,931</b> |
| <b>Liabilities and Equity</b>             |       |                    |                    |
| <b>Current liabilities</b>                |       |                    |                    |
| Trade payables and other liabilities      | 8     | 9,978,847          | 6,959,547          |
| Income tax payable                        | 16    | 1,483              | -                  |
| Advances from shareholders                | 9     | 131,677,769        | 131,677,769        |
| Contract liabilities                      | 10    | 12,836,208         | 7,854,066          |
| Lease liabilities                         | 9, 17 | 3,232,886          | 3,232,886          |
| Security deposit and advance rental       | 17    | 4,259,623          | 8,743,438          |
| Total liabilities                         |       | 161,986,816        | 158,467,706        |
| <b>Equity</b>                             |       |                    |                    |
| Share capital, net                        | 1, 11 | 188,184,179        | 188,184,179        |
| Share premium                             | 11    | 143,334,770        | 143,334,770        |
| Treasury shares                           | 11    | (82)               | (82)               |
| Deficit                                   |       | (299,131,689)      | (298,067,642)      |
| Total equity                              |       | 32,387,178         | 33,451,225         |
| <b>Total liabilities and equity</b>       |       | <b>194,373,994</b> | <b>191,918,931</b> |

The notes on pages 1 to 32 are integral part of these consolidated financial statements.

**Jackstones, Inc. and Subsidiary**

Consolidated Statements of Total Comprehensive Income  
For each of the three months and six months ended June 30, 2024 and 2023  
(All amounts in Philippine Peso)

|                                                       |       | Three months ended<br>June 30 |             | Six months ended<br>June 30 |             |
|-------------------------------------------------------|-------|-------------------------------|-------------|-----------------------------|-------------|
|                                                       | Notes | 2024                          | 2023        | 2024                        | 2023        |
| Revenue                                               | 12    | 4,483,815                     | 8,717,878   | 8,967,629                   | 19,705,868  |
| Cost of sales and services                            | 13    | (323,378)                     | (4,327,842) | (884,486)                   | (9,071,990) |
| <b>Gross profit</b>                                   |       | 4,160,437                     | 4,390,036   | 8,083,143                   | 10,633,878  |
| Operating expenses                                    | 14    | (3,793,390)                   | (3,721,333) | (10,333,158)                | (8,930,093) |
| Other income                                          | 15    | 821,869                       | 1,265,439   | 1,408,403                   | 1,290,691   |
| Foreign exchange (loss) gain, net                     | 19    | 33,216                        | 10,191      | 33,249                      | (8,278)     |
| <b>Profit (loss) from operations</b>                  |       | 1,222,132                     | 1,944,333   | (808,363)                   | 2,986,198   |
| Finance costs                                         | 9,17  | (819)                         | -           | (2,808)                     | -           |
| <b>Profit (loss) before income tax</b>                |       | 1,221,313                     | 1,944,333   | (811,171)                   | 2,986,198   |
| Income tax expense                                    | 16    | (304,391)                     | (435,521)   | (252,876)                   | (978,306)   |
| <b>Profit (loss) for the year</b>                     |       | 916,922                       | 1,508,812   | (1,064,047)                 | 2,007,892   |
| Other comprehensive income                            |       |                               |             |                             |             |
| <b>Total comprehensive income (loss) for the year</b> |       | 916,922                       | 1,508,812   | (1,064,047)                 | 2,007,892   |
| <b>Income (loss) per share (basic and diluted)</b>    | 18    | 0.0036                        | 0.0060      | (0,0042)                    | 0.0080      |

The notes on pages 1 to 32 are integral part of these consolidated financial statements.

**Jackstones, Inc. and Subsidiary**

Consolidated Statements of Changes in Equity  
For each of the six months ended June 30, 2024 and 2023  
(All amounts in Philippine Peso)

|                                                | Share Capital (Note 11) |             |                         |             | Share premium<br>(Note 11) | Treasury shares<br>(Note 11) | Deficit       | Total equity |
|------------------------------------------------|-------------------------|-------------|-------------------------|-------------|----------------------------|------------------------------|---------------|--------------|
|                                                | Subscribed              |             | Subscription receivable | Paid-in     |                            |                              |               |              |
|                                                | No. of shares           | Amount      | Amount                  | Amount      |                            |                              |               |              |
| <b>Balances at January 1, 2023</b>             | 250,059,179             | 250,059,179 | (61,875,000)            | 188,184,179 | 143,334,770                | (82)                         | (309,866,596) | 21,652,271   |
| <b>Comprehensive loss</b>                      |                         |             |                         |             |                            |                              |               |              |
| Loss for the year                              | -                       | -           | -                       | -           | -                          | -                            | 2,007,892     | 2,007,892    |
| Other comprehensive income for the year        | -                       | -           | -                       | -           | -                          | -                            | -             | -            |
| <b>Total comprehensive loss for the year</b>   | -                       | -           | -                       | -           | -                          | -                            | 2,007,892     | 2,007,892    |
| <b>Balances at June 30, 2023</b>               | 250,059,179             | 250,059,179 | (61,875,000)            | 188,184,179 | 143,334,770                | (82)                         | (307,858,704) | 23,660,163   |
| <b>Balances at Jan 1, 2024</b>                 | 250,059,179             | 250,059,179 | (61,875,000)            | 188,184,179 | 143,334,770                | (82)                         | (298,067,642) | 33,451,225   |
| <b>Comprehensive income</b>                    |                         |             |                         |             |                            |                              |               |              |
| Income for the year                            | -                       | -           | -                       | -           | -                          | -                            | (1,064,047)   | (1,064,047)  |
| Other comprehensive income for the year        | -                       | -           | -                       | -           | -                          | -                            | -             | -            |
| <b>Total comprehensive income for the year</b> | -                       | -           | -                       | -           | -                          | -                            | (1,064,047)   | (1,064,047)  |
| <b>Balances at June 30, 2024</b>               | 250,059,179             | 250,059,179 | (61,875,000)            | 188,184,179 | 143,334,770                | (82)                         | (299,131,689) | (32,387,178) |

The notes on pages 1 to 32 are integral part of these consolidated financial statements.

**Jackstones, Inc. and Subsidiary**

Consolidated Statements of Cash Flows  
For each of the three months and six months ended June 3, 2024 and 2023  
(All amounts in Philippine Peso)

|                                                                 |       | Three months ended<br>June 30 |             | Six months ended<br>June 30 |              |
|-----------------------------------------------------------------|-------|-------------------------------|-------------|-----------------------------|--------------|
|                                                                 | Notes | 2024                          | 2023        | 2024                        | 2023         |
| <b>Cash flows from operating activities</b>                     |       |                               |             |                             |              |
| Profit (loss) before income tax                                 |       | 1,221,313                     | 1,944,333   | (811,171)                   | 2,986,198    |
| Adjustment for:                                                 |       |                               |             |                             |              |
| Depreciation expense                                            | 6     | 232,792                       | 415,952     | 640,257                     | 833,599      |
| Amortization of right-of-use assets                             | 17    | 140,002                       | 133,590     | 350,006                     | 333,975      |
| Unrealized foreign exchange loss (gain)                         | 19    | (33,216)                      | (10,191)    | (33,249)                    | 8,278        |
| Interest expense on lease liability                             | 9, 17 | (819)                         | -           | (2,808)                     | -            |
| Interest income                                                 | 2     | (742,052)                     | (1,265,439) | (1,255,085)                 | (1,290,684)  |
| Other Income                                                    | 3     | (74,164)                      | -           | (74,164)                    | -            |
| Operating income before changes in assets and liabilities       |       | 743,857                       | 1,218,245   | (1,186,214)                 | 2,871,366    |
| (Increase) decrease in:                                         |       |                               |             |                             |              |
| Due to related parties                                          |       | -                             | (57,532)    | -                           | (74,256)     |
| Receivables                                                     | 3, 9  | (1,675,674)                   | 1,352,262   | (1,745,632)                 | 4,048,792    |
| Real estate held for development and sale                       | 4     | (220,720)                     | 3,483,535   | (425,482)                   | 6,361,644    |
| Contract asset                                                  | 10    | (5,000)                       | 158,156     | 595,818                     | (32,114)     |
| Prepayments and other current assets                            | 5     | (342,620)                     | (4,233,926) | (3,106,227)                 | (5,093,659)  |
| Input value-added tax, non-current                              | 5     | (6,659)                       | (54,433)    | (68,460)                    | (114,188)    |
| (Decrease) increase in:                                         |       |                               |             |                             |              |
| Trade payables and other liabilities                            | 8     | (260,046)                     | 493,036     | 3,023,590                   | (240,647)    |
| Contract liabilities                                            | 10    | 2,027,900                     | 1,312,669   | 4,982,141                   | 1,405,314    |
| Security deposit and advance rental                             | 17    | (3,559,091)                   | 629,869     | (5,053,695)                 | 629,869      |
| Net cash generated from operations                              |       | (3,298,053)                   | 4,301,881   | (2,984,161)                 | 9,762,121    |
| Interest received                                               | 2     | 742,052                       | 697,232     | 1,255,086                   | 721,627      |
| Income taxes paid                                               | 16    | (339,596)                     | (470,578)   | (341,079)                   | (1,063,459)  |
| Net cash generated from operating activities                    |       | (2,895,598)                   | 4,528,535   | (2,070,154)                 | 9,420,289    |
| <b>Cash flow from investing activities</b>                      |       |                               |             |                             |              |
| Acquisition of short-term investment                            | 2     | -                             | -           | -                           | (28,619,196) |
| Proceeds from short term investments                            | 2     | -                             | 1,226,061   | -                           | 19,398,721   |
| Acquisition of property and equipment                           | 6     | -                             | -           | (13,384)                    | -            |
| Acquisition of investment property                              | 7     | (8,478,034)                   | -           | (27,450,378)                | -            |
| Advances to contractor                                          | 5     | 1,207,307                     | -           | 3,726,173                   | -            |
| Advances made to a related party                                | 9     | 3,450,000                     | -           | (6,350,000)                 | -            |
| Interest received                                               |       | -                             | 568,207     | -                           | 569,057      |
| Loan to third party                                             | 3     | (8,000,000)                   | -           | (8,000,000)                 | -            |
| Proceeds from payment of short-term loan                        | 3     | 8,000,000                     | -           | 8,000,000                   | -            |
| Other income                                                    | 3     | 74,164                        | -           | 74,164                      | -            |
| Net cash used in investing activities                           |       | (3,746,563)                   | 1,794,268   | (30,013,425)                | (8,651,418)  |
| <b>Net increase in cash</b>                                     |       | (6,642,161)                   | 6,322,803   | (32,083,579)                | 768,871      |
| Cash and cash equivalents at January 1                          |       | 90,468,811                    | 89,723,734  | 115,910,196                 | 95,296,135   |
| Effect of foreign exchange changes on cash and cash equivalents | 19    | 33,216                        | 10,191      | 33,249                      | (8,278)      |
| <b>Cash and cash equivalents at June 30</b>                     | 2     | 83,859,866                    | 96,056,728  | 83,859,866                  | 96,056,728   |

The notes on pages 1 to 32 are integral part of these consolidated financial statements.

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

Notes to the Consolidated Financial Statements

As at June 30, 2024 and December 31, 2023

(All amounts are shown in Philippine Peso, unless otherwise stated)

### **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) (b) of the Revised Securities and Regulation Code (SRC) Rule 68 and also covered by additional requirement under the Revised SRC Rule 68, Part II.

On April 16, 2014, the SEC approved the Parent 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 Parent 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 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.

The Parent Company's registered office, which is also its principal place of business is located at 593 Antonio Drive, Bagumbayan, Taguig City.

As at June 30, 2024, the Company has 307 shareholders (2023 - 307) owning at least 100 shares each. Of the total shares outstanding, 20.77% were publicly held as at June 30, 2024 (2023 - 20.77%).

#### **1.2 Subsidiary information**

The Parent Company holds 100% ownership in the shares of stock of Jackstones Properties, Inc. (the "Subsidiary" or "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.

### 1.3 Status of operations

In 2018, JPI purchased a land for future development and sale to start its commercial operations. In 2020, JPI obtained the approval from Housing and Land Use Regulatory Board (HLURB) for the license to sell saleable units in the purchased land. The project has generated income in 2024 and 2023.

In 2021, JPI entered into a Land Management Agreement with its related party, Great Circle Holdings Inc. which generated additional income for the subsidiary during the year (Note 8). In 2022, the agreement was renewed effective up to 2023. In 2023, the agreement was renewed with a term of two (2) years and shall be extended based on mutual agreement by both Parties before the end of each term.

In 2022, JPI entered into another Land Management Agreement with its related party, Bluebell Properties and Holding Corporation to generate additional income for the subsidiary. This agreement shall have a term of eight (8) years and shall be extended based on mutual agreement by both Parties before the end of each term.

The Parent Company 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 Parent Company continues to review projects, ventures, businesses and assets that can be included in the holdings of the Parent 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 its financial obligations when they fall due and carry out its business operations, going forward.

## 2 Cash and cash equivalents; short-term investments

### *Cash and cash equivalents*

Cash and cash equivalents as at June 30, 2024 and December 31, 2023 consist of:

|                  | 2024       | 2023        |
|------------------|------------|-------------|
| Cash on hand     | 4,000      | 4,000       |
| Cash in banks    | 3,488,272  | 89,494,154  |
| Cash equivalents | 80,367,594 | 26,412,042  |
|                  | 83,859,866 | 115,910,196 |

Cash in banks earn interest at the respective bank deposit rate. Cash equivalents represent short-term time deposits with local bank having maturity of less than three (3) months from the date of placement and earning interest ranging from 3.2% to 4% per annum.

As at June 30, 2024, the Group has time deposits with a local bank amounting to P80,367,594 (2023 – P26,412,042) having a maturity of thirty-five (35) days from the date of placement and earning interest of 0.625% per annum (2022 - nil).

### *Short-term investments*

As at June 30, 2024, the Company has short-term investment with a local bank amounting to nil (2023 – nil) having a maturity of 91 days from the date of placement and earning interest of 4% per annum.

Movement of short-term investments were as follows:

|                         | 2024 | 2023         |
|-------------------------|------|--------------|
| Beginning               | -    | 19,398,721   |
| Matured during the year | -    | (19,398,721) |
|                         | -    | -            |

Interest income earned from bank deposits, cash equivalents and short-term investments for the period ended June 30, 2024 amounted to P1,255,085 (2023 – P1,290,684) (Note 15).

### 3 Receivables

Receivables as at June 30, 2024 and December 31, 2023 consist of:

|               | Note | 2024      | 2023   |
|---------------|------|-----------|--------|
| Receivables   |      |           |        |
| Third party   | 9    | 1,599,227 | -      |
| Related party |      | 212,421   | 66,016 |
|               |      | 1,811,648 | 66,016 |

Third party receivables pertain to amounts due from leasing activity in the ordinary course of business. These are generally due for settlement within 120 days and therefore all are classified as current. Trade receivables are fully performing.

The receivables are non-interest bearing, and to be settled in cash. None of the trade receivables of the Group have been pledged as security for credit facilities.

### 4 Real estate held for development and sale

Real estate held for development and sale represent the construction of Michelia Residences (Note 1), a townhouse project, in which JPI has been granted license to sell by the Housing and Land Use Regulatory Board (HLURB) of the Philippines. In 2024 and 2023, these include real estate held for sale on completed projects.

The movements in real estate held for development and sale for the period ended June 30, 2024 and December 31, 2023 follows:

|                           | Note | 2024       | 2023         |
|---------------------------|------|------------|--------------|
| Balance at January 1      |      | 28,527,470 | 48,409,188   |
| Additions during the year |      | 425,482    | 1,934,761    |
| Charged to cost of sales  | 13   | -          | (21,816,479) |
| Balance at December 31    |      | 28,952,952 | 28,527,470   |

*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 June 30, 2024 and December 31, 2023, the Group has assessed that there is no need to provide any allowance for losses on land held for development and sale.

*Critical accounting estimate: Evaluation of net realizable value (NRV) of real estate held for development and sale*

The Group adjusts the cost to net realizable value based on its assessment of the recoverability of the real estate held for development and sale. NRV for completed real estate held for development and sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In evaluating NRV, recent market conditions and current market prices have been considered.

### 5 Prepayments and other current assets; Input VAT, non-current

Prepayments and other current assets as at June 30, 2024 and December 31, 2023 consist of:

|                                   | 2024      | 2023      |
|-----------------------------------|-----------|-----------|
| Input value-added tax (VAT)       | 2,842,139 | 59,225    |
| Creditable withholding taxes      | 1,679,074 | 1,614,571 |
| Advances to employees and officer | 644,140   | 395,100   |
| Advances to contractor            | 9,772     | 1,628,963 |
| Others                            | 14,882    | 14,882    |
|                                   | 5,190,007 | 3,712,741 |

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.

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

Deposits pertain to non-interest-bearing guarantee deposits made by the Group for electricity and water service, which is expected to be collected within 12 months from reporting date.

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

The Group presented the input VAT related to the Parent Company amounting to P1,910,002, as at June 30, 2024(2023 - P1,841,542) 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.

#### *Loans*

In March 2024, the Company provided short-term loan to third party amounting to P8,000,000, subject to 4.15% per annum. The loan was fully paid in June 2024. Interest income earned from the loan for the month ended June 30, 2024, amounted to P74,164 (2023: nil), presented under "Other income" in the Statements of Comprehensive Income.

#### *Other non-current assets*

As at June 30, 2024, other non-current assets amounting to P5,972,186 (2023: P7,499,517) consist of advances to contractor amounting to P4,449,046 (2023 – P6,546,257) and deposits made by the Group for electricity and water service amounting to P1,523,140 (2023 - P953,260) which are expected to be utilized or collected beyond 12 months from reporting date.

#### *Critical accounting judgment: Recoverability of input VAT and creditable withholding taxes*

In determining the recoverable amount of input VAT and creditable withholding taxes, management considers the probability of future transactions that will be available against which the input VAT and creditable withholding taxes can be utilized, including adequacy of and compliance with the required documentation for anticipated tax audits in case the entities within the Group opted to file for refund with the tax authorities in the future.

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 and creditable withholding taxes on the following basis:

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

## 6 Property and equipment, net

Property and equipment as at June 30, 2024 and December 31, 2023 consist of:

|                                             | Furniture and<br>fixtures | Office<br>equipment | Leasehold<br>improvements | Total          |
|---------------------------------------------|---------------------------|---------------------|---------------------------|----------------|
| <b>At January 1, 2023</b>                   |                           |                     |                           |                |
| Cost                                        | 114,811                   | 819,495             | 14,692,134                | 15,626,440     |
| Accumulated depreciation                    | (49,613)                  | (481,404)           | (12,657,845)              | (13,188,862)   |
| Net carrying value                          | 65,198                    | 338,091             | 2,034,289                 | 2,437,578      |
| <b>For the year ended December 31, 2023</b> |                           |                     |                           |                |
| Opening net carrying value                  | 65,198                    | 338,091             | 2,034,289                 | 2,437,578      |
| Additions                                   | 10,268                    | 201,232             | -                         | 211,500        |
| Depreciation                                | (22,100)                  | (160,950)           | (1,479,688)               | (1,662,738)    |
| Closing net carrying value                  | 53,366                    | 378,373             | 554,601                   | 986,340        |
| <b>At December 31, 2023</b>                 |                           |                     |                           |                |
| Cost                                        | 125,079                   | 1,020,727           | 14,692,134                | 15,837,940     |
| Accumulated depreciation                    | (71,713)                  | (642,354)           | (14,137,533)              | (14,851,600)   |
| Net carrying value                          | 53,366                    | 378,373             | 554,601                   | 986,340        |
| <b>For the period ended June 30, 2024</b>   |                           |                     |                           |                |
| Opening net carrying value                  | 53,366                    | 378,373             | 554,601                   | 986,340        |
| Additions                                   | -                         | 13,384              | -                         | 13,384         |
| Depreciation                                | (10,861)                  | (94,916)            | (534,480)                 | (640,257)      |
| Closing net carrying value                  | 42,505                    | 296,841             | 20,121                    | 359,467        |
| <b>At June 30, 2024</b>                     |                           |                     |                           |                |
| Cost                                        | 125,079                   | 1,034,111           | 14,692,134                | 15,837,940     |
| Accumulated depreciation                    | (82,574)                  | (737,270)           | (14,672,013)              | (15,478,473)   |
| <b>Net carrying value</b>                   | <b>42,505</b>             | <b>296,841</b>      | <b>20,121</b>             | <b>359,467</b> |

Depreciation expense charged to profit or loss for the three months ended June 30 are as follows:

|                            | Notes | Three months ended<br>June 30 |         | Six months ended<br>June 30 |         |
|----------------------------|-------|-------------------------------|---------|-----------------------------|---------|
|                            |       | 2024                          | 2023    | 2024                        | 2023    |
| Cost of sales and services | 13    | 179,904                       | 372,992 | 534,480                     | 745,983 |
| Operating expenses         | 14    | 52,888                        | 42,960  | 105,777                     | 87,616  |
|                            |       | 232,792                       | 415,952 | 640,257                     | 833,599 |

### *Critical accounting 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 accounting 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.

## 7 Investment property, net

Investment property pertains to an on-going construction of a three-storey building located at Kanlaon St., Brgy. Sta. Teresita, Quezon City, for the purpose of leasing upon completion of the project.

The movements in investment property for the period ended June 30, 2024 and December 31, 2023 are as follows

|                           | Note | 2024       | 2023       |
|---------------------------|------|------------|------------|
| Beginning of the year     |      | 17,555,049 | 17,555,049 |
| Additions during the year | 9    | 27,450,378 | -          |
| End of the year           |      | 45,005,427 | 17,555,049 |

The carrying amount of construction in progress as at June 30, 2024 and December 31, 2023 approximates their fair values considering that they represent the costs necessary to construct the properties at current market prices. This is a level 3 fair value measurement, with any changes in the current prices of goods or services necessary to construct the properties directly affecting the fair values of investment properties as at reporting dates.

## 8 Trade payables and other liabilities

Trade payables and other liabilities as at June 30, 2024 and December 31, 2023 consist of:

|                                        | Note | 2024      | 2023      |
|----------------------------------------|------|-----------|-----------|
| Trade payables                         |      | 434,085   | 434,085   |
| Accrued expenses and other liabilities |      | 7,640,213 | 4,846,453 |
| Due to a related party                 | 9    | 893,044   | 890,236   |
| Advances from customers                |      | 377,778   | 377,778   |
| Payable to regulatory agency           |      | 633,727   | 410,995   |
|                                        |      | 9,978,847 | 6,959,547 |

Accrued expenses and other payables mainly consist of accruals for security and janitorial services, audit fee and other professional fees to consultants.

Trade payables are non-interest bearing and are normally settled within 30 days.

Advances from customers consist of deposits for utilities to be remitted to Homeowners Association (HOA) once the related property has been turned over to the buyer.

Accrued expenses and other payables mainly consist of accruals for security and janitorial services, audit fee and other professional fees to consultants.

There are neither guarantees nor assets pledged to secure the Group's liabilities at June 30, 2024 and December 31, 2023.

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

## 9 Related party transactions and balances

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

|                                                                                             | Transactions |           |           | Due from (due to) |               | Terms and conditions                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------|--------------|-----------|-----------|-------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                             | June 2024    | June 2023 | Dec 2023  | June 2024         | Dec 2023      |                                                                                                                                                                                                                                                                                                                                                                                     |
| Receivables<br><i>Entity under common control (Note 3)</i>                                  |              |           |           |                   |               | Receivable from an entity under common control are related to payments made on behalf of Great Circle Holdings Inc. (GCH). These are non-interest bearing, unsecured, collectible in cash and on demand.                                                                                                                                                                            |
|                                                                                             | 212,421      | 74,256    | 66,016    | 212,421           | 66,016        |                                                                                                                                                                                                                                                                                                                                                                                     |
| Advances to<br><i>Entity under common control</i>                                           |              |           |           |                   |               | Advances to an entity under common control are related to advances made to Ketton Property Management and Consultancy (KPMC) as the Group's property manager on its investment property under construction. There are no fixed repayment terms and these are non-interest bearing.                                                                                                  |
|                                                                                             | 6,350,000    | -         | -         | 18,821,964        | 12,471,964    |                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                             | 6,562,421    | 74,256    | -         | 19,034,385        | 12,537,980    |                                                                                                                                                                                                                                                                                                                                                                                     |
| Land management agreement (Lease liability) (Note 17)<br><i>Entity under common control</i> | 840,012      | 840,012   | 840,012   | (3,232,886)       | (3,232,886)   | Due to an entity under common control are related to Land Management Agreement with GCH (Note 17). These are non-interest bearing, unsecured and payable in cash.                                                                                                                                                                                                                   |
| Interest on lease (Note 17)<br><i>Entity under common control</i>                           | 2,808        | -         | 11,785    | (68,283)          | (65,475)      | This pertains to the interest on lease liabilities as discussed in Note 17.                                                                                                                                                                                                                                                                                                         |
| Contingent rent fees (Note 17)<br><i>Entity under common control</i>                        | -            | -         | -         | (824,761)         | (824,761)     | This pertains to contingent fee in relation to the land management agreement with GCH as discussed in Note 17. These are non-interest bearing, unsecured, payable in cash and on demand.                                                                                                                                                                                            |
|                                                                                             | 2,808        | -         | 11,785    | (893,044)         | (890,236)     |                                                                                                                                                                                                                                                                                                                                                                                     |
| Advances from<br><i>Shareholders</i>                                                        | -            | -         | -         | (131,677,769)     | (131,677,769) | 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 14)              | 2,702,490    | 5,028,376 | 5,098,147 | (160,287)         | (160,287)     | 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 June 30, 2024 and 2023, and December 31, 2023. |

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. The following related party balances as at June 30, 2024 and December 31, 2023 were eliminated for the purpose of preparing the consolidated statements of financial position:

The following related party balances as at June 30, 2024 and December 31, 2023 were eliminated for the purpose of preparing the consolidated statements of financial position:

|                                 | 2024        | 2023        |
|---------------------------------|-------------|-------------|
| Due from subsidiary             | 106,435,732 | 106,435,732 |
| Advances from Parent Company    | 106,435,732 | 106,435,732 |
| Investment in subsidiary        | 3,326,994   | 3,326,994   |
| Share capital of the subsidiary | 3,125,000   | 3,125,000   |

There were no related party transactions identified to be eliminated for the purpose of preparing the consolidated statements of total comprehensive income of the Group as at June 30, 2024 and December 31, 2023.

## 10 Contract assets; contract liabilities

### *Contract assets*

The Group incurs brokers' commission for each contract to sell that was successfully referred by the broker. A portion of the commission is paid upon signing of the contract to sell, and the remaining portion is paid upon issuance of the deed of absolute sale to the buyer.

The amount of brokers' commission paid by the Group is recognized as contract assets. Contract assets will be charged to "commission expense" when revenue recognition is met for each customer contract.

The movements in contract assets for the period ended June 30, 2024 and December 31, 2023 are as follow:

|                                     | Note | 2024        | 2023        |
|-------------------------------------|------|-------------|-------------|
| Beginning of the year               |      | 2,265,221   | 1,586,549   |
| Additions during the year           |      | 1,123,195   | 2,040,051   |
| Charged to expenses during the year | 14   | (1,719,013) | (1,361,379) |
| End of the year                     |      | 1,669,403   | 2,265,221   |

### *Contract liabilities*

Contract liabilities consist of customer deposits and advance payments for additional improvement on bare units which have not been completed as at June 30, 2024 and December 31, 2023. A portion of the contract liabilities are refundable if the customers will exercise their right to a refund based on the contract terms and applicable laws in the Philippines. The Group will recognize the revenue as the construction is completed and the collectability of the consideration is certain, which is expected to occur over the next 12 months from the reporting date.

The movements in contract liabilities for the period ended June 30, 2024 and December 31, 2023 are as follows:

|                                       | Note | 2024       | 2023         |
|---------------------------------------|------|------------|--------------|
| Beginning of the year                 |      | 7,854,066  | 8,006,733    |
| Additions during the year             |      | 4,982,140  | 33,881,582   |
| Recognized as revenue during the year | 12   | -          | (34,034,249) |
| End of the year                       |      | 12,836,206 | 7,854,066    |

### *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.

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 June 30, 2024 and December 31, 2023, the Group recognized the consideration received from the customers as contract liabilities and will continue to assess if the revenue recognition criteria are subsequently met.

## 11 Equity

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

Details of share capital as at June 30, 2024 and December 31, 2023 are as follows:

|                                           | Note | Shares       | Amount       |
|-------------------------------------------|------|--------------|--------------|
| Common shares at P1 par value per share   |      |              |              |
| Authorized share capital                  | 1    | 500,000,000  | 500,000,000  |
| Subscribed and issued                     |      |              |              |
| Share capital issued                      |      | 167,559,179  | 167,559,179  |
| Treasury shares                           |      | (82)         | (82)         |
| Share capital issued and outstanding, net |      | 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                        |      | 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:

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

### *Share premium*

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 P112,397,270 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 Parent Company received a subscription payment from stockholders resulting to share premium amounting to P30,937,500.

As at June 30, 2024 and December 31, 2023, share premium amounted to P143,334,770.

## Subscription receivable

Details of the subscribed shares and subscription receivable as at June 30, 2024 and December 31, 2023 are as follows:

|                                                    | Share capital subscribed |              | Share premium | Total amount |
|----------------------------------------------------|--------------------------|--------------|---------------|--------------|
|                                                    | No. of shares            | Amount       |               |              |
| Total subscription                                 | 82,500,000               | 82,500,000   | 123,750,000   | 206,250,000  |
| Subscribed and paid, gross of share issuance costs | (20,625,000)             | (20,625,000) | (30,937,500)  | (51,562,500) |
| Subscription receivable                            | 61,875,000               | 61,875,000   | 92,812,500    | 154,687,500  |

## 12 Revenue

The Group's revenue from contracts with customers for the three months and six months ended June 30 are as follows:

|                                                     | Note | Three months ended<br>June 30 |           | Six months ended<br>June 30 |            |
|-----------------------------------------------------|------|-------------------------------|-----------|-----------------------------|------------|
|                                                     |      | 2024                          | 2023      | 2024                        | 2023       |
| Sale of real property held for development and sale |      | -                             | 4,518,750 | -                           | 11,449,956 |
| Rental income                                       | 17   | 4,483,815                     | 4,199,128 | 8,967,629                   | 8,255,912  |
|                                                     |      | 4,483,815                     | 8,717,878 | 8,967,629                   | 19,705,868 |

## 13 Cost of sale and services

Cost of sale and services for three months and six months ended June 30 consist of:

|                                                     | Notes | Three months ended<br>June 30 |           | Six months ended<br>June 30 |           |
|-----------------------------------------------------|-------|-------------------------------|-----------|-----------------------------|-----------|
|                                                     |       | 2024                          | 2023      | 2024                        | 2023      |
| Cost of real property held for development and sale | 4     | -                             | 3,821,260 | -                           | 7,992,032 |
| Cost of services                                    |       |                               |           |                             |           |
| Depreciation                                        | 6     | 183,376                       | 372,992   | 534,480                     | 745,983   |
| Amortization of right-of-use asset                  | 17    | 140,002                       | 133,590   | 350,006                     | 333,975   |
|                                                     |       | 323,378                       | 4,327,842 | 884,486                     | 9,071,990 |

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.

## 14 Operating expenses

The components of operating expenses for the three months and six months ended June 30 are as follows:

|                                      | Notes | Three months ended<br>June 30 |           | Six months ended<br>June 30 |           |
|--------------------------------------|-------|-------------------------------|-----------|-----------------------------|-----------|
|                                      |       | 2024                          | 2023      | 2024                        | 2023      |
| Salaries and other employee benefits | 9     | 2,189,906                     | 2,191,240 | 4,309,368                   | 4,438,529 |
| Professional and consultancy fees    |       | 272,000                       | 851,628   | 1,596,560                   | 1,322,472 |
| Commission                           | 10    | -                             | 225,937   | 1,719,013                   | 542,718   |
| Taxes, licenses and regulatory fees  |       | 80,230                        | 312       | 738,979                     | 1,492,550 |
| Repairs and maintenance              |       | -                             | (64,411)  | 316,541                     | 90,371    |
| Meeting                              |       | -                             | 137,198   | 271,903                     | 225,537   |
| Depreciation                         | 6     | 52,888                        | 42,960    | 105,775                     | 87,616    |
| Transportation                       |       | 4,230                         | 48,480    | 6,727                       | 51,577    |
| Office supplies                      |       | -                             | -         | 4,599                       | 5,126     |
| Agency fee                           |       | 250,000                       | -         | -                           | -         |
| Miscellaneous                        |       | 944,136                       | 287,989   | 1,263,693                   | 673,597   |
|                                      |       | 3,793,390                     | 3,721,333 | 10,333,158                  | 8,930,093 |

Miscellaneous expense mainly pertains to advertising and promotion, penalties and fines, bank charges, representation and web/internet expenses.

## 15 Other income

The components of other income for the three months and six months ended June 30 are as follows:

|                 | Note | Three months ended<br>June 30 |           | Six months ended<br>June 30 |           |
|-----------------|------|-------------------------------|-----------|-----------------------------|-----------|
|                 |      | 2024                          | 2023      | 2024                        | 2023      |
| Interest income | 2    | 742,052                       | 1,265,439 | 1,255,085                   | 1,290,684 |
| Other income    |      | 79,816                        | -         | 153,318                     | 7         |
|                 |      | 821,869                       | 1,265,439 | 1,408,403                   | 1,290,691 |

In 2024 and 2023, other income pertains to scrap sales, forfeited customer reservation fees, developer's incentives and interest earned from loan to third party.

## 16 Income tax

On March 26, 2021, RA No. 11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include reduced Corporate Income Tax (CIT) rate from 30% to 25% effective July 1, 2020 and temporary Minimum Corporate Income Tax (MCIT) rate from 2% to 1% from July 1, 2020 to June 30, 2023, 2% from July 1, 2023 onwards

The components of income tax expense as shown in statements of total comprehensive income for the three months and six months ended June 30 are as follows:

|                                | Three months ended<br>June 30 |          | Six months ended<br>June 30 |           |
|--------------------------------|-------------------------------|----------|-----------------------------|-----------|
|                                | 2024                          | 2023     | 2024                        | 2023      |
| Current tax expense            | 339,596                       | 468,919  | 341,079                     | 1,061,800 |
| Deferred tax (benefit) expense | (35,205)                      | (33,398) | (88,203)                    | (83,494)  |
|                                | 304,391                       | 435,521  | 252,876                     | 978,306   |

### Deferred income tax assets

The Group has a total deferred income tax (DIT) asset for the year ended June 30, 2024 amounting to P5,516,434 (2023 - P4,889,923), of which P819,412 and 1,659 (2023 - P731,210 and P1,659) related to JPI and Parent, respectively, was recognized. Deferred tax asset of P4,793,536 (2023 - P4,157,054) related to the Parent Company was unrecognized.

### Recognized DIT asset

Recognized DIT asset as at June 30, 2024 and December 31, 2023 consist of the tax effect of the following temporary differences:

|                           | 2024    | 2023     |
|---------------------------|---------|----------|
| <i>Recognized by JPI</i>  |         |          |
| Right of use assets       | -       | (87,502) |
| Lease liabilities         | 808,222 | 808,222  |
| Interest payable on lease | 11,191  | 10,490   |
|                           | 819,413 | 731,210  |
| <i>Recognized by JAS</i>  |         |          |
| Excess of MCIT over RCIT  | 1,659   | 1,659    |
|                           | 821,072 | 732,869  |

In compliance with the tax regulations, the Group shall pay the greater of MCIT and Regular Corporate Income Tax (RCIT), starting 2021. Any excess of MCIT over the RCIT shall be carried forward for the next three consecutive taxable years immediately following the year such MCIT was paid.

Details of excess of MCIT over RCIT as at June 30, 2024 and December 31, 2023 follows:

| Year incurred | Year of expiration | Amount |
|---------------|--------------------|--------|
| 2022          | 2025               | 1,659  |
| 2024          | 2027               | 1,483  |
|               |                    | 3,142  |

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

Management has considered these factors in reaching a conclusion to recognize DIT assets in the statements of financial position at June 30, 2024, December 31, 2023 and 2022.

Movements in the DIT assets for period ended June 30, 2024 and December 31, 2023 are as follows:

|                           | 2024    | 2023    |
|---------------------------|---------|---------|
| At January 1              | 732,869 | 523,927 |
| Charged to profit or loss | 88,203  | 208,942 |
| At December 31            | 821,072 | 732,869 |

#### *Unrecognized DIT assets*

The Group's unrecognized DIT assets as incurred by the Parent Company as at June 30, 2024 and December 31, 2023 are as follows:

|                                         | 2024      | 2023      |
|-----------------------------------------|-----------|-----------|
| Net operating loss carryover (NOLCO)    | 4,795,761 | 4,157,054 |
| Unrealized foreign exchange loss (gain) | (8,312)   | 1,511     |
|                                         | 4,787,449 | 4,158,565 |

In 2020, pursuant to Section 4 (bbb) 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.

The details of the Parent Company's NOLCO as at June 30, 2024 and December 31, 2023 are as follow:

| Year loss was incurred | Year of expiration | 2023       | Additions during the year | Expired during the year | 2024       |
|------------------------|--------------------|------------|---------------------------|-------------------------|------------|
| 2020                   | 2025               | 3,748,706  | -                         | -                       | 3,748,706  |
| 2021                   | 2026               | 5,174,848  | -                         | -                       | 5,174,848  |
| 2022                   | 2025               | 3,955,255  | -                         | -                       | 3,955,255  |
| 2023                   | 2026               | 3,749,406  | -                         | -                       | 3,749,406  |
| 2024                   | 2026               |            | 2,554,830                 |                         | 2,554,830  |
|                        |                    | 16,628,215 | 2,554,830                 | -                       | 19,183,045 |
| Tax rate               |                    | 25%        | 25%                       |                         | 25%        |
|                        |                    | 4,157,054  | 638,707                   | -                       | 4,795,761  |

Realization of the future tax benefits related to the DIT asset is dependent on many factors, including the Parent Company's ability to generate taxable income. Management has considered these factors in reaching a conclusion not to recognize the Parent Company's DIT assets in the consolidated statements of financial position.

The reconciliation of income tax computed at the statutory income tax rate to income tax expense as shown in the statement of total comprehensive income for the three months and six months ended June 30 is as follows:

|                                                                       | Three months ended<br>June 30 |           | Six months ended<br>June 30 |           |
|-----------------------------------------------------------------------|-------------------------------|-----------|-----------------------------|-----------|
|                                                                       | 2024                          | 2023      | 2024                        | 2023      |
| Loss before income tax                                                | 1,221,313                     | 1,944,333 | (811,171)                   | 2,986,198 |
| Applicable statutory tax rate                                         | 25%                           | 25%       | 25%                         | 25%       |
| Income (loss) before income tax at statutory tax rate                 | 305,328                       | 486,083   | (202,792)                   | 746,550   |
| Adjustments for:                                                      |                               |           |                             |           |
| Interest income subject to final tax                                  | (185,514)                     | (316,360) | (313,771)                   | (322,671) |
| Unrecognized tax benefit on NOLCO                                     | 55,320                        | 268,346   | 638,707                     | 552,358   |
| Non-deductible expense                                                | 137,561                       | -         | 137,561                     | -         |
| Unrecognized tax benefit from unrealized foreign exchange loss (gain) | (8,304)                       | (2,548)   | (8,312)                     | 2,069     |
| MCIT                                                                  |                               |           | 1,483                       |           |
|                                                                       | 304,391                       | 435,521   | 252,876                     | 978,306   |

*Critical accounting 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.

## 17 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. During 2022, the agreement was renewed for another year. The foregoing agreement qualified as lease under PFRS 16.

In 2022, the Company entered into another Land Management Agreement with its related party, Bluebell Properties and Holding Corporation (BPHC) granting the Company the right to operate the land of BPHC situated at #8 Kanlaon St., Brgy. Maharlika, Quezon City for leasing activities to third-parties or its related parties. The Company is permitted to construct and operate in the land. The Company will receive the entire amount of rental income from third-parties or its related parties' lessees and in turn, pay BPHC a 5% consideration, contingent on the rental income received. As at June 30, 2024, construction of building on this land is on-going (Note 7), hence no rental income has been recognized during the year.

The agreement is for an initial period of eight (8) years beginning January 28, 2022 until January 27, 2030, renewable subject to terms and conditions mutually agreed upon by both parties.

Amounts recognized in the statements of financial position as at June 30, 2024 and December 31, 2023 are as follows:

|                                          | Note | 2024      | 2023      |
|------------------------------------------|------|-----------|-----------|
| Right-of-use asset Beginning of the year |      | 350,006   | 333,975   |
| Additions during the year                |      | -         | 840,012   |
| Amortization                             | 13   | (350,006) | (823,981) |
|                                          |      | -         | 350,006   |
| Lease liability                          |      |           |           |
| Current                                  |      | 3,232,886 | 3,232,886 |
| Non-current                              |      | -         | -         |
|                                          |      | 3,232,886 | 3,232,886 |

The movement of lease liabilities for the period ended June 30, 2024 and December 31, 2023 are as follows:

|                           | 2024      | 2023      |
|---------------------------|-----------|-----------|
| Beginning of the year     | 3,232,886 | 2,392,874 |
| Additions during the year | -         | 840,012   |
|                           | 3,232,886 | 3,232,886 |

There are no cash outflow for leases for the year ended June 30, 2024 and December 31, 2023.

Amounts recognized in the statements of total comprehensive income for the three months ended June 30 are as follows:

|                                            |       | Three months ended June 30 |         | Six months ended June 30 |         |
|--------------------------------------------|-------|----------------------------|---------|--------------------------|---------|
|                                            | Notes | 2024                       | 2023    | 2024                     | 2023    |
| Amortization expense on right-of-use asset | 13    | 140,002                    | 133,590 | 350,006                  | 333,975 |
| Interest expense on lease liability        |       | 819                        | -       | 2,808                    | -       |
|                                            |       | 140,821                    | 133,950 | 352,814                  | 333,975 |

#### *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 accounting estimate: 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 accounting 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 June 30, 2024 and December 31, 2023 follows:

|                                                | 2024      | 2023      |
|------------------------------------------------|-----------|-----------|
| Not later than 1 year                          | 3,232,886 | 3,235,693 |
| Later than 1 year but not more than five years | -         | -         |
|                                                | 3,232,886 | 3,235,693 |
| Future finance charges                         | -         | (2,807)   |
|                                                | 3,232,886 | 3,232,886 |

The present value of lease liabilities at June 30, 2024 and December 31, 2023 is as follows:

|                                                | 2024      | 2023      |
|------------------------------------------------|-----------|-----------|
| Not later than 1 year                          | 3,232,886 | 3,232,886 |
| Later than 1 year but not more than five years | -         | -         |
|                                                | 3,232,886 | 3,232,886 |

### 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 8). 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. The agreement was renewed for another year from June 4, 2022 to June 3, 2023. During the year, the agreement was renewed for another year from June 4, 2023 to June 3, 2024. 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 P4,259,623 (2023 - P4,259,623), 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 (2023 - PP4,483,815). The advance rental shall apply to and be deemed payments for rentals accruing on the last three months of the lease period. As at report date, there is an application for the three (3) months advance rental payment of P4,483,815 from March 2 to June 3, 2024, and no lease renewal has been made. application of the advance rental payment and no renewal has been made.

On April 25, 2024, the Lessor requested a Lease Extension from June 3 to July 3, 2024.

For the period ended June 30, 2024, rental income from the lease contract amounted to P8,967,629 (2023 - P8,255,912).

The total estimated future minimum rental income on the lease of property as at June 30, 2024 and December 31, 2023 are as follows:

|                                             | 2024 | 2023      |
|---------------------------------------------|------|-----------|
| Not later than 1 year                       | -    | 8,743,438 |
| Later than 1 year but not more than 5 years | -    | -         |
|                                             | -    | 8,743,438 |

## 18 Income (loss) per share

Income (loss) per share (basic and diluted) for the three months and six months ended June 30 was computed as follows:

|                                               | Three months ended<br>June 30 |             | Six months ended<br>June 30 |             |
|-----------------------------------------------|-------------------------------|-------------|-----------------------------|-------------|
|                                               | 2024                          | 2023        | 2024                        | 2023        |
| Income (loss) for the period                  | 916,922                       | 1,508,812   | (1,064,047)                 | 2,007,892   |
| Weighted average number of outstanding shares | 250,059,097                   | 250,059,097 | 250,059,097                 | 250,059,097 |
| Basic and diluted income (loss) per share     | 0.0036                        | 0.0060      | (0,0042)                    | 0.0080      |

There were no potential dilutive shares in 2024, 2023, and 2022.

## 19 Foreign currency denominated monetary asset

The Group's foreign currency denominated asset as at June 30, 2024 and December 31, 2023 are as follows:

*As at June 30, 2024*

|              | US Dollar | Exchange rate<br>at June 30, 2024 | Peso<br>equivalent |
|--------------|-----------|-----------------------------------|--------------------|
| Cash in bank | 10,927    | 58.61                             | 640,446            |

*As at December 31, 2023*

|              | US Dollar | Exchange rate<br>at December 31,<br>2023 | Peso<br>equivalent |
|--------------|-----------|------------------------------------------|--------------------|
| Cash in bank | 10,926    | 55.567                                   | 607,100            |

Foreign exchange (loss) gain for the three months and six months ended June 30 consists of:

|                                         | Three months ended<br>June 30 |        | Six months ended<br>June 30 |         |
|-----------------------------------------|-------------------------------|--------|-----------------------------|---------|
|                                         | 2024                          | 2023   | 2024                        | 2023    |
| Realized foreign exchange gain          | -                             | -      | -                           | -       |
| Unrealized foreign exchange (loss) gain | 33,216                        | 10,191 | 33,249                      | (8,278) |
|                                         | 33,216                        | 10,191 | 33,249                      | (8,278) |

## 20 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:

### 20.1 Critical accounting estimates

- *Evaluation of net realizable value of real estate held for development and sale (Note 4)*
- *Useful lives of property and equipment (Note 6)*
- *Determining incremental borrowing rate (Note 17)*

## 20.2 Critical judgments in applying the Group's accounting policies

- *Provision for losses on real estate held for development and sale (Note 4)*
- *Recoverability of input VAT and creditable withholding taxes (Note 5)*
- *Impairment of property and equipment (Note 6)*
- *Revenue recognition (Note 10)*
- *Recoverability of DIT assets (Note 16)*
- *Determining lease term (Note 17)*

## 21 Financial risk and capital management

### 21.1 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 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 Parent Company'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 19.

Assuming that all other variables remain constant, a movement of the PHP against USD at reporting date would not result to significant foreign currency exchange risk.

The sensitivity rates used in this assessment represent the rates of change between the foreign currency at June 30, 2024 and December 31, 2023 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 and short-term investment with banks and financial institutions, as well as credit exposure on receivables. The fair values of these financial assets approximate their net carrying amounts.

The Group has the following financial assets that are subject to credit risks:

| Class of financial assets  | At gross amounts | Neither past due nor impaired | Past due but not impaired | Overdue and impaired |
|----------------------------|------------------|-------------------------------|---------------------------|----------------------|
| <i>June 30, 2024</i>       |                  |                               |                           |                      |
| Cash and cash equivalents* | 83,855,866       | 83,855,866                    | -                         | -                    |
| Receivables                | 1,811,648        | 1,811,648                     | -                         | -                    |
| Deposits                   | 1,523,140        | 1,523,140                     | -                         | -                    |
| Total                      | 87,190,654       | 87,190,654                    | -                         | -                    |

\*Excluding cash on hand amounting to P4,000

| Class of financial assets  | At gross amounts | Neither past due nor impaired | Past due but not impaired | Overdue and impaired |
|----------------------------|------------------|-------------------------------|---------------------------|----------------------|
| <i>December 31, 2023</i>   |                  |                               |                           |                      |
| Cash and cash equivalents* | 115,906,196      | 115,906,196                   | -                         | -                    |
| Receivables                | 66,016           | 66,016                        | -                         | -                    |
| Deposits                   | 953,260          | 953,260                       | -                         | -                    |
| Total                      | 116,925,472      | 116,925,472                   | -                         | -                    |

\*Excluding cash on hand amounting to P4,000

The Group applied the expected credit loss model as follows:

| 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>June 30, 2024</i>       |                  |                        |                     |                        |                                                     |
| Cash and cash equivalents* | 83,855,866       | -                      | 83,855,866          | Performing             | 12-month ECL                                        |
| Receivables                | 1,811,648        | -                      | 1,811,648           | Performing             | Simplified approach                                 |
| Deposits                   | 1,523,140        | -                      | 1,523,140           | Performing             | 12-month ECL                                        |
| Restricted cash            | 10,000           | -                      | 10,000              | Performing             | 12-month ECL                                        |
| Total                      | 87,200,654       | -                      | 87,200,654          |                        |                                                     |

\*Excluding cash on hand amounting to P4,000

| 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, 2023</i>   |                  |                        |                     |                        |                                                     |
| Cash and cash equivalents* | 115,906,196      | -                      | 115,906,196         | Performing             | 12-month ECL                                        |
| Receivables                | 66,016           | -                      | 66,016              | Performing             | Simplified approach                                 |
| Deposits                   | 953,260          | -                      | 953,260             | Performing             | 12-month ECL                                        |
| Restricted cash            | 10,000           | -                      | 10,000              | Performing             | 12-month ECL                                        |
| Total                      | 116,935,472      | -                      | 116,935,472         |                        |                                                     |

\*Excluding cash on hand amounting to P4,000

#### *Cash and cash equivalents, short-term investment and interest receivable*

To minimize credit risk exposure from cash and cash equivalents, short-term investment and interest receivable, the Group maintains cash deposits and short-term placements in reputable banks. The Group assesses that cash and cash equivalents, short-term investment and interest receivable 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 June 30, 2024 and December 31, 2023 are as follows:

|                | 2024       | 2023        |
|----------------|------------|-------------|
| Universal bank | 26,162,292 | 51,588,506  |
| Thrift bank    | 57,693,574 | 64,317,690  |
|                | 83,855,866 | 115,906,196 |

The remaining balance of cash and cash equivalents as at June 30, 2024 amounting to P4,000 (2023 - P4,000) represent cash on hand, which is not exposed to significant credit risk (Note 2).

### *Receivables*

The Group trades mainly with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

To measure the expected credit losses, these receivables from customers have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The Group has identified the inflation rate and the gross domestic product to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

Credit quality of customers classified as performing are customers and counterparty balances without history of default and assessed to be fully recoverable.

### *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.

### *Deposits*

Deposits are made with various unrated counterparties with no history of default with insignificant credit risk.

### *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 June 30 2024 and December 31, 2023, which are due and demandable, are as follows:

|                                             | Notes | 2024        | 2023        |
|---------------------------------------------|-------|-------------|-------------|
| Trade payables and other liabilities        | 8     | 8,967,342   | 6,170,774   |
| Advances from shareholders                  | 9     | 131,677,769 | 131,677,769 |
| Security deposits                           | 17    | 4,259,623   | 4,259,623   |
| Lease liabilities including future interest | 17    | 3,232,886   | 3,232,886   |
|                                             |       | 148,137,620 | 145,341,052 |

As at June 30 2024, trade payables and other liabilities presented above exclude amounts payable to BIR amounting to P633,727 (2023 - P410,995) and advances from customers amounting to P377,778 (2023 - P377,778). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

## 21.2 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 June 30, 2024 and December 31, 2023 consists of:

|                    | Note | 2024          | 2023          |
|--------------------|------|---------------|---------------|
| Share capital, net | 11   | 188,184,179   | 188,184,179   |
| Share premium      | 11   | 143,334,770   | 143,334,770   |
| Treasury shares    | 11   | (82)          | (82)          |
| Deficit            |      | (299,131,689) | (298,067,642) |
|                    |      | 32,387,178    | 33,451,225    |

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 June 30, 2024 and December 31, 2023.

## 22 Summary of material 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.

### 22.1 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 and Sustainability Reporting Standards Council (FSRSC) 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 each of the periods ended June 30, 2024 and December 31, 2023.

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 19.

## Changes in accounting policies and disclosures

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

- Amendments to PAS I and PFRS Practice Statement 2, Disclosure of Accounting Policies

The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what 'material accounting policy information' is (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Group adopted the amendment and updated the disclosures of material accounting information.

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

There are no relevant standards, amendments or interpretations that are effective beginning on or after January 1, 2024 that are expected to have a material impact on the Group's financial statements.

## 22.2 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.

## 22.3 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 June 30, 2024 and December 31, 2023.

### 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).

## **22.4 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.

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.

### **22.5 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 December 31, 2023 and 2022.

### **22.6 Fair value measurement**

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).

As at December 31, 2023 and 2022, the Group has no assets and liabilities measured at fair value. The fair value of the financial assets and liabilities carried at amortized cost approximates their carrying value due to their short term maturities.

### **22.7 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.

## **22.8 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.

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 improvements | 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.

## **22.9 Investment property**

Investment property pertaining to building held for long-term rental yields and are not occupied by the Group. Investment properties are carried at cost less accumulated depreciation and any impairment, except for land, which is shown at cost less any impairment. Cost is the fair value of the consideration given to acquire the property, including transaction costs such as legal fees and taxes on the purchase of the property. The cost of a self-constructed asset includes all directly attributable costs required to bring the property to its required working condition. Subsequent expenditure should demonstrably enhance the original asset to qualify for recognition. Transfers to investment property do not result in gains or losses.

Depreciation on investment properties other than land is calculated using the straight-line method over the estimated useful life of 25 years.

Derecognition of an investment property will be triggered by a change in use or by sale or disposal. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset and is recognized in profit or loss.

## **22.10 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.

## **22.11 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.

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 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.

## **22.12 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.

## **22.13 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 Group 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.

#### **22.14 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.

#### **22.15 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.

#### **22.16 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.

### **22.17 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.

### **22.18 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 Parent Company's BOD.

### **22.19 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. Sale of real property held for sale are revenue from contracts with customers recognized at a point in time upon transfer of control to customers. 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 is 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) 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.

*c) 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.

## **22.20 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.

Right-of-use assets that are held for rental are accounted for as investment property. The Group's right-of-use asset consisting of land and building held for rental qualify as investment property.

*(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 statements 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.

#### **22.21 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.

#### **22.22 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, represented by the Parent Company's Board of Directors who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the primary person that makes strategic decisions.

The Group's operations is managed as a single business segment; consequently, the Group does not prepare a segmental analysis for its consolidated financial statements

