2021 COMMON FINDINGS

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
Auditor's Report	1. The auditor failed to determine the applicable financial reporting framework for the company in accordance with the provision of Revised SRC Rule 68. 2. The auditor issued a qualified opinion on the 2021 AFS of the Company without discussing the effects of non-adoption of PFRS 15 (PSA 700 and 705). 3. The Auditor's Report failed to provide a Material Uncertainty Related to Going Concern section pursuant to PSA 570 (revised) which includes a reference to a note discussing the company's concrete plan to address its capital deficiency (Part I.3.E.v of Revised SRC Rule 68). 4. The Auditor's Responsibilities for the Audit of the Financial Statements section of the Auditor's Report failed to include a paragraph that the auditor's responsibility includes evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (Paragraph 38.b.v of PSA 700 (rev.)). 5. Pursuant to Par. 44 of PSA 600 (Revised and Redrafted), the auditor is required to obtain sufficient appropriate audit evidence on which to base the audit opinion. The group engagement team shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed on the consolidation process and the work performed by the group engagement team and the component auditors on the financial information of the components, on which to base the group audit opinion. Hence, the following responsibility of a group auditor/ engagement team should be included in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements Section of the Auditor's Report: *2. "Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion."* 6. The Auditor's Responsibilities for the Audit of the Financial Statements paragraphs of the Auditor's Report stated that the applicant's responsibilities include those described under Paragraphs 39.b and 39.c of PSA 700 (revised). Unless he has in fact complied with the same, said Report should not include the above responsibilities since it only applies to audits of financial statements of listed entities (Paragraph 39.b of PSA 700 (revised)). 7. The "Report on supplemental schedule" of the Auditor's Report indicate that the Company presented the tabular

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
	schedule of standards and interpretations as of reporting date in compliance with SRC Rule 68. Please be informed that the tabular method of standards and interpretations is no longer required under the said new rule. (PSA 700 and Revised SRC Rule). 8. There is no attached Schedules provided by Annex 68-J of the Revised SRC Rule 68 by corporations which filed registration statements under Section 12 of the SRC or which meet the following criteria with respect to the requirements to file reports: a. Issuer which has sold a class of its securities pursuant to a registration under Section 12 of the SRC; b. Issuer with a class of securities listed for trading on an Exchange; and c. Issuer with assets of at least Fifty Million Pesos (P50 Million) or such other amount as the Commission shall prescribe and has Two Hundred (200) or more holders each holding at least one hundred (100) shares of a class of its equity securities as of the first (1st) day of the issuer's fiscal year. This schedule **must be** covered by the Auditor's Report. 9. The effectivity date of the external auditor's SEC accreditation as indicated in the Auditor's Report is inconsistent with our records. 10. The Auditor's Report did not state the complete mailing address of the auditor (Part I.3.E.i.e of Revised SRC Rule 68). 11. The Auditor's Report did not indicate the category of the signing partner's SEC accreditation, as well as the accreditation number, category, and expiration of firm's SEC accreditation (Part I.3.E.ii of Revised SRC Rule 68).
Statement of Management's Responsibility	1. The Statement of Management's Responsibility for Financial Statements covered the financial statements for the current reporting period only. However, it did not cover the comparative financial statements, i.e. 2020 AFS (Part I.2.B.iii of Revised SRC Rule 68). 2. The Statement of Management's Responsibility for Financial Statements did not disclose the complete date when said Statement was signed (Part I.2.B.ii of Revised SRC Rule 68). 3. The signatory in the SMR is not consistent with the Officers declared in the GIS (Part I.2.B.ii of Revised SRC Rule 68).
Statement of Financial Position	1. The Statement of Financial Position reported Advances from Stockholders/Due to Related Parties under Noncurrent Liabilities despite the advances having no definite payment terms and is payable on demand (Paragraph 69 of PAS 1/Section 4.7.d of PFRS for SMEs (as amended)). 2. The Statement of Financial Position indicates that the Company has Investment in Subsidiaries. There is however

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	no disclosure of the following: a. The fact that the exemption from Consolidation has been used; b. Principal place of business (and country of incorporation if different) of the entity whose consolidated financial statements that comply with PFRS have been produced for public use; c. Address where those consolidated financial statements are obtainable (PAS 27). 3. The amount of long-terms loans per Consolidated Statements of Financial Position is not consistent with that indicated in notes to financial statements of the CAFS (PAS 1). 4. The above material deficiencies and material misstatements in the originally filed AFS constitute more than 10% of the total current assets, total non-current assets, total liabilities, and total equity. These are considered material pursuant to SEC MC No. 8, Series of 2009, which requires the re-issuance of the company's AFS.
Statement of Cash Flow	1. The Company reclassified Cash Flows statement accounts without the proper disclosures required by PAS 1.41: a. Nature of reclassification b. Amount of each item reclassified c. Reason for reclassification 2. The cash flows arising from availment and payment of loans are recognized under operating activities when it should have been classified under financing activities. (PAS 7/ Section 7 of PFRS for SMEs). 3. The amount of "additions to intangible assets" and "decrease in other non-current assets" per Consolidated Statements of Cash Flows are not consistent with that indicated in the notes to financial statements, respectively. 4. Non-cash transactions were reported in the Statement of Cash flows. PAS 7 par. 43 states that investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from the Statement of Cash flows. 5. Cash flows from financing and investing activities should be reported gross by major class of cash receipts and major class of cash payments and not as increase/decrease of the relevant accounts. (PAS 7 par. 21) 6. There is no disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (Disclosure initiative (amendment to PAS 7)). 7. The amount of proceeds and payment for long-term loans per Consolidated Statements of Cash Flows cannot be traced/reconciled to the reconciliation of liabilities from financing activities indicated in Notes to financial

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
	statements (PAS 7). *8.* The increase/decrease of the Financial Assets measured at Fair Value through Profit or Loss amount indicated in the Statement of Cash Flows does not coincide with the movement in the Statement of Financial Position and notes to financial statements (PAS 1 and PAS 7). *9.* Considering that the intention of the company to reclassify the "Land held for future development" into "Real estate held for sale and development", the same should be classified under operating activities instead of Investment Activities (PAS 1). *10.* As shown in the Cash Flow from Financing Activities, there have been payments to interest for the comparative periods amounting to P1,276,450 and P774,250, respectively. This is not consistent with notes to financial statements which indicates that interest and principal of loans, which was initially availed by the company, are payable upon maturity. Moreover, the unpaid portion of interest pertaining to the above loan cannot be traced to the Notes to Financial Statements (PAS 7). *11.* The Statement of Cash Flows did not present separately cash flows arising from income tax (Paragraph 35 of PAS 7/ Section 7.17 of PFRS for SMEs (as amended)). *12.* The Statement of Cash Flows did not disclose separately cash flows from interest received and paid (Paragraph 31 of PAS 7/Section 7.14 of PFRS for SMEs (as amended)).
Statement of Changes in Equity	*1.* The total amount of cash dividends declared per Consolidated Statements of Changes in Equity is not consistent with the information provided in notes to financial statements (PAS 1).
Consolidated Financial Statements	*2.* Based on Notes, the Company is preparing a separate financial statement since its immediate parent is preparing the consolidated financial statement of the group, and that said consolidated AFS can be obtained from the SEC. However, based on our records, the immediate parent does not prepare a consolidated financial statement. (PFRS 10)
Supplemental Schedules required under the Revised SRC Rule 68 and Financial Reporting Bulletin	*1.* The list of all the effective standards and interpretations under PFRS is no longer required to be attached in the AFS (Revised SRC Rule 68). *2.* There's no Reconciliation of Retained Earnings Available for Dividend Declaration, which shall present the prescribed adjustments in the prescribed Form per Annex 68–D of this Rule. This reconciliation must be covered by an Auditor's Report (Revised SRC Rule 68). *3.* There's no schedule showing financial soundness indicators in two (2) comparative periods (Revised SRC Rule 68). *4.* There're no schedules as prescribed by Annex 68-J of the

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	Rule. The independent auditor's report shall cover the schedules accompanying the financial statements filed (Revised SRC Rule 68). 5. The company failed to submit the schedule showing financial soundness indicators in two (2) comparative periods, as follows: (i) current/liquidity ratios; (ii) solvency ratios, debt-to-equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; and (vi) other relevant ratios as the Commission may consider necessary is not submitted with the consolidated financial statements (Revised SRC Rule 68). 6. The amounts of the following items used in the Schedule of Financial Soundness Indicators vis-a-vis the information presented in the Consolidated Interim Statements of Financial Position, and in the Consolidated Interim Statements of Comprehensive Income were found to be inconsistent: (i) Total current assets; (ii) Total assets; (iii) Total equity; (iv) Revenue; (v) Gross profit; and (vi) Net income attributable to equity holders of the Parent Company (Revised SRC Rule 68). 7. There is no attached Schedules provided by Annex 68-C of the Revised SRC Rule 68 by non-stock and non-profit organizations including foundations. 8. It appears that the figures presented in the Audited Reconciliation of Retained Earnings Available for Dividend Declaration as of the current year are not updated. The balances in the said schedule are the same as that presented in the previous year's reconciliation schedule (i.e., as of 31 December 2020). 9. Notes to financial statements of the CAFS indicates that on 10 January 2020, the Group listed in the Philippine Stock Exchange (PSE) a public offering of 20,000,000 preferred shares, with an oversubscription of 10,000,000 preferred shares, at an offer price of P100.00 per share. Under Part I, Section 5(H) of Revised SRC Rule 68, listed companies that recently offered securities to the Public (either as an initial or additional offering), a schedule, in the prescribed Form per Annex 68-I of this Rule, showing the following amounts, shall be submitted with the annual AFS and if applicable, with the company's interim financial statements up to such period when all the proceeds from the offering have been utilized:

COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
	(i) Gross and net proceeds as disclosed in the final prospectus; (ii) Actual gross and net proceeds; (iii) Each expenditure item where the proceeds were used; and (iv) Balance of the proceeds as of the end of the reporting period. The above schedule need not be covered by an Auditor's Report. 10. The company did not attach a reconciliation schedule to the financial statements showing the difference between the presentation, recognition, and measurement differences between the PFRSs and the BSP's financial reporting framework (Part I.2.A.i.d of Revised SRC Rule 68).
Corporate Information	1. The Company has neither PPE nor rent expense. This cannot support the business address provided on Note 1 (PAS 1).
Basis of Preparation of FS	1. The Financial Statements were prepared under an incorrect financial accounting framework, i.e., PFRS, PFRS for SMEs, PFRS for SEs (Revised SRC Rule 68). 2. The Statement of Financial Position reported Capital Deficiency. Considering that a net capital deficiency raises substantial doubt about an entity's ability to continue as a going concern, the Notes did not disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (i.e. capital deficiency), and management's plans to deal with these events or conditions, and disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business (Paragraphs 25 of PAS 1)).
Receivables	1. The Notes did not include as part of its accounting policy a discussion that the existence of either of the conditions specified in Section 9.f of the Rules and Regulations to Implement the Provisions of RA 8556 will be considered in the provisioning for 100% allowance for expected credit losses (Paragraph 21 of PFRS 7). 2. The Notes did not provide a reconciliation from the opening balance to the closing balance of said loss allowance, in a table, showing separately the changes during the reporting period (Paragraph 35H of PFRS 7).
Financial Instruments	1. The company continues to classify its financial instruments under the categories provided by PAS 39 which has already been superseded (PFRS 9). 2. There is no assessment made for the expected credit loss (ECL) of the Company's financial assets (PFRS 9).

COMPONENTS OF FINANCIAL STATEMENTS	**Brief Description of Non-Compliance**
Financial Assets/Investments	*1.* It is disclosed in the notes to financial statements that current financial assets are subsequently measured at *amortized cost* less impairment loss. This is inconsistent with paragraph 103.a of Section 6 for PFRS for SEs which states that "Cash and debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e., net of impairment) unless the arrangement constitutes, in effect, a financing transaction" (Section 6 of PFRS for SEs).
Investment Property	*1.* The Company's Investment Property were last appraised more than a decade ago. This is not in accordance with PAS 40 that requires regular appraisal of Investment Property. 2. The Notes stated that the cost of the assets approximates its fair value. However, it is required to disclose the fair value of said assets (Paragraph 79.e of PAS 40) and should not assume approximations. Furthermore, in the exceptional cases allowed by the standards, when an entity cannot measure the fair value of the investment property reliably, it should disclose a description of the investment property, an explanation of why fair value cannot be measured reliably, and if possible, the range of estimates within which fair value is highly likely to lie (Paragraph 79.e of PAS 40).
Property and Equipment	*1.* There is no accounting policy on Land (PAS 16). 2. Incomplete disclosure on "Borrowing Costs", i.e., when an entity has recognized construction-in-progress, it shall disclose the following: a. the amount of borrowing costs capitalized during the period; and b. the capitalization rate used to determine the amount of borrowing costs eligible for capitalization (PAS 23). 3. The Notes stated that property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. However, amortization is inapplicable to said line item since it only applies to intangible assets (Paragraph 30 of PAS 16/ Section 17.15A of PFRS for SMEs (as amended)). Kindly clarify the applicability of the use of the term "amortization" for property and equipment. *4.* It is disclosed in the notes to financial statements that the Company has already fully paid a parcel of land adjacent to the Company's Lot. The deed of absolute sale and transfer of title will be made upon full payment of the purchase price. Considering the control of the asset thru the execution of the deed of absolute sale is already with the Company, the purchase cost of the Land should have been recognized as part of the Property and Equipment. Thus, the Company's recognition of it under the Land Deposit account is inappropriate (PAS 16).

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Other Assets	1. There is no accounting policy on Land Deposit (PAS 1).
Liabilities	1. There is no accounting policy on initial recognition of "Interest-bearing Loans and Borrowings" (PAS 1). 2. Incomplete disclosure on "Borrowings", i.e., when an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following: a. the carrying amount of the financial assets pledged as collateral; and b. the terms and conditions relating to its pledge. (Section 11 of PFRS for SMEs) 3. Incomplete disclosures on long-term debt, i.e., terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity), loan covenants, particularly, the availment/ maturity date, securities or guarantees (if any), and specific ratios and the corresponding threshold that should be maintained to verify the company's compliance thereof (PAS 1 and Section 11.42 of PFRS for SMEs (as amended)). 4. The Notes did not disclose the nature of the consideration to be provided in settlement of said liabilities and details of any guarantees given (Section 33.9.b of PFRS for SMEs (as amended)). 5. The amount of Loans Payable-Noncurrent indicated in notes to financial statements is not consistent with the balances presented in the Company's Statement of Financial Position (PAS 1). 6. There are no disclosures on impact of applying the provisions of the CREATE Act in the Company's AIFS, i.e., adjustments on tax accounts due to the CREATE Act which was signed into law on March 26, 2021 by the President. Likewise, there are no disclosures on the impact on the December 31, 2020 balances had the CREATE Act been substantially enacted as of then, that were adjusted in 2021.
Equity	1. The Company failed to disclose that the entity is subject to externally imposed capital requirement. Moreover, there is no disclosure of the nature of externally imposed capital requirements, i.e., the minimum paid up capital required for its main office and branches if any (Rule 4 of the Implementing Rules and Regulations of RA 9474) and how those requirements are incorporated into the management of capital (par. 135.a.ii), and whether during the period it complied with it (par. 135.d of PAS 1). 2. The Notes did not disclose a reconciliation of the number of shares outstanding at the beginning and at the end of the period (Paragraph 79.a.iv of PAS 1). 3. The company has appropriated a portion of its retained

<table>
<tr><th>COMPONENTS OF FINANCIAL STATEMENTS</th><th>Brief Description of Non-Compliance</th></tr>
<tr><td></td><td>earnings. However, it did not disclose the details of the appropriation (e.g., description of the project, timeline) and the date of the approval of the project by the board of directors (Financial Reporting Bulletin No. 15).</td></tr>
<tr><td>Revenue</td><td>1. The accounting policy on the recognition and measurement of revenue is still based on PAS 18 instead of PFRS 15.

2. The Company's accounting policy on Revenue should comply with PFRS 15. Under PFRS 15, an entity must determine for each performance obligation whether control is transferred over time or at a point in time. If control is not transferred over time, the default position is that the performance obligation is satisfied at a point in time.</td></tr>
<tr><td>Leases</td><td>1. The notes to financial statements disclosed “Rent Expense”. However, it did not disclose whether said lease is a short-term lease or a non-cancelable lease (PFRS 16).

2. The company did not recognize ROU Assets and Lease Liabilities in accordance with PFRS 16.

3. The Notes did not disclose a general description of the lease’s significant leasing arrangements including, for example, information about contingent rent, renewal, and purchase options (Paragraph 294.b of PFRS for SEs).</td></tr>
<tr><td>Related Party Transactions</td><td>1. Incomplete disclosures on related party transactions and balances including nature of consideration and compensation given to key management personnel i.e.,
a. nature of the relationship with related parties;
b. nature of the consideration to be given in settlement;
c. terms and conditions, including whether the outstanding balances are secured;
d. the nature of the consideration to be provided in settlements;
e. details of guarantees
f. short term employee benefits;
g. post-employment benefits;
h. other long-term benefits;
i. termination benefits; and
j. share based payments (PAS 24)

2. Incomplete disclosure for “advances received for future subscription”, i.e.,
a. nature of the related party transaction;
b. their terms and conditions (whether interest bearing and maturity dates), including whether they are secured, and the nature of the consideration to be provided in settlement;
c. details of any guarantees given or received;
d. date of BOD’s approval on proposed increase in authorized capital stock;
e. date of stockholders’ approval on proposed increase in authorized capital stock;
f. date when the application for approval of proposed increase has been presented for filing or has been filed</td></tr>
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COMPONENTS OF FINANCIAL STATEMENTS	Brief Description of Non-Compliance
	with the Commission; g. information about the increase in the authorized capital stock. (Section 26 of PFRS for SEs and FRB 6). 3. As of December 31, 2018, and 2019, the Group's deposit for future stock subscriptions was recognized as a non-current liability in the consolidated statements of financial position, however, there is no disclosure of the Company's accounting policy (i.e., why this was recognized as a liability instead of an equity, why the liability was considered as non-current liability instead of a current liability). FRB No. 6 (as revised) requires the disclosure of the following with respect to deposit for future stock subscriptions: a. Treatment used in the recognition of the transaction (whether as an equity or liability) and the reason for such recognition; b. If the transaction has been recognized as an equity, the fact that the corporation has met all the conditions required for such recognition as at the end of the reporting period; With regards to item (b) above, if all of the following elements are present as of end of reporting period, an entity shall classify the deposits for future stock subscription under equity as a separate account from "Outstanding Capital Stock": a. The unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract; b. There is Board of Director's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); c. There is stockholders' approval of said proposed increase; and d. The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission. 4. The Notes did not disclose the name of its parent company (Paragraph 13 of PAS 24/Section 33.5 of PFRS for SMEs (as amended))).
Retirement/Employee Benefits	1. The Notes provided the accounting policy for post-employment benefits due under RA 7641. However, the company did not provide the specific amount of retirement liability that should have been recognized by the company. (Paragraph 63 of PAS 19/Section 28.14 of PFRS for SMEs (as amended)). 2. The Notes did not disclose a reconciliation of opening and closing balances of the defined benefit obligation showing separately benefits paid and all other changes (Paragraph 140 of PAS 19/Section 28.41.e of PFRS for SMEs (as amended)).
Financial Risk Management	1. Incomplete disclosure on "Liquidity risk", i.e., a maturity

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	analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities and a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (PFRS 7). 2. There is no disclosure in the Credit Risk Management in the notes to financial statements containing an explanation of the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for: a. the loss allowance measured at an amount equal to 12-month expected credit losses; b. the loss allowance measured at an amount equal to lifetime expected credit losses for: a. financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; b. financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and c. trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of IFRS 9. c. financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognized during the reporting period (PFRS 7). 3. The Notes did not discuss the required qualitative and quantitative disclosures for each type of risk arising from financial instruments (Paragraphs 33 and 34 of PFRS 7). 4. The Notes did not disclose a maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities (Paragraph 39.a of PFRS 7). 5. The Notes did not disclose information that enables users of its AFS to evaluate the entity's objectives, policies and processes for managing capital (Paragraph 134 of PAS 1).
Retained Earnings	1. The company's retained earnings exceed 100% of its paid-in capital. There is no disclosure of any appropriation to comply with the requirements of Sec. 42 of the Corporation Code. 2. The earnings per share is not shown in the Statement of Comprehensive Income. Moreover, the basis for its computation together with the number of shares used is not disclosed in the notes to financial statements (PAS 1).

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	3. Pursuant to PAS 1 and SEC Financial Reporting Bulletin No. 15, the following disclosures for Appropriated Retained Earnings should have been provided which are relevant to provide better understanding of the IFS: (ii) Details of the expansion (e.g., description of the project, timeline) to render the project definite; (iii) The date of the approval by the Board of Directors of the project.