COVER SHEET

C	S	2	0	0	5	1	6	3	6	1

S.E.C. Registration Number

KEPWEALTH PROPERTY PHILS., INC.

(Company's Full Name)

UNIT IJ01-23 BURGUNDY CORPORATE TOWER 252 SEN. GIL PUYAT AVE., MAKATI CITY

(Business address: No. Street City / Town / Province)

AUGUSTO PABLO A CORPUS,JR

Contact Person

(632) 7978-5080

Company Telephone Number

1	2		3	1
Month			Day	

Fiscal Year

1 7 - Q

Form Type

Second Wednesday of July

Month Day

Annual Meeting

–

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

–

Amended Articles Number/Section

Total Amount of Borrowings

___

Total No. of Stockholders

–

Domestic

–

Foreign

Top be accomplished by SEC Personnel Concerned

LCU

CASHIER

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2021

2. SEC Identification No. CS200516361

3. BIR Tax Identification No. 242-186-710-000

4. Exact name of issuer as specified in its charter Kepwealth Property Phils., Inc.

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry Classification Code [ ] (SEC Use Only)

7. Address of principal office Unit IJ01-23 Burgundy Corporate Tower 252 Sen. Gil Puyat Ave., Makati City Postal Code 1230

8. Issuer's telephone number, including area code (02) 7978-5080

9. Former name or former address, if changed since last report N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
COMMON	201,057,609

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange - All Outstanding Common Shares

12. Are any or all of the securities listed on a Stock Exchange?

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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

Section 1. Financial Statements
- ***See Attached.***

Section 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- ***See Attached.***

PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C.

SIGNATURES

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

Issuer	KEPWEALTH PROPERTY PHILS., INC.
Signature and Title	Augusto Pablo A. Corpus Jr., *President*
Date	July 26, 2021
Signature and Title	Ignacio Salvador Gimenez III, *Treasurer*
Date	July 26, 2021

KEPWEALTH PROPERTY PHILS., INC.

PART I - FINANCIAL INFORMATION

Section 1. Financial Statements

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2021 AND DECEMBER 31, 2020

	Note	2021 UNAUDITED	2020 AUDITED
ASSETS			
Current Assets			
Cash and cash equivalents	5	300,109,199	282,551,545
Trade and other receivables	6	13,857,044	15,035,844
Other current assets		14,090,410	13,251,766
Total Current Assets		328,056,653	310,839,155
Noncurrent Assets			
Investment properties - net	7	436,645,949	449,762,160
Property and equipment - net	8	1,860,786	2,090,110
Investment in equity securities	8	75,795,893	75,795,893
Net deferred tax asset	14	3,606,411	3,382,986
Deferred input value-added tax		14,514,687	14,514,687
Total Noncurrent Assets		532,423,726	545,545,836
		860,480,379	856,384,991
		-	-
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	9	41,894,921	39,280,941
Income tax payable		-	-
Total Current Liabilities		41,894,921	39,280,941
Noncurrent Liabilities			
Advance rent - net of current portion	15	1,793,621	1,793,621
Security deposits - net of current portion	15	2,378,029	2,378,029
Deferred credits - net of current portion	15	16,649	16,649
Total Noncurrent Liabilities		4,188,299	4,188,299
Total Liabilities		46,083,220	43,469,240
Equity			
Capital stock	10	456,057,609	456,057,609
Additional paid-in capital	10	299,519,764	299,519,764
Retained earnings		58,819,786	57,338,378
Total Equity		814,397,159	812,915,751
		860,480,379	856,384,991

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTERS ENDED JUNE 30, 2021 AND 2020

	Note	UNAUDITED	
		For the Quarters Ended 30	June
		2021	2020
REVENUES			
Leasing		14,344,565	19,112,806
Asset management		-	6,040,482
		14,344,565	25,153,288
COSTS OF SERVICES		10,141,297	10,666,361
GROSS INCOME		4,203,268	14,486,927
GENERAL AND ADMINISTRATIVE EXPENSES		5,589,413	7,019,140
OTHER INCOME		1,752,860	1,299,719
INCOME BEFORE INCOME TAX		366,715	8,767,506
INCOME TAX EXPENSE			
Current		283,740	2,522,406
Deferred		(223,425)	-
		60,315	2,522,406
NET INCOME		306,400	6,245,100
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		306,400	6,245,100
BASIC AND DILUTED EARNINGS PER SHARE		0.00	0.03

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

	Note	UNAUDITED For the Six-Month Periods Ended June 30	
		2021	2020
REVENUES			
Leasing		28,937,654	38,562,914
Asset management		8,581	11,678,229
		28,946,235	50,241,143
COSTS OF SERVICES		20,133,024	21,133,445
GROSS INCOME		8,813,211	29,107,698
GENERAL AND ADMINISTRATIVE EXPENSES		9,900,054	11,226,082
OTHER INCOME		2,886,969	4,344,801
INCOME BEFORE INCOME TAX		1,800,126	22,226,417
INCOME TAX EXPENSE			
Current		542,145	5,044,811
Deferred		(223,425)	202,718
		318,720	5,247,529
NET INCOME		1,481,406	16,978,888
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		1,481,406	16,978,888
BASIC AND DILUTED EARNINGS PER SHARE		0.01	0.08

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

	Note	Unaudited	
		2021	**2020**
CAPITAL STOCK			
Common			
Balance at beginning of period		**201,057,609**	85,025,000
Issuances		-	67,032,609
Stock Dividends			49,000,000
Balance at end of period		**201,057,609**	**201,057,609**
Preferred			
Balance at beginning and end of period		**255,000,000**	**255,000,000**
		456,057,609	**456,057,609**
ADDITIONAL PAID-IN CAPITAL		**299,519,764**	299,519,764
RETAINED EARNINGS			
Balance at beginning of period		**57,338,380**	37,503,914
Stock Dividends			-
Net Income		**1,481,406**	16,978,888
Balance at end of period		**58,819,786**	**54,482,802**
		814,397,159	**810,060,175**
			-

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

		Unaudited	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**1,800,126**	**26,519,179**
Adjustments for:			
Depreciation		**13,122,110**	33,712,371
Interest income		**(2,719,234)**	(6,227,725)
Gain on sale of office improvement			205,610
Operating income before working capital changes		**12,203,002**	**54,209,435**
Decrease (increase) in:			
Trade and other receivables		**1,178,800**	(7,091,589)
Other current assets		**(838,644)**	(32,654,516)
Increase (decrease) in:			
Accounts and other payables		**2,613,980**	5,451,461
Deferred credits		-	(58,689)
Net cash generated from (used in) operations		**15,157,138**	19,856,102
Income taxes paid		**(318,720)**	(2,669,116)
Interest received		**2,719,234**	6,227,725
Net cash provided by operating activities		**17,557,652**	23,414,711
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Condominium units and parking lots			(165,907,030)
Property and equipment			(2,152,097)
Investment in trust accounts			(75,795,893)
Decrease (increase) in:			
Short-term investments			50,311,667
Other noncurrent assets			
Net cash used in investing activities		-	(193,543,353)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in due to related parties			345,780
Issuance of common shares			
Cash provided by financing activities		-	**345,780**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**17,557,652**	**(169,782,862)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**282,551,545**	**452,334,407**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**300,109,199**	**282,551,545**
NONCASH FINANCIAL INFORMATION			
Issuance of common stock through stock dividends			-

See accompanying Notes to Unaudited Interim Financial Statements

1. Corporate Information

KEPWEALTH PROPERTY PHILS., INC. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 2005.

On March 7, 2019, the SEC approved the amendment of the Company's Articles of Incorporation. The amendment includes the following:

- change in business purpose from engaging in real estate business, excluding land ownership, to investing, purchasing, or otherwise acquiring and owning, holding, using, selling, assigning, transferring, leasing, mortgaging, exchanging, maintaining, administering, managing and operating alone or jointly with others, or otherwise disposing of real property, such as but not limited to office, commercial, agricultural and residential properties, hotel inns, resorts, apartments, or personal property of every kind and description;

- change in authorized capital structure from 8,800,000 common shares at ₱10 par value a share and 53,200,000 preferred shares at ₱10 par value a share to 365,000,000 common shares at ₱1 par value a share and 255,000,000 preferred shares at ₱1 par value a share, respectively (Note 10); and

- change of principal office to Unit IJ01-23 Burgundy Corporate Tower, 252 Sen. Gil Puyat Ave., Makati City

The change in par value in the Company's authorized capital resulted to the reclassification of 277,000,000 preferred shares to common shares.

The Company's stockholders and Board of Directors (BOD) declared stock dividends of 49,000,000 common shares at ₱1 par value a share equivalent to ₱49.0 million from the increase in authorized common shares on January 30, 2019.

On the same date, the stockholders and the BOD authorized the Company to undertake an initial public offering (IPO) of its common shares with the Philippine Stock Exchange (PSE). Subsequently, on July 23, 2019 and July 24, 2019, the SEC and the PSE approved the Company's application for IPO.

On August 19, 2019, the Company's common shares were listed with the PSE. The Company offered 67,032,607 new common shares to the public at an offer price of up to ₱5.74 per share. Net proceeds from the IPO amounted to ₱360.0 million, net of offer expenses of ₱24.7 million (Notes 4 and 10).

The Company's registered office address is Unit IJ01-23 Burgundy Corporate Tower, 252 Sen. Gil Puyat Ave., Makati City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and adopted by the SEC, including SEC pronouncements.

The significant accounting policies used in the preparation of financial statements are consistently applied to all the years presented, unless otherwise stated.

Measurement Bases

The financial statements have been prepared on a historical cost basis and presented in Philippine Peso (Peso), which is the Company's functional currency. Amounts are rounded off to the nearest Peso, except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting year.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair value is included in Note 7, *Investment Properties* and Note 17, *Fair Values of Financial Instruments.*

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Financial Instruments

a. Recognition Policies

   The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

b. Classification and Subsequent Measurement Policies

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through OCI (FVOCI), and (c) financial assets at FVPL. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at June 30, 2021 and 2020, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets are measured at amortized cost because both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, short-term investments, trade receivables and due from related parties are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process. Financial liabilities which are expected to be paid within 12 months after reporting period are classified as current. Otherwise, these are classified as noncurrent liabilities.

The Company's accounts payable, security deposits, accruals, due to a related party and other payables are classified under this category.

c. Reclassification Policies

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

d. Impairment Policy on Financial Assets at Amortized Cost

The Company recognizes an allowance for expected credit loss (ECL) for financial assets at amortized cost. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach, which requires that ECL should always be based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting year, including time value of money where appropriate.

For other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

e. Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

f. Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

g. Classification of Financial Instrument between Liability and Equity.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or,
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Other Current Assets
Other current assets consist of deposit to contractors, prepayments and deferred input value-added tax (VAT).

Deposit to Contractors. Deposits to contractors are amounts paid in advance for the purchase of properties, goods and services. These are carried in the statements of financial position at face amount and are recognized as expense in profit or loss or to the corresponding asset account when the properties, goods or services for which the deposits were made are received by and delivered to the Company.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT payable to the taxation authority is included as part of "Accounts and other payables" account in the statements of financial position.

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

In accordance with the Revenue Regulations No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar months exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT on capital goods is classified as current assets if it is expected to be claimed against output VAT for no more than 12 months after the reporting year. Otherwise these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Investment Properties

Investment properties include condominium units and parking slots that are held for rentals and/or capital appreciation, and that are not occupied by Company. Investment properties are carried at cost, less any accumulated depreciation and any impairment losses.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful life of 40 years. Initial leasing cost is capitalized as cost of investment properties and is amortized over the lease term on the same basis as leasing revenue. The amortization of initial leasing cost is presented as "Commission" under "Costs of Services" account in the statements of comprehensive income.

Transfers are made to or from investment property only when there is a change in use. A transfer between investment property and owner-occupied property does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the year of retirement or disposal.

Property and Equipment

Property and equipment is carried at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

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

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related asset or up to the date of the next major renovation, whichever is shorter.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Office Improvement	3 to 5
Office Equipment	3

The estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment is retained in the books until these are no longer being used in the operations.

When an asset is disposed or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and any impairment are derecognized. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit of loss.

Impairment of Nonfinancial Assets

The Company assesses at each reporting year whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment loss is recognized in the statements of comprehensive income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting year as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation for office equipment, had no impairment loss been recognized for the asset in prior years.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital. Additional paid-in capital represents the excess of proceeds and/or fair value of considerations received over the par value of the subscribed capital stock. Incremental costs directly attributable to the issuance of new shares are recognized as a deduction from equity, net of tax.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Dividend Distribution. Stock dividend distribution to the Company's stockholders is recognized immediately as an addition to capital and deducted from retained earnings in the year in which the dividends are approved by the Company's BOD. Cash dividends are recognized as a liability and deducted from equity when these are approved by the BOD of the Company for declaration.

Stock Split. Stock split pertains to issuance of additional shares to existing stockholders for no additional consideration.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Leasing. Revenue under non-cancellable leases on investment properties is recognized on a straight-line basis over the term of the lease.

Asset Management. Asset management revenue pertains to management of various properties and commission revenues for the lease of these properties. Management revenue is recognized when related services are rendered while commission revenue is recognized when earned based on certain percentage of monthly rate of new lease and renewal of both unit and parking slot.

Interest Income. Interest income is recognized as interest accrues, taking into account the effective yield on the asset.

Other Income. Other income is recognized as earned.

Cost and Expense Recognition
Costs and expenses are recognized in the statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase has arisen that can be measured reliably.

Costs of Services. Costs of services are recognized as expense when the related services are rendered.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and costs incurred to sell and market goods. These are expensed as incurred.

Leases

a. Assessment Policies

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from use of the identified asset; and

ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

b. Lessor Accounting

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as leasing revenue. Contingent rents are recognized as revenue in the period in which these are earned.

Rent received in advance is recognized as "Advance rent" in the statements of financial position. Unamortized day-1 gain is recognized as "Deferred credits" in the statements of financial position. Security deposits received are refundable at the end of the lease term. These security deposits are measured at amortized cost using the effective interest rate method at the inception of the lease agreements. Advance rent, deferred credits and security deposit, which are expected to be settled within 12 months after reporting year are classified as current and presented under "Accounts and other payables" in the statements of financial position. Otherwise, these are classified as noncurrent liabilities.

Income Tax

Current Tax. Current tax is the expected tax payable on the taxable income for the year, using the tax rate enacted or substantively enacted at the reporting year, and any adjustment to tax payable in the previous years.

Deferred Tax. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting year and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at reporting year.

Current tax and deferred tax are recognized in profit or loss except to the items recognized directly in equity or in OCI.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings per Share (EPS)

Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock split and stock dividends declared.

Diluted EPS is calculated in the same manner as basic EPS, adjusted for the effects of all dilutive potential common shares.

Segment Reporting

Operating segments are components of the Company: (a) that engage in business activities from which this may earn revenue and incur expenses; (b) whose operating results are regularly reviewed by the Company's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the unaudited interim financial statements in accordance with PFRS requires the Company to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the unaudited interim financial statements as they become reasonably determinable.

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

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the unaudited interim financial statements:

Determining Classification of Financial Assets. Classification of financial assets under PFRS 9 depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Company.

The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. The Company also determines whether the contractual terms of financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

Determining Operating Segments. Determination of operating segments is based on the information about components of the Company that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Company determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment (Note 18).

Classifying Leases - The Company as a Lessor. The Company classifies leases in accordance with the substance of the contractual agreement and the transfer of the risks and benefits incidental to the ownership of the leased property. Leases, where management has determined that the risks and rewards related to the leased property are transferred to the Company, are classified as finance leases. On the other hand, leases entered into by the Company, where management has determined that the risks and rewards of the leased property are retained with the lessor, are accounted for as operating leases.

The Company entered into a number of operating lease agreements as a lessor. As a lessor, the Company has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Company recognized leasing revenue amounting to ₱28.9 million and ₱38.6 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱14.3 million and ₱19.1 million for the quarter periods ended June 30, 2021 and 2020 (Note 15).

Determining the Classification of Investment Properties. The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers the property as an investment property when it is held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of, the Company.

The Company classified condominium units and parking slots and initial leasing costs as investment properties. The carrying amounts of the Company's investment properties amounted to ₱436.6 million and ₱449.8 million as at June 30, 2021 and December 31, 2020, respectively (Note 7).

Estimates and Assumptions

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimating the ECL on Trade Receivables. The Company estimates ECL on trade receivables using a provision matrix that is based on the days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as appropriate. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

The allowance for ECL on trade receivables amounted to ₱1.1 million as at June 30, 2021 and December 31, 2020, (Note 6). No provision for ECL was recognized for the six-month periods ended June 30, 2021 and 2020.

Estimating the ECL on Other Financial Assets at Amortized Cost. The Company determines ECL on its other financial assets at amortized cost using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over their expected lives. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors: (a) actual or expected external and internal credit rating downgrade; (b) existing or forecasted adverse changes in business, financial or economic conditions; and (c) actual or expected significant adverse changes in the operating results of the debtor.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the debtor.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized for the six-month periods ended June 30, 2021 and 2020.

The carrying amounts of other financial assets at amortized cost as at June 30, 2021 and December 31, 2020 are as follows:

	Note	June 30, 2021 Unaudited	December 31, 2020 Audited
Cash and cash equivalents	5	300,109,199	282,551,545
		300,109,199	282,551,545

Estimating the Useful Life of Investment Properties and Property and Equipment. The Company estimates the useful life of its investment properties and property and equipment based on the periods over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes, and anticipated use of the assets.

There were no changes in the estimated useful lives of investment properties for six-month periods ended June 30, 2021 and 2020.

The carrying amount of investment properties amounted to ₱436.6 million and ₱449.8 million as at June 30, 2021 and December 31, 2020, respectively (Note 7). The carrying amounts of property and equipment amounted to ₱1.9 million and ₱2.1 million as at June 30, 2021 and December 31, 2020, respectively (Note 8).

Assessing the Impairment of Nonfinancial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount of nonfinancial assets which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

There were no impairment indicators on the Company's nonfinancial assets. Accordingly, no impairment loss was recognized for the six-month periods ended June 30, 2021 and 2020. The carrying amounts of nonfinancial assets as at June 30, 2021 and December 31, 2020 are as follows:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment Properties	7	436,645,949	449,762,160
Other Noncurrent Assets		18,121,098	17,897,673
Other Current Asset		14,090,410	13,251,766
Property And Equipment	8	1,860,786	2,090,110
Accrued Rent	6	1,147,683	1,147,683

Assessing Realizability of Deferred Tax Asset. The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

As at June 30, 2021 and December 31, 2020, the Company's recognized deferred tax assets amounted to ₱3.6 million and ₱3.4 million, respectively (Note 14).

4. Initial Public Offering

On August 19, 2019, the Company's 67,032,607 common shares were officially listed at the PSE at an offer price of up to ₱5.74 per share. Net proceeds from the IPO aggregated ₱360.0 million, net of disbursements for offer expenses of ₱24.8 million (Notes 1 and 10).

The unapplied proceeds from the IPO of ₱170.4 million as at June 30, 2021 are maintained in various current and saving accounts. It will be used to fund key property acquisitions for leasing purposes.

On March 6, 2020, the Company acquired two floors and eighteen parking slots at a commercial building located within in Metro Manila for ₱184.4 million, inclusive of VAT.

5. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

Details of this account are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on Hand	**52,002**	52,002
Cash in Banks	**53,838,129**	282,499,543
Cash Equivalents	**246,219,068**	-
	300,109,199	282,551,545

Cash in banks earn interest at the respective bank deposit rates. Cash in banks include unused proceeds from IPO (Note 4). Cash equivalents as at June 30, 2021 are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn annual interest at 3.63%.

6. Trade and Other Receivables

This account consists of:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade:			
Third parties		10,324,795	10,985,370
Related parties	13	1,910,695	1,867,620
Accrued rent		1,147,683	1,147,683
Others		1,563,344	2,124,644
		14,946,517	16,125,317
Less allowance for ECL		1,089,473	1,089,473
		13,857,044	**15,035,844**

Aging Analysis of Trade and Other Receivables

September 30, 2020	Neither Past Due nor Impaired	Past Due but not Impaired			Total
		1 to 30 Days	31 to 60 Days	More than 60 Days	
RECEIVABLES					
Trade receivables		1,079,020		9,245,775	10,324,795
Accrued rent	1,147,683			-	1,147,683
Accrued asset management	1,126,504			139,296	1,265,800
Advances to officers and employees				1,563,345	1,563,345
Due from related parties		294,719	284,368	65,808	644,895
Less allowance for doubtful accounts	(1,089,473)			-	(1,089,473)
	1,184,714	1,373,738	284,368	11,014,224	13,857,044

No provision for ECL on trade and other receivables was recognized for the six-month periods ended June 30, 2021 and June 30, 2020.

Trade receivables are noninterest-bearing and are generally collectible in the succeeding month.

Accrued rent receivable pertains to straight-line adjustments in accordance with the accounting for leases.

7. Investment Properties

Movements in this account are as follows:

	Note	June 30, 2021 (Unaudited)		
		Condominium Units and Parking Slots	**Initial Leasing Cost**	**Total**
Cost				
Balance at beginning of period		**675,204,477**	**5,716,170**	**680,920,647**
Additions		**168,962,573**	**809,929**	**169,772,502**
Balance at end of period		**844,167,050**	**6,526,099**	**850,693,149**
Accumulated Depreciation and Amortization				
Balance at beginning of period		**391,582,713**	**5,482,805**	**397,065,518**
Depreciation	11	**16,610,385**	**371,298**	**16,981,683**
Balance at end of period		**408,193,098**	**5,854,103**	**414,047,201**
Carrying Amount		**435,973,952**	**671,995**	**436,645,948**

	December 31, 2020		
	Condominium Units and Parking Slots	Initial Leasing Costs	Total
Cost			
Balance at beginning of period	675,204,477	5,716,170	680,920,647
Additions	165,535,655	371,375	165,907,030
Balance at end of period	840,740,132	6,087,545	846,827,677
Accumulated Depreciation and Amortization			
Balance at beginning of period	359,287,802	4,594,222	363,882,024
Depreciation and amortization	32,294,911	888,583	33,183,494
Balance at end of period	391,582,713	5,482,805	397,065,518
Carrying Amount	449,157,419	604,740	449,762,159

This account consists mainly of condominium units and parking slots in Kepwealth Center (previously Keppel Center) located in Cebu Business Park, Cebu City. These units are being leased out to third parties with lease terms ranging from one to six years. This also includes initial direct cost which consists of unamortized portion of commission incurred for lease transactions.

On March 6, 2020, the Company acquired two floors and eighteen parking slots at a commercial building located within in Metro Manila for ₱184.4 million, inclusive of VAT.

Leasing revenue earned from investment properties amounted to **₱28.9** million and **₱38.6** million for the six-month periods ended June 30, 2021 and 2020, respectively (Note 15).

Direct costs incurred related to the investment properties amounted to ₱20.0 million and ₱21.13 million for the six-month periods ended June 30, 2021 and 2020, respectively (Note 11).

The fair value of the investment properties amounted to ₱869.2 million based on the appraisal made by an accredited independent appraiser. The latest appraisal report is dated July 6, 2018. The fair value of investment properties has been categorized as Level 2. Fair value was based on the market data and income approach. Market data relies on the comparison of sale transactions or offering of similar properties which were offered in the market as of valuation date and income approach measures the current value of a property by calculating the present value of its future economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the property.

Depreciation recognized in the statements of comprehensive income consists of the following:

		For the Six-Month Periods Ended June 30	
	Note	2021 Unaudited	2020 Audited
Investment Properties:			
Condominium Units and Parking Slots		16,610,385	16,670,804
Initial Leasing Cost		371,298	593,827
		16,981,683	17,264,631
Property Equipment		323,079	428,948

	17,304,762	17,693,579

The depreciation of initial leasing cost is presented as "Commission" under "Costs of Services" account (Note 11). The depreciation of property and equipment is included in "Others" under "General and Administrative Expenses" account (Note 12).

8. Property and Equipment

Movements in this account are as follows:

	June 30, 2021 (Unaudited)		
	Office Improvement	**Office Equipment**	**Total**
Cost			
Balance at beginning of period	**2,123,475**	**542,264**	**2,665,739**
Additions	-	**93,755**	**93,755**
Disposal	-	-	-
Balance at end of period	**2,123,475**	**636,019**	**2,759,494**
Accumulated Depreciation and Amortization			
Balance at beginning of period	**389,628**	**186,001**	**575,629**
Depreciation and amortization	**221,192**	**101,887**	**323,079**
Disposal	-	-	-
Balance at end of period	**610,820**	**287,888**	**898,708**
Carrying Amount	**1,512,655**	**348,131**	**1,860,786**

	December 31, 2020 (Audited)		
	Office Improvement	Office Equipment	Total
Cost			
Balance at beginning of period	155,438	358,205	513,643
Additions	1,968,037	184,059	2,152,096
Disposal		0	0
Balance at end of period	2,123,475	542,264	2,665,739
Accumulated Depreciation and Amortization			
Balance at beginning of period	15,934	30,818	46,752
Depreciation and amortization	373,694	155,183	528,877
Disposal	0	0	0
Balance at end of period	389,628	186,001	575,629
Carrying Amount	1,733,847	356,263	2,090,110

9. Accounts and Other Payables

This account consists of:

	June 30, 2021	December 30, 2020
Security deposits	**15,198,261**	15,405,793
Advance rent	**11,478,279**	10,145,947
Accruals	**8,349,760**	5,959,944
Statutory payables	**6,329,586**	6,855,722
Due to related parties	**21,817**	396,317
Deferred credits	**97,888**	97,888
Reservation deposit	**218,700**	218,700
Others	**200,630**	200,630
	41,894,921	39,280,941

Accrued expenses mainly pertain to condominium dues, professional fees, salaries and employee benefits, among others. These are normally settled within one year.

Statutory payables include output VAT payable and withholding taxes which are normally settled within the next month.

10. Equity

Capital Stock

This account consists of:

	June 30, 2021(Unaudited)		December 31, 2020 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Authorized:				
Balance at beginning of period - 10 par value	365,000,000	365,000,000	365,000,000	365,000,000
Recapitalization - 1 par value				
Reclassification from preferred shares	277,000,000	277,000,000		
Effect of stock split	0	0		
Balance at end of period	642,000,000	642,000,000	365,000,000	365,000,000
Issued and outstanding:				
Balance at beginning of period	201,057,609	201,057,609	201,057,609	201,057,609
Effect of stock split	0	0		
Stock dividends	0	0		
Issuance	0	0		
Balance at end of period	201,057,609	201,057,609	201,057,609	201,057,609

	June 30, 2021(Unaudited)		December 31, 2020 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares				
Authorized:				
Balance at beginning of period - 10 par value	255,000,000	255,000,000	255,000,000	255,000,000
Recapitalization - 1 par value				
Reclassification from preferred shares	0	0		0
Effect of stock split	0	0	0	0
Balance at end of period	255,000,000	255,000,000	255,000,000	255,000,000
Issued and outstanding:				
Balance at beginning of period	255,000,000	255,000,000	255,000,000	255,000,000
Effect of stock split	0	0		0
Balance at end of period	255,000,000	255,000,000	255,000,000	255,000,000
		-		-

Preferred shares are non-voting and shall be redeemable at such dates and in such number of shares as may be determined by the BOD.

As discussed in Note 1, on March 7, 2019, the SEC approved the Company's change in authorized capital structure from 8,800,000 common shares at ₱10 par value a share and 53,200,000 preferred shares at ₱10 par value a share to 365,000,000 common shares at ₱1 par value a share and 255,000,000 preferred shares at ₱1 par value a share, respectively.

The change in par value in the Company's authorized capital resulted to an increase in common shares by 76,522,500 and an increase in preferred shares by 229,500,000.

The Company's BOD and stockholders declared stock dividends of 49,000,000 common shares at ₱1 par value a share equivalent to ₱49.0 million from the resulting increase in authorized common shares on January 30, 2019. The stock dividends were issued upon the approval of the change in authorized capital structure by the SEC.

On August 19, 2019, the Company's common shares were listed with the PSE. The Company offered 67,032,607 new common shares to the public at an offer price of up to ₱5.74 per share. Net proceeds from the IPO amounted to ₱360.0 million, net of offer expenses of ₱24.8 million (Notes 1 and 4).

Additional Paid-in Capital

Movements in this account are as follows:

	June 30, 2021(Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**299,519,764**	299,519,764
Additions		
Costs of issuance		
Balance at end of period	**299,519,764**	299,519,764

EPS

Basic and diluted EPS were computed as follows:

	Unaudited	
	For the Six-Month Periods Ended June 30	
	2021	2020
Net Income	1,481,406	16,978,888
Divided by weighted average number of outstanding common shares	201,057,609	201,057,609
	0.01	0.08

11. Cost of Services

This account consists of:

		Unaudited	
		For the Six-Month Periods Ended June 30	
	Note	2021 Unaudited	2020 Audited
Depreciation	7	16,610,385	16,670,804
Taxes and licenses		1,499,457	1,501,250
Salaries and employee benefits		1,651,884	2,323,256
Commission	7	371,298	593,827
		20,133,024	21,133,445

12. General and Administrative Expenses

This account consists of:

	Unaudited	
	For the Six-Month Periods Ended June 30	
	2021 Unaudited	2020 Audited
Taxes and Licenses	601,478	1,958,788
Condominium Dues	4,900,228	712,066
Professional Fees	981,153	966,406
Salaries and Other Employee Benefits	911,404	1,454,877
Selling and Marketing	-	7,143
Transportation and Travel	31,118	329,282
Contracted Services	1,590,059	1,743,617
Repairs and Maintenance	3,185	300
Interest	-	90,058
Directors' Fees	75,000	385,000
Subscription Expense	97,504	76,176
Office Supplies	719	114,051
Utilities	96,039	243,909
Others	612,167	944,224
	9,900,054	11,226,082

Others mainly pertain to depreciation of property and equipment.

13. Related Party Transactions and Balances

The Company, in the normal course of its operations, has various transactions and balances with its related parties as described below:

Related Party	Nature of Transactions	Year	Transactions during the period	Trade and Other Receivables (Note 6)	Accounts and Other Payables	Due to Related Parties (Note 9)
Entities under common management						
	Asset Managemer	2021	8,581			
		2020	5,637,746	2,135,355		
	Contracted Servic	2021	1,590,059			
		2020	754,566		164,316	
	Commission Expe	2021	371,298			
		2020	258,676		99,687	
	Condominium Du	2021	4,900,228			
		2020	350,995		1,148,931	
	Leasing Revenue	2021	28,937,654			
		2020	225,625			
	Management Fee	2021	-			
		2020			120,000	
	Management Inco	2021	164,706			
		2020	75,000			
	Cash Advance	2021				
		2020	164,316			164,316
Stockholders						
	Director's Fee	2021	75,000			
		2020	180,000			
	Non-Interest bearing cash advances	2021				
		2020				
		2021	36,047,526	-	-	-
		2020	7,646,924	2,135,355	1,532,934	164,316

Outstanding accounts and other payables to related parties are included as part of "Accrued expenses" account (Note 9).

Management Agreements

The Company has entered into management agreements with its related parties as follows:

- Asset management, legal and finance services agreement for a fixed monthly fee until February 28, 2019. Management fee expense amounted to ₱0 for the six-month periods ended June 30, 2021 (Note 12).
- Operational, financial and administration services agreement for a fixed monthly fee. Management income earned amounted to ₱164,706 and 150,000 for the six-month periods ended June 30, 2021 and 2020.
- Asset management for a fixed monthly fee starting March 2019. Total asset management revenue amounted to ₱0 and ₱10.9 million for the six-month periods ended June 30, 2021 and 2020, respectively.
- Commission agreement for a predetermined fee. Commission revenue which is included as part of asset management revenue, amounted to ₱8.6 thousand and ₱.702 million for the six-month periods ended June 30, 2021 and 2020, respectively.

- **Service Agreement**
  On March 1, 2019, the Company has entered into a service agreement with a related party under common management for a fixed monthly fee for the finance, human resources, information and communication technology, and internal audit services.

  - The agreement is for a period of one year and is renewable upon mutual agreement by the parties. Contracted services amounted to ₱1.6 million and ₱1.7 for the six-month periods ended June 30, 2021 and 2020. (Note 12).

Compensation of Key Management Personnel
The compensation of key management personnel amounted ₱911,404 and ₱1,454,877 for the six-month periods ended June 30, 2021 and 2020. This is mainly composed of salaries and other short-term employee benefits.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are noninterest-bearing, unsecured, settled in cash, and are either payable on demand or settled within one year.

14. Income Tax

The current income tax expense represents regular corporate income taxes using itemized deduction in 2021 and optional standard deduction (OSD) in 2020.

The reconciliation between the provision for income tax at statutory rate and the Company's tax expense as shown in the unaudited interim statements of comprehensive income is as follows:

	Unaudited For the Six-Month Periods Ended June 30	
	2021 (Unaudited)	2020 (Audited)
Income Tax at Statutory Tax Rate	450,032	6,667,925
Tax effects of:		
Difference between OSD and itemized deductions		(3,527,777)
Interest income subjected to final tax	(131,312)	(1,207,623)
Nontaxable income		(52,821)
Nondeductible expenses		3,367,825
	318,720	5,247,529

The components of the Company's net deferred tax assets are as follows:

	June 30 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets:		
Advance rent	**5,221,611**	6,222,846
Allowance for ECL	**1,089,473**	1,089,473
	4,132,138	**5,133,373**
Deferred tax liabilities:		
Initial leasing cost	**1,673,410**	2,898,070
Accrued rent	**1,147,683**	1,147,683
	525,727	1,750,387
Net deferred tax assets	**3,606,411**	3,382,986

15. **Significant Contracts and Agreements**

Operating Lease Agreements- Company as a Lessor

The Company has various operating lease contracts with third parties and a related party under common management for the lease of its condominium units and parking slots for varying periods (ranging from one up to six years) and renewable upon mutual agreement. These were subjected to certain escalation clauses ranging from 3% to 10% per year.

Total leasing revenue from these operating leases amounted to ₱28.9 million and ₱38.6 million for the six-month periods ended June 30, 2021 and 2020, respectively, as shown in the unaudited interim statements of comprehensive income.

The aggregate future minimum annual rent receivables are as follows:

	June 30 2021 (Unaudited)	December 31, 2020 (Audited)
Within one year	**58,550,032**	45,648,285
After one year but not more than five years	**16,788,904**	20,970,901
	75,338,936	66,619,186

Advance rent presented in the unaudited interim statements of financial position received by the Company in relation to the lease agreements are classified as follows:

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Current	9	**11,478,279**	10,145,947
Noncurrent		**1,793,621**	1,793,621
		13,271,900	11,939,568

Security deposits are refundable at the end of the lease term. These security deposits are measured at amortized cost using the effective interest rate method at the inception of the lease agreements.

Roll forward analysis of security deposits is as follows:

	June 30, 2021(Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**17,783,822**	18,520,974
Refund	**(724,164)**	(1,906,727)
Additions	**516,632**	1,101,611
Accretion of interest		67,964
Balance at end of period	**17,576,290**	17,783,822
Current portion	**15,198,261**	15,405,793
Noncurrent portion	**2,378,029**	2,378,029

Roll forward analysis of deferred credits is as follows:

	June 30, 2021(Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**114,537**	173,226
Amortization	**-**	(58,689)
Additions	**-**	
Balance at end of period	**114,537**	114,537
Current portion	**97,888**	97,888
Noncurrent portion	**16,649**	16,649

Amortization of deferred credits is recorded as part of "Revenue" in the unaudited interim statements of comprehensive income.

16. **Financial Risk Management Objectives and Policies**

The Company's financial instruments are composed of cash and cash equivalents, trade and other receivables, due from related parties), security deposits, advance rent, rent payable, accruals, due to related parties and other payables. The main purpose of these financial instruments is to fund the Company's operations. The Company is exposed to financial risks, which result from its operating activities. The key financial risks to which the Company is exposed to are credit risk and liquidity risk.

Credit Risk
The Company assessed that its exposure to credit risk is minimal. Trade receivables arise mainly from transactions with customers with good credit rating or bank standing. The Company regularly updates the status of accounts that remain uncollected beyond a reasonable period of time.

Further, the Company holds post-dated checks for most of its lease contracts to cover the trade receivables.

For due from related parties, management considers the current financial status of the related parties and their available assets to pay the outstanding receivables.

The Company's cash in banks, cash equivalents and short-term investments are deposited with highly reputable and pre-approved financial institutions with good credit standing in the local banking industry thus the management assessed that the ECL from these financial assets are very minimal.

There are no significant concentrations of credit risk within the Company.

Significant Increase in Credit Risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company 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 Company's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the borrower from the initial recognition and the result of the current probability of default.

Definition of Default. The Company considers a financial asset to be in default when a customer fails to pay the receivables in full or the receivable is more than 30 days past due.

Liquidity Risk
Liquidity risk relates primarily to the Company's working capital requirements. The Company aims to manage working capital and maintain flexibility in funding.

The Company monitors its cash position by a system of cash forecasting. All expected collections, cash disbursements and other payments are determined to arrive at the projected cash position.

Capital Management
The primary objective of the Company's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Company considers the following as its core capital aggregating as follows:

	June 30 2021 (Unaudited)	December 31, 2020 (Audited)
Capital stock	**456,057,609**	456,057,609
Additional paid-in capital	**299,519,764**	299,519,764
Retained earnings	**58,819,786**	57,338,378
	814,397,159	812,915,751

17. Fair Values of Financial Instruments

The following is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are reflected in the financial statements:

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**300,109,199**	**300,109,199**	282,551,545	282,551,545
Short-term investments	**-**	**-**	0	0
Trade receivables	**10,324,795**	**10,324,795**	10,985,370	10,985,370
	310,433,994	**310,433,994**	293,536,915	293,536,915

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Security deposits	**15,198,261**	**15,198,261**	**15,405,793**	15,405,793
Accrued expenses	**8,349,760**	**8,349,760**	**5,959,944**	5,959,944
Rent payable	**0**	**0**	**0**	0
Due to a related party	**21,817**	**21,817**	**396,317**	396,317
Other payables	**18,325,083**	**18,325,083**	**17,518,887**	17,518,887
	41,894,921	**41,894,921**	39,280,941	39,280,941

The carrying amounts of cash in banks and cash equivalents, short-term investments, trade receivables, accruals, rent payable, due to a related party and other payables approximate their respective fair values due to the short-term nature and maturities of the accounts.

The fair value of security deposits is based on discounted cash flow methodology using the risk free rates similar borrowings with maturities consistent with those of liabilities being valued. The discount rates used ranged from 1.73% to 6.94% for the six-month period ended June 30, 2021 and for the year ended December 31, 2020.

For the six-month period ended June 30, 2021 and for the year ended December 31, 2020, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

18. Segment Information

The Company's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different market.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist primarily of cash and cash equivalents, receivables, investment properties and property and equipment, among others. Segment liabilities include all operating liabilities and consist primarily of accounts and other payables.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income in the unaudited interim financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. For management purposes, the Company is organized into business units based on the services rendered and has one reportable operating segment:

- Leasing - This segment includes leasing of condominium units and parking slots in Kepwealth Center (previously Keppel Center) located in Cebu Business Park, Cebu City.

Business Segment Information

The following table presents the revenue and expenses for the periods ended June 30, 2021 and 2019 and certain assets and liabilities for the period ended June 30, 2021 and year-ended December 31, 2020 information of the Company's business segments:

	June 30, 2021 (Unaudited)			
	Leasing	**Asset Management**	**Others**	**Total**
Results of Operations				
Revenues:				
Third parties	28,937,654			28,937,654
Related parties		8,581		8,581
	28,937,654	8,581	-	28,946,235
Cost of services	20,133,024			20,133,024
Other expenses	9,900,054			9,900,054
Operating income	(1,095,424)	8,581	-	(1,086,843)
Interest income				
Other income	2,886,969			2,886,969
Income tax expense	318,720			318,720
Net income (loss)	1,472,825	8,581	-	1,481,406
Assets and Liabilities				
Assets	860,480,379			860,480,379
Liabilities	46,083,220			46,083,220

Other Segment Information

Additional capital expenditures:

Investment properties	169,772,502			169,772,502
Property and equipment	93,755			93,755
Depreciation	17,304,762			17,304,762

	June 30, 2020 (audited)			
	Leasing	Asset Management	Others	Total
Results of Operations				
Revenues	38,562,914	11,678,229		50,241,143
Cost of services	21,133,445			21,133,445
Other expenses	11,226,082			11,226,082
Operating income	6,203,387	11,678,229	-	17,881,616
Interest income				
Other income	4,344,801			4,344,801
Income tax expense	5,247,529			5,247,529
Net income	5,300,659	11,678,229	-	16,978,888
				-
Assets and Liabilities				
Assets	853,461,468			853,461,468
Liabilities	43,401,293			43,401,293
Other Segment Information				
Additional capital expenditure –				
Investment properties	164,967,371			164,967,371
Property and Equipment	2,077,989			2,077,989
Depreciation	17,502,416			17,502,416

	December 31, 2020 (Audited)			
	Leasing	Asset Management	Corporate and Others	Total
Assets and Liabilities				
Assets	856,384,991			856,384,991
Liabilities	43,469,240			43,469,240

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT AND FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020, AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

	June 30, 2021 (Unaudited)	June 30, 2020 (Audited)	December 30, 2020 (Audited)
Liquidity Ratio	7.83	9.57	7.91
Current assets	**328,056,653**	367,224,511	310,839,155
Current liabilities	**41,894,921**	38,387,671	39,280,941
Solvency Ratio	0.41	0.91	1.37
Income before income tax and depreciation	**18,733,590**	39,326,169	59,342,967
Total liabilities	**46,083,220**	43,401,293	43,469,240
Debt-to-equity Ratio	0.06	0.05	0.05
Total liabilities	**46,083,220**	43,401,293	43,469,240
Total equity	**814,397,159**	810,060,175	812,915,751
Asset-to-equity Ratio	0.95	0.95	0.95
Total assets	**860,480,379**	853,461,468	856,384,991
Total equity	**814,397,159**	810,060,175	812,915,751
Interest Rate Coverage Ratio		246.80	221.12
Income before income tax and interest	**1,800,126**	22,226,417	26,519,179
Interest expense	-	**90,058**	**119,932**
Profitability Ratio			
Return on equity	**0.18%**	2.10%	2.44%
Return on total assets	**0.17%**	1.99%	2.32%
Net income margin	**5.12%**	33.79%	24.36%
Gross margin	**30.45%**	57.94%	45.32%
Operating margin	**-3.75%**	35.59%	24.27%

KEPWEALTH PROPERTY PHILS., INC.

SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

AS AT JUNE 30, 2021

	Estimated	Actual	Balance
Gross Proceeds	**₱ 384,767,164**	**₱ 384,767,164**	**₱–**
Offer Expenses	21,739,481	24,781,567	**(3,042,086)**
Net Proceeds	**₱ 363,027,683**	**₱ 359,985,597**	**₱(3,042,086)**

The details of the estimated and actual application of the proceeds are as follows:

	Estimated	Actual	Balance
Gross Proceeds	**₱384,767,164**	**₱384,767,164**	**₱–**
Use of Proceeds			
Acquisition of office space in:			
Metro Manila	245,000,000	189,533,348	55,466,652
Davao City	120,000,000	-	120,000,000
	19,767,164	**195,233,816**	**(175,466,652)**
Offer Expenses	**21,739,481**	**24,781,567**	**(3,042,086)**
Unapplied Proceeds	**₱(1,972,317)**	**170,452,249**	**(172,424,566)**

KEPWEALTH PROPERTY PHILS., INC.

PART I - FINANCIAL INFORMATION

Section 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations

KEPWEALTH PROPERTY PHILS., INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AS AT JUNE 30, 2021 AND DECEMBER 31, 2020 AND
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

1. FINANCIAL CONDITION

As at June 30, 2021 compared to as at December 31, 2020

The total assets of Kepwealth Property Phils., Inc. (the Company) increased by ₱4.1 million or by 0.48% from December 31, 2020.

Material changes in asset accounts are analyzed as follows:

a. The net increase in cash and cash equivalents of ₱17.6 million (6.0%) is mainly due to the cash inflows for the collections of receivables and decrease in other noncurrent assets of ₱13.1 million mainly pertaining to the increase in life of investment properties. This was offset by cash inflows from proceeds of matured short-term investments of ₱50.3 million.

b. The decrease in trade and other receivables by ₱1.2 million (-8%) is due to decrease in trade receivables from leasing operations.

c. Other current assets increased by ₱.8 million (6%) is mainly due to the current portion of deferred input VAT on the acquisition on investment in properties.

d. Net decrease in investment properties of ₱-13.1 million (-3%) is due to amortization for the year.

e. Net decrease of ₱.2 million (-11%) in property and equipment is due to amortization for the year.

f. No movement in other non-current asset.

The total liabilities of the Company increased by ₱2.6 million (6%) due primarily to advance rentals and security deposit and accruals of expenses for the quarter.

Total equity stood at ₱814.3 million as at June 30, 2021 compared to ₱813.0 million as at December 31, 2020 increase by ₱1.5 million (.18%) representing the net income for the quarter.

The movements in the Company's retained earnings account represents the net income recognized during the six-month period ended June 30, 2021 amounting to ₱1.5 million.

Relevant financial ratios related to the Company's financial position are liquidity ratio, solvency ratio, debt-to-equity ratio and asset-to-equity ratio.

The Company's liquidity ratio decreased to 7.83:1 as at June 30, 2021 from 7.91:1 as at December 31, 2020 due mainly to termination of asset management segment.

The solvency ratio decreased to 0.41:1 as at June 30, 2021 from 1.37:1 as at December 30, 2020 due to the increased accruals as at period-end.

The debt-to-equity ratio increased to .06:1 as at June 30, 2021 from .05:1 as at December 30, 2020.

The asset-to-equity ratio remains the same 0.95:1 as at June 30, 2021 and December 30, 2020.

2. RESULTS OF OPERATIONS

For the Six-month Period Ended June 30, 2021 Compared to for the Six-month Period Ended June 30, 2020

The Company generated a total of ₱28.9 million revenues from its business segments for the six-month period ended June 30, 2021 which is ₱21.3 million (-42%) lower than the revenue generated for the same period in the prior year, mainly attributed to the termination of the Asset management segment.

Consequently, gross income is lower by ₱20.3 million (-70%). The total comprehensive income of the Company for the six-month period ended June 30, 2021 registered at ₱1.5 million which is ₱15.5 million (-91%) lower than that of the previous year for the same period.

Key factors to the changes of the items above are as follows:

a. Revenue decreased mainly as a result of termination of asset management operations of the Company which commenced on January 2021.

b. Cost of services decreased by ₱1.0 million (-5%) due to the decrease in commission recognized from amortization of initial leasing costs and the incurrence of salaries and employee benefits.

c. General and administrative expenses decreased by ₱-1.3 million (-12%). This decrease mainly attributed payment of Professional Fees, Salaries and Other Employee Benefits and Contracted Services.

d. Interest income decreased by ₱1.3 million (-.32%) due to interest earned in investments in short-term investments and cash equivalents. The unapplied proceeds of the IPO were temporarily placed in short-term time deposits which earns up to 2.75% interest per annum.

e. Other income composed mainly of penalty payments of tenants.

f. Income tax expense is calculated at RCIT rate using the itemized deductions amounted to ₱.3 million for the six-month period ended June 30, 2021 vs. ₱5.2 million for the same period last year.

The resulting basic and diluted earnings per share of the Company decreased to 0.00 from 0.08 per share.

Relevant profitability ratios related to the Company's financial performance are return on equity, return on total assets, net income margin, gross margin and operating margin.

The return on equity of the Company decreased from 2.10% to 0.18% due to the decrease in net income and increase in the average balance of equity.

The return on assets also decreased from 1.99% to 0.17% due also to the decrease in net income and increase in the average total asset base.

Net income margin has decreased to 5.12% from 33.79% while the gross margin decreased to 30.45% from 57.94% when compared to the same period last year.

Operating margin for the period decreased to -3.75% from 35.59% for the same period last year resulting from the decreased in revenue generated from the Asset management segment.

The leasing operations of the Company accounted for 99.97% of the total segment net income while the asset management operations accounted for .03%.

3. OTHER DISCLOSURES

There were no material events subsequent to the end of the interim period that have not been reflected in the unaudited interim financial statements.

There were no effects of changes in the composition of the Company during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

The Company has no contingent liabilities or contingent assets as at June 30, 2021.

There are no material contingencies and any other events or transactions that are material to the understanding of the current interim period.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures which are out of the scope of the use of proceeds from the IPO.

All significant elements of income or loss were generated from the Company's registered and continuing business operations

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. The National Capital Region and the Metropolitan Cebu were placed under the Enhanced Community Quarantine from March 17, 2020.

DTI Memorandum Circular 20-12 provides concession for the deferral of collection of rentals subject to qualification that the tenants are MSMEs. We are in the process of collating proofs from tenants that they are indeed MSMEs thus a reasonable estimate of the financial effect cannot be made and that the expected effect is only on the timing of cash flows and not a decrement on the amount.

Apart from the above, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.

Management, however, believes that with the Company's strong financial position it can readily meet its maturing obligations and continue as a going concern.