NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of **KEPWEALTH PROPERTY PHILS., INC.** (the "Company") will be held on **09 September 2020** at **8:00 AM**, to be conducted at the 8th Floor Executive Office, 629 EDSA, Quezon City and participation will only be by remote communication through the following link: https://zoom.us/webinar/register/WN_vCoUuXtiRTGGwe8ZOWHhuQ, with the following agenda:

1. Call to Order
2. Proof of Notice of the Meeting and Determination of Quorum
3. Approval of the Minutes of the Previous Annual Meeting
4. Annual Report of Management and approval of the Audited Financial Statements
5. Ratification of the acts of the Board of Directors and its committees, officers and management
6. Appointment of External Auditor
7. Election of Directors
8. Other matters
9. Adjournment

Stockholders of record as of **14 August 2020** will be entitled to notice of, and to vote at, the Annual Meeting.

To conform with the government's regulation on social distancing and prohibition on mass gatherings, the Company decided to hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in *absentia,* or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of 18 August 2020 until 5:00 PM of 26 August 2020. The procedure for participation via remote communication and in *absentia* are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 PM of 26 August 2020 by email to asm2020@kepwealth.com. Validation of proxies shall be held on 27 August 2020. A sample proxy form will be enclosed in the Information Statement for your convenience. We are not soliciting your proxies.

Makati City, Philippines, 14 August 2020.

ROBERT IVAN F. OLANDAY
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. Call to Order

The meeting will be formally opened at approximately 8:00 in the morning.

2. Proof of Notice of the Meeting and Determination of a Quorum

The Corporate Secretary will certify that: 1) the stockholders of record were duly notified of the meeting by way of publication of the Notice of Meeting, including the date of publication and the newspapers where the notice was published, and 2) stockholders representing at least a majority of the outstanding capital stock are present in person or by proxy and, therefore, a quorum exists for the transaction of business.

3. Approval of the Minutes of the Previous Stockholders Meeting

The minutes of the previous stockholders meeting in 2019 will be available at the Company's website, https://kepwealth.com.

4. Annual Report of Management and approval of the Audited Financial Statements

The performance of the Company in 2019 and outlook for 2020 will be reported and the financial statements for the fiscal year 2019 will be presented to the stockholders for approval.

5. Ratification of the acts of the Board of Directors and its committees, officers and management

Ratification of the acts of the Board of Directors and its committees, officers and management of the Company since the last annual stockholders' meeting up to the current stockholders' meeting, as duly recorded in the corporate books and records of the Corporation, will be requested. A summary of these acts will be contained in the Definitive Information Statement.

6. Appointment of External Auditor

The Company's external auditor, as recommended by the Audit Committee, will be nominated for appointment for the current fiscal year.

7. Election of Directors

The nominees for election as members of the Board of Directors, including independent directors, will be presented to the stockholders. The Corporate Governance Committee of the Board has evaluated and determined that the seven (7) nominees for directors, including the nominees for independent directors, have all the qualifications and competence necessary for the effective performance of the Board's roles and responsibilities, and none of the disqualifications to serve as members of the Board.

The profiles of the candidates to the Board of Directors will be in the Definitive Information Statement. The members of the Board of Directors of the Corporation shall be elected by plurality vote, with cumulative voting allowed.

8. Other matters

The Chairman will answer certain questions previously submitted by the stockholders. The Chairman will decide whether matters raised by the stockholders may be properly taken up in the meeting or in another proper forum.

9. Adjournment

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

SAMPLE PROXY
KEPWEALTH PROPERTY PHILS., INC.
2020 STOCKHOLDERS' MEETING

The undersigned, a stockholder of common shares of **KEPWEALTH PROPERTY PHILS., INC**. (the "Company"), hereby nominates, constitutes, and appoints _____, or in his absence, the Chairman of the meeting, as Proxy of the undersigned, and vote the number of shares indicated below, at the Annual Stockholders' Meeting of the Company to be held on September 09, 2020 and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

In particular, I hereby direct my said proxy to vote all my shares on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

Items No.	Subject	**Action**		
		For	Against	Abstain
3.	Approval of Minutes of the Previous Annual Meeting			
4.	Annual Report of Management and approval of the Audited Financial Statements			
5.	Ratification of Acts and Resolutions of the Board of Directors and its committees, officers and management			
6.	Appointment of External Auditor			
	For the election of directors, you shall have a total number of votes equal to your number of shares multiplied by 7, which you may distribute in any manner among the nominees for election.			
7.	Election of Directors	No. of Votes	=	number of shares x 7
	a. Restituto T. Lopez – Independent Director			
	b. August Pablo A. Corpus, Jr.			
	c. Edmundo G. Las			
	d. Robert Ivan F. Olanday			
	e. Ignacio Salvador Gimenez III			
	f. John F. Catindig			
	g. Mark Anthony C. Migallos – Independent Director			

_____	_____	_____
PRINTED NAME OF STOCKHOLDER	AUTHORIZED SIGNATORY	NUMBER OF SHARES

THIS PROXY SHOULD BE SUBMITTED ON OR BEFORE 5:00 PM OF 26 AUGUST 2020 BY EMAIL TO asm2020@kepwealth.com.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED.

(Partnerships, Corporations and Associations must attach certified resolutions designating their proxies/representatives and authorized signatories)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter **KEPWEALTH PROPERTY PHILS., INC.**

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **CS200516361**

5. BIR Tax Identification Code **242-186-710-000**

6. **Unit IJ01-23 Burgundy Corporate Tower**
   252 Sen. Gil Puyat Ave., Makati City, Metro Manila **1200**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(+632) 978 5080; (+63) 917 888 2789**

8. **September 09, 2020, 8:00 AM**
   8th Floor Executive Office
   629 EDSA, Quezon City, Metro Manila
   Participation by remote communication only thru the following link:
   https://zoom.us/webinar/register/WN_vCoUuXtiRTGGwe8ZOWHhuQ
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   19 August 2020

10. ***In case of Proxy Solicitations: N/A – We are not soliciting your proxies***

   Name of Person Filing the Statement/Solicitor: _____

   Address and Telephone No.: _____

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON	**201,057,609**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ___✓____ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    PHILIPPINE STOCK EXCHANGE – COMMON SHARES

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) Date of Meeting : **September 09, 2020**
Time of Meeting : **8:00 AM**
Place of Meeting : **8th Floor Executive Office**
629 EDSA, Quezon City, Metro Manila
Participation by remote communication only thru the following link:
https://zoom.us/webinar/register/WN_vCoUuXtiRTGGwe8ZOWHhuQ

Complete address of the principal office of the registrant : **Unit IJ01-23 Burgundy Corporate Tower 252 Sen. Gil Puyat Ave., Makati City, Metro Manila**

Complete mailing address : **Unit IJ01-23 Burgundy Corporate Tower 252 Sen. Gil Puyat Ave., Makati City, Metro Manila**

(b) Approximate date on which copies of the information statement are first to be sent or given to security holders : **19 August 2020**

Item 2. **Dissenters' Right of Appraisal**

There is no proposed corporate action or matter that will grant appraisal rights pursuant to the Revised Corporation Code of the Philippines to dissenting stockholders.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case the corporation decides to invest its funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and 4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.** Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If the fair value is not determined, within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director of officer of the Company, nor nominee for election as a director of the Company, nor associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any matter to be acted upon, other than election to office.

No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

As of June 30, 2020, the Company has 201,057,609 common shares outstanding and each share is entitled to one (1) vote.

All shareholders on record of the Company's common shares as of August 14, 2020, will be entitled to notice of, and to vote at, the Meeting.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders will participate in the Meeting by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or *in absentia* until 5:00 pm of 26 August 2020. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2020 ASM for complete information on voting via remote participation or voting in absentia, as well as on how to join the live stream for the 2020 ASM.

Each common share entitles the person in whose name it is registered in the books of the Company to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. Each holder of common stock shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of June 30, 2020:

Title of Class	Name, Address of Record Owner and Relationship with Issuer (Direct)	Name of Beneficial Owner (Indirect)	Citizenship	No. of Shares Held	% Ownership
Common	CROWN CASTLE HOLDINGS.COM, INC., 3F New Rosario Ortigas Arcade, Rosario, Pasig City, Parent of the Issuer	Mr. Ignacio B. Gimenez	Filipino	75,590,090	37.60
Common	PCD NOMINEE CORP. (FILIPINO), 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	Mr. Ignacio B. Gimenez	Filipino	66,935,007	33.291
Common	WE SERVE 24 HOURS, INC., 501 Topaz Building, 101 Kamias Road, Quezon City	Mr. Roberto B. Olanday	Filipino	34,310,390	17.06
Common	EURO CAPITAL PTE. LTD., 238 Orchard Boulevard, #19-07, The Orchard Residences, Singapore	Mr. Roberto B. Olanday	Filipino	16,082,980	7.99

The Board of Directors of the record owners has the right to appoint its proxy to vote for the shares.

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security ownership of management as of June 30, 2020:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Class
Directors				
Common	Restituto T. Lopez	1 (direct)	Filipino	0.00
Common	Augusto Pablo A. Corpus, Jr.[1]	1 (indirect)	Filipino	0.00
Common	Edmundo G. Las	10 (direct)	Filipino	0.00
Common	Robert Ivan F. Olanday	10 (direct)	Filipino	0.00
Common	John F. Catindig[2]	10 (direct)	Filipino	0.00
Common	Ignacio Salvador Gimenez, III[3]	10 (direct)	Filipino	0.00
Common	Mark Anthony C. Migallos	1 (direct)	Filipino	0.00

Voting trust holders of 5% or more

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

Changes in control

As of the date of this report, there are no arrangements which may result in a change in control of the Company.

Item 5. **Directors and Executive Officers**

Currently, the BOD consists of seven (7) members, of which two (2) are independent directors. All of the directors were elected by the stockholders of KPPI at the last stockholder's meeting held in 2019, except for Mr. Augusto Pablo A. Corpus, Jr. who was elected on 19 June 2020, and will hold office until the next succeeding annual stockholders' meeting and until their respective successors have been elected and qualified.

The names of the directors and officers of the Company, and their respective ages, citizenships, terms and periods of service, directorships in other reporting companies and positions held in the last five (5) years, as of June 30, 2020, are as follows:

Name	Age	Citizenship	Position	Date First Elected
Restituto T. Lopez	69	Filipino	Chairman, Independent Director	January 2019
Augusto Pablo A. Corpus, Jr.[1]	63	Filipino	President	June 2020
Edmundo G. Las	67	Filipino	Director	November 2017
Robert Ivan F. Olanday	38	Filipino	Director, Corporate Secretary	2017
John F. Catindig[2]	48	Filipino	Director, Chief Information Officer and Compliance Officer	2017
Ignacio Salvador Gimenez, III[3]	39	Filipino	Director, Treasurer and Investment Relations Officer	January 2019
Mark Anthony C. Migallos	66	Filipino	Independent Director	January 2019

MR. RESTITUTO T. LOPEZ, Filipino, 69 years old, joined as one of the Company's Independent Director in January 2019. He earned from the University of the East his Bachelor of Science degree in Business Administration and Accountancy in 1972. He then obtained a Master's degree in Management from the Asian Institute of

[1] Mr. Augusto Pablo A. Corpus, Jr. was elected as President effective June 19, 2020.

[2] Mr. John F. Catindig was appointed as Chief Information Officer and Compliance Officer effective June 19, 2020.

[3] Mr. Ignacio Salvador R. Gimenez, III was appointed as the new Corporate Treasurer and Investment Relations Officer effective June 19, 2020.

Management in 1981 and completed the KPMG International Partner Program from Wharton School, University of Pennsylvania in 1992. He is likewise a registered auditor under the United Kingdom Act of 1985 and an accredited consultant of the Asian Development Bank. Practicing as a Certified Public Account ("CPA") for over 30 years, Mr. Lopez has extensive experience in auditing and consultancy. Prior to joining the Company, he served as the President of Transnational Construction Corporation which is involved in the construction business, management services, and in the leasing of commercial spaces. He also served as an Independent Director of Draka Phils, Inc. from 2009 to 2012 and President and Director of KPMG Peat Marwich Management Consultants, Phils. From 1990 to 2000. He was a member of the board of trustee of the Metropolitan Club, Inc. from 1998 to 2013. Currently, he is serving as the Chairman and Senior Partner of Lopez and Co., CPAs, Vice Chairman and Partner of KPMG – Fernandez Santos & Lopez, President and Chairman of RTL Holdings, Inc., and Chairman of LFC Solutions.net, Inc. and Spencers Landholdings, Inc.

MR. AUGUSTO PABLO A. CORPUS, JR., Filipino, 63 years old, is the President of the Company. He was elected as President on 19 June 2020. He earned his Bachelor of Science degree in Hotel and Restaurant in 1978 from the University of the Philippines in Diliman. He then obtained a Master's of Business Administration in Management from the Texas A&M University, College Station, Texas in 1983. Mr. Corpus has almost 40-years' experience in management of restaurants, resorts, hotels and office buildings. Prior to joining the Company, he served for 20 years as the Chief Executive Officer of Hotel Sogo which is involved in the construction, management and operation (including leasing of all commercial areas for rent) of the largest hotel chain in the Philippines. Mr. Corpus was key to growing the company from 3 hotels in 1999 to 41 hotels in 2019. He also served as the General Manager of Montevista Resorts and Convention Center from 1997 to 1999. From 1995 to 1997, Mr. Corpus was the General Manager of City Garden Hotel, Manila. From 1983 to 1995, he was the Vice President of Rosario Investments that constructed and operated 12 Hotels as well as managed and operated the King's Court Buildings, Makati.

MR. EDMUNDO G. LAS, Filipino, 67 years old, was the former President of the Company until June 2020 and has been a Director of the Company since November 2017. Prior to joining the Company, he served as a Director and Chief Executive Officer of Hotel Sogo, Inc. for 24 years and a director of Eurotel hotel chain. A previous banker, he has accumulated 40 years' experience in the hotel and lodging industry. He is presently the President of Edsa I Real Estate Corporation, Las Tuazon and Sons Realty, Inc., Golden Quick Food, Inc., Dormsuites, Inc., Manhattan Residences, Inc., Northwork Inn, Inc., and Hilton House, Inc. Mr. Las is the head of the Company's Business Development Division and has been very instrumental in the Company's expansion of its business, particularly in negotiating and managing the Company's acquisitions. He attended Notre Dame University Cotabato from 1969 to 1972 and Polytechnic University of the Philippines from 1972 to 1974.

MR. ROBERT IVAN F. OLANDAY, Filipino, 38 years old, has been a Director and the Company's Corporate Secretary since 2017. He is currently serving as the Corporate Secretary of Surprise Inc., Treasurer of We Serve 24 Hrs Inc. and EuroCapital Land, Inc., and Vice President for Finance and Authorized Managing Officer of New City Builders, Inc. He is also a director in LUC Foods, Inc. and Great Freshness Inc. He attended Thames International School in 2002.

MR. JOHN F. CATINDIG, Filipino, 48 years old, has served as a Director of the Company since 2017 and is also the Treasurer of the Company. He used to work as the Support Operation of Metropolitan Bank and Trust Company from 1991 to 1994 and Account Support of Zuellig Group of Companies from 1994 to 1996. At present, he is the General Manager of Drugcheck Philippines, Inc. and Associated Person/Compliance Officer of IB Gimenez Securities, Inc. He received a Bachelor of Science degree in Commerce from the University of Santo Tomas in 1991. He also completed trainings on Anti-Money Laundering and Principle of Risk Management, The Net Capital and Risk board Capital Adequacy Requirements conducted by the PSE in 2010 and SEC in 2006, respectively.

MR. IGNACIO SALVADOR GIMENEZ, III, Filipino, 39 years old, was elected director of the Company in 9 January 2019. He is currently the President of I.B. Gimenez Securities, Inc.; Managing Director of J. Rosario Foods Corp. (a Jollibee franchisee); and Vice President for business development of China Philippines United Enterprises, Inc. Mr. Gimenez has a master's degree in strategic marketing from the University of Greenwich. He obtained a Bachelor of Arts in International Business (with Mandarin Chinese) from European Business School, London and Nanjing University, China. Mr. Gimenez is a member of JCI Manila and The Tower Club since 2010 and 2012, respectively.

MR. MARK ANTHONY C. MIGALLOS, Filipino, 66 years old, joined as one of the Independent Directors of the Company in January 2019. He previously worked for PruLife UK as the Vice President General Agencies from 1998 to 2018. He also worked for Insular Life as the Senior Assistant Vice President for Metro Manila Sales from 1983 to 1997. He obtained his Bachelor of Arts degree in English from the University of the Philippines in 1976. In 2007, he obtained his Master's degree in Business Administration from the Ateneo de Manila University.

Procedure for Nomination and Election of Independent Directors

Pursuant to Article III, Section 9 of the Company's By-Laws, the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.

3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.

4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its by-laws, subject to pertinent laws, rules and regulations of the Commission.

6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.

7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee, composed of Mark Anthony C. Migallos as Chairman, Restituto T. Lopez and Robert Ivan F. Olanday as members, accepts nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees and candidates for members of the Board of Directors:

1. Restituto T. Lopez – Independent Director
2. Augusto Pablo A. Corpus, Jr. - President
3. Edmundo G. Las
4. Robert Ivan F. Olanday
5. Ignacio Salvador Gimenez III
6. John F. Catindig
7. Mark Anthony C. Migallos – Independent Director

Independent Directors

This year's nominees for directors include two (2) persons who qualify as independent directors. Mr. John F. Catindig nominated incumbent independent director, Restituto T. Lopez, for another term, while Mr. Robert Ivan F. Olanday nominated incumbent independent director, Mark Anthony C. Migallos. Messrs. Catindig and Lopez, and Migallos and Olanday are not related by consanguinity or affinity up to the fourth civil degree.

Significant employees

Aside from Mr. Augusto Pablo A. Corpus, Jr., President, there are no other officers or employees which the Company expects to individually make a significant contribution to the business.

Family relationships

Mr. Robert Ivan F. Olanday, the Corporate Secretary and a Director of the Company, is the son of Mr. Roberto B. Olanday, the beneficial owner of the shares held by We Serve 24 Hours, Inc. and Euro Capital Pte. Ltd.

Mr. Ignacio Salvador Gimenez, III, a Director of the Company, is the son of Mr. Ignacio B. Gimenez, the beneficial owner of the shares held by Crown Castle Holdings.Com, Inc.

Other than the ones disclosed, there are no other family relationships known to the Company.

Involvement in certain legal proceedings

The Company has no pending lawsuits in connection with the ordinary course of its business. Neither has the Company been subject to any order, judgment or decree, or violated any securities or commodities law, nor has been involved in any litigation or arbitration proceedings that may have, or have had, a material adverse effect on its financial condition, nor, so far as it is aware, is any such proceeding pending or threatened.

To the best knowledge and/or information of the Company, the current Directors and the Executive Officers are not, presently or during the last five (5) years, involved or have been involved in any material legal proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

Certain Relationships and Related Transactions

Please refer to Note 22, Related Party Disclosures, to the 2019 Audited Consolidated Financial Statements attached hereto as Annex B.

Disagreement with the Company

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices,

Item 6. **Compensation of Directors and Executive Officers**

Summary compensation table

Information as to the aggregate compensation for the years ended 31 December 2019 and 2018 paid to the Company's Chief Executive Officer and four other most highly compensated executive officers and all other officers and directors as a group, as well as the estimated aggregate compensation for the ensuing year are as follows:

Name and principal position	Year	Salary (P)	Bonus (P)	Other Annual Compensation
Total – President and four most highly compensated executive officer	2018	-	-	-
	2019	2,898,564	-	58,547.00
	2020 (estimate)	2,898,564	-	58,547.00
All other officers and named directors as a group	2018	-	-	-
	2019	138,000	11,500	590,000.00
	2020 (estimate)	138,000	11,500	590,000.00

*This is composed of the following: Edmundo Las, President, Jason Valderama, Managing Director, Ivan Sibal-Business Development& Investment Manager, Karla San Jose-Project Manager, Jhay Caliwag-Finance Manager

Compensation of Directors and Executive Officers

No compensation was paid to the directors in 2018 and 2019. In 2019, the compensation of key management personnel amounted to approximately P2.9 million. This is mainly composed of salaries and other short-term employee benefits.

In 2018, no compensation was paid to officers because the Company did not have any organic management and employee complement. Instead, the day-to-day operations and office support of the Company were outsourced to Euro Capital Land, Inc.

While back-office functions (accounting, HR, IT and similar functions) are outsourced to Global O, the core business operations of KPPI (leasing and asset management) are handled by its senior officers and employees. Hence, the compensation to be paid to officers cover their respective salaries from KPPI for performing these functions.

Mr. Las does not receive commissions and fees from his business development efforts. We note that while this may be the case, Mr. Las' being a principal shareholder of the Company benefits from the increase/improvement in shareholder value brought about by his efforts as President of the Company.

The By-Laws of the Company provide that by resolution of the Board, each Director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. On 9 January 2019, the Board approved that each Director shall receive twenty-five thousand (₱25,000.00) as per diem for each meeting of the Board of Directors and fifteen thousand (₱15,000.00) as per diem for each meeting of the Board committees.

Except for the foregoing standard arrangement, the directors do not receive any other fees, bonuses and allowances from the Company. Aside from the said amounts, the directors have no other compensation plan or arrangement with the Company.

The executive officers receive salaries, bonuses and other usual benefits that are included in the amounts stated above.

Employment contracts and termination of employment and change-in-control arrangements

Employees of the company are covered by standard employment contracts. Other than the foregoing, the Company is not aware of any other employment contract or change-in-control arrangement and there are no existing provisions in the Articles of Incorporation or the By-Laws of the Company which will delay, defer or in any manner prevent a change in control of the Company.

Outstanding warrants and options

There are no outstanding warrants or options to subscribe to common shares of the Company.

Item 7. **Independent Public Accountants**

The Board of Directors of the Company, in consultation with the Audit Committee, composed of Restituto T. Lopez as Chairman and Mark Anthony C. Migallos and Ignacio Salvador Gimenez III as Members, will recommend to the stockholders the engagement of R.S. Bernaldo and Associates as external auditors of the Company for fiscal year 2020.

The Company's fiscal year begins on January 1 and ends on December 31 of each year. Reyes Tacandong & Co. has audited and rendered an unqualified audit report on the Group's consolidated financial statements as of and for the years ended December 31, 2018 and 2019. Emmanuel V. Clarino is the current audit partner for the Company and has served as such since October 2018.

The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. Reyes Tacandong & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company.

Representatives of Reyes Tacandong & Co. are expected to be present at the stockholders' meeting and have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The following table sets out the aggregate fees for 2019 and 2018 for professional services rendered by Reyes Tacandong & Co.:

	2019	2018
Audit fees	1,173,250.00	800,000.00
Legal fees	435,384.00	45,050.00
IPO related professional fees	5,253,380.61	0
Other professional fees	109,943.00	76.466.28
TOTAL	6,971,957.61	921,516.28

Tax fees and all other fees

	2019	2018
Real property tax	3,265,129	3,171,590.21
Business permits and registration fees	941,309	942,304.15
Documentary stamp tax	34,359	18,978.00
TOTAL	4,240,797.00	4,132,872.36

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, which was approved by the Board of Directors on 30 January 2019, provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

Item 8. **Compensation Plans**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10. **Modification or Exchange of Securities**

No action is to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

Not applicable as no action is to be taken with respect to any matter specified in Items 9 or 10.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be taken with respect to any transaction involving the following:

(1) the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;

(2) the acquisition by the registrant or any of its security holders of securities of another person;

(3) the acquisition by the registrant of any other going business or of the assets thereof;

(4) the sale or other transfer of all or any substantial part of the assets of the registrant; or

(5) the liquidation or dissolution of the registrant,

Item 13. **Acquisition or Disposition of Property**

No action is to be taken with respect to the acquisition or disposition of any property.

Item 14. **Restatement of Accounts**

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The minutes of the meeting of stockholders held in 2019 (the "Minutes") will be submitted to the stockholders for approval. The Minutes will refer to the adoption of stockholder's resolutions pertaining to the following matters: approval of the Minutes of the previous stockholders meeting, ratification of acts and resolutions of directors and management, appointment of external auditor, election of directors, and other matters.

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

Item 16. **Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

No action is to be taken with respect to any amendment of the Company's charter, by-laws or other documents.

Item 18. **Other Proposed Action**

The stockholders will be asked to ratify all resolutions of the Board of Directors and its committees, officers and management adopted since the last annual stockholders' meeting up to the current stockholders' meeting.

These include, but not limited:

1. appointment of representatives
2. election of officers;
3. setting the date of the annual stockholders meeting; and,
4. other similar activities of the company.

Item 19. **Voting Procedures**

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be at least three (3) independent directors in the Company's board of directors. Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders. In the election of directors, each holder of common share may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by 7.

There will be seven (7) persons to be elected to the Company's board of directors, including two (2) independent directors. Election inspectors duly appointed for the meeting shall be responsible for counting the number of votes, subject to validation, if necessary, by representatives of Reyes Tacandong & Co. as external auditors of the Company.

Stockholders may cast their votes by remote communication or in *absentia,* or by proxy. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum. Please refer to Annex "A" on the Procedures and Requirements for Voting and Participation in the 2020 ASM for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the 2020 ASM.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 14 August 2020.

KEPWEALTH PROPERTY PHILS., INC.

By:

ROBERT IVAN F. OLANDAY
Corporate Secretary

MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20

PART 1 – BUSINESS AND GENERAL INFORMATION

BUSINESS

Overview

KEPWEALTH PROPERTY PHILS., INC. ("KPPI" or the "Company") is engaged in the business of investing in, 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, hotels, inns, resorts, apartments, or personal property of every kind and description.

The Company was incorporated in the Philippines on 23 September 2005 and was listed on the Philippine Stock Exchange on August 19, 2019 under the trade symbol "KPPI."

The Company owns 77 units with 98 leasable spaces of Kepwealth Center in the Cebu Business Park. The PEZA-accredited 15-storey building is currently tenanted by reputable firms both domestic and multinational, in various industries such as in finance and insurance, audit, legal counselling, education, health services, real estate, tourism, and sovereign agencies, among others.

The Company also acts as an asset manager for certain commercial and residential properties located in key areas within Metro Manila.

Business Development

On 27 October 2017, Kephinance Investment Pte. Ltd. and Kepwealth, Inc. (the "Sellers") entered into a Share-Purchase Agreement with Euro Capital Land, Inc. ("Euro Capital Land") for a total of thirty four million two thousand five hundred shares (34,002,500) comprising eight million five hundred two thousand five hundred (8,502,000) common shares, which includes Nominee Shares, and twenty five million five hundred thousand (25,500,000) preferred shares with a par value of Ten Pesos (₱10.00) per share in the Company. The shares of the Sellers represent 100% of the issued and outstanding stock of the Company as of the date thereof. Pursuant to the terms of the Share Purchase Agreement, the Sellers assigned and transferred all of their rights, titles, and interests in the Company to the following companies designated by Euro Capital Land: Crown Castle Holdings.Com, Inc.; We Serve 24 Hours, Inc.; Euro Capital Pte. Ltd.; and Las Tuazon and Sons Realty, Inc. The latter agreed to the total aggregate purchase price of Seven Hundred Ninety-Three Million Six Hundred Forty-Two Thousand One Hundred Fifty Pesos (₱793,642,150.00) for the transfer of shares from the Sellers to the four companies. The purchase price for the total issued and outstanding shares of stock of KPPI was based on a commercial agreement between the parties taking into account various factors including but not limited to the value of the property and the revenues of the Company.

Accordingly, Crown Castle Holdings.Com, Inc. ("Crown Castle"); We Serve 24 Hours, Inc. ("We Serve"); Euro Capital Pte. Ltd. ("Euro Capital"); and Las Tuazon and Sons Realty, Inc. ("Las Tuazon") (Crown Castle, We Serve, Euro Capital, and Las Tuazon shall be collectively referred to as the ("Principal Shareholders") acquired KPPI from the Sellers. Immediately after the acquisition, KPPI acquired five (5) additional condominium units in Kepwealth Center.

KPPI is the owner of 77 office condominium units with 98 leasable spaces in Kepwealth Center, a commercial building located at Samar Loop corner Cardinal Rosales Avenue, Cebu Business Park, Cebu City. On 1 January 2019, the name of the building was changed to Kepwealth Center. Kepwealth Center is one of the first buildings to be erected within the vicinity. It was one of the properties that were assumed by Keppel Bank when it took over the ownership and management of the then Monte de Piedad Bank.

In March 2019, the Company launched its asset management business and entered into agreements for the management of commercial, office, and residential units in the following buildings located across Metro Manila: Oxford Suites (60 units), Medical Plaza Ortigas (79 units), Burgundy Corporate Tower (91 units), Burgundy West Bay Tower (59 units), Atrium Mall (43 units), Icon Macapagal (98 units), and Vivaldi Residences – Cubao Commercial Space (29 units). In April 2019, the Company also entered into an agreement for the management of 96 units of Luxe Madrigal.

Corporate Reorganization

Initially, the Company's authorized capital stock of ₱620,000,000.00 was divided into 8,800,000 Common Shares and 53,200,000 Preferred Shares, both with a par value of ₱10.00 each. On 9 January 2019, for purposes of expansion, the Board of Directors and the stockholders approved the reclassification of the shares of the

Company. Currently, the Company's authorized capital stock is divided into 365,000,000 Common Shares and 255,000,000 Preferred Shares with a par value of ₱1.00 each. The Company effectively decreased the par value of its Common and Preferred Shares, both from ₱10.00 per share to ₱1.00 per Common Share and to ₱1.00 per Preferred Share.

In February 2019, the Company filed an application with the SEC for such reclassification of shares as described above.

On 7 March 2019, the Philippine SEC approved the Company's application for the amendment of its Articles of Incorporation which included the: (i) amendment of its Primary and Secondary purposes; (ii) increase in the number of directors from five (5) to seven (7); (iii) decrease in the par value of its common shares from ₱10.00 per share to ₱1.00 per share; and (iv) decrease in the par value of its preferred shares from ₱10.00 per share to ₱1.00 per share. As a result of the amendments, the Company's total issued and outstanding share capital consisted of 134,025,002 common shares and 255,000,000 preferred shares, each with a par value of ₱1.00. In compliance with the PSE Listing Rules, among the amendments made to the Articles of Incorporation was to restrict a change in the Company's primary and/or secondary purpose for a period of seven (7) years following its listing in the PSE. Consistent with the foregoing and the Company's secondary purpose, the Company has no plans to engage in the business of a real estate developer.

The Company has generated total revenues of ₱81.85 million, ₱75.48 million, and ₱70.85 million for the years ended 31 December 2018, 2017 and 2016 and net income of ₱34.30 million, ₱34.69 million, and ₱32.18 million, for the same periods. As of the period ended 31 December 2019, the Company has generated a total revenue of ₱100.8 million and net income of ₱36.9 million.

The ultimate beneficial owners of the Company, Messrs. Ignacio B. Gimenez, Roberto B. Olanday, and Edmundo G. Las, have formed the GOLD Group24 which has business interests in various industries, particularly hotel, property development, property leasing, and business services.

A. Description of Business / Principal Products or Services

The following are some of the significant developments involving the Company since 31 December 2018:

Asset Management Business

In March 2019, the Company entered into agreements for the management of 459 units in the following buildings located across Metro Manila: Oxford Suites (60 units), Medical Plaza Ortigas (79 units), Burgundy Corporate Tower (91 units), Burgundy West Bay Tower (59 units). Atrium Mall (43 units), Icon Macapagal (98 units), and Vivaldi Residences – Cubao Commercial Space (29 units). In April 2019, the Company also entered into an agreement for the management of 96 units of Luxe Madrigal.

The asset management agreements entered into by KPPI have a standard term of five (5) years, mostly commencing in March 2019 until February 2024. The agreement is subject to automatic renewal unless notice is given of the intention not to renew the agreement at least 90 days prior to the expiration of the term. Under the asset management agreements, KPPI's main role is to maximize property value and investment returns, which centers on market research, data analysis and revenue forecasting. It also includes marketing services and improving tenant relations. In consideration of its services, the Company will receive a monthly service fee for the management of the units.

The asset management business of KPPI is built on a clear vision and purpose of enhancing the commercial value of commercial and residential properties under its portfolio through innovative and deliberate property management strategies.

In the few months of its operation, the expertise of KPPI's Asset Management Team has posted notable gains for its clients as evidenced by increased tenant satisfaction. KPPI's asset management portfolio provides an avenue to further hone and refine the Company's commercial property management initiatives effectively reducing risks while improving tenant retention.

Group Business Services

On 1 March 2019, the Company entered into a business process outsourcing agreement with Global Officium Limited, Inc. ("Global O"). Under the agreement, KPPI has outsourced the following finance and accounting business processes: treasury services, bookkeeping services, management accounting reports and services, financial account reports and services, accounts payable function, accounts receivable function, and tax compliance services. Likewise, functional support services for recruitment, payroll, information and communication technology (ICT) services, and internal audit shall also be provided by Global O.

Global O is a group business services provider of companies under the GOLD Group. Global O is driven by key business principles. It shall serve as the vanguard of internal control for KPPI. As such, Global O seeks to ensure compliance to statutory requirements, consolidation of information, reengineering and standardization of processes while leveraging on technology. The group business services arm will allow KPPI to take advantage of economies of scale and process standards while at the same time being customer focused and business intelligent.

B. Percentage of sales and net income contributed by foreign sales

The Company does not have sales or revenues and net income contributed by foreign sales for the last three years.

C. Distribution method of products

The Company engages agents to market its properties. The Company uses third party agents to market and sell its various property offerings to potential customers. Further, the Company has, in its complement, very competent and skilled in-house marketing agents who market and sell its various property offerings to potential customers. At least about 9% of the Company's property offerings are promoted by its in-house agents and about 91% are coursed through third party agents.

D. New product or Service

The Company continues to look and explore acquisition opportunities which have a high upside potential for both development and/or lease.

Although the Company planned to pursue the management of the Apo Hotel in Davao City in the year 2020, this has been put on hold until such time as the full impact of the pandemic is fully assessed and the future directions for the Hotel can be determined.

In March 2020, the Company completed the purchase of additional condominium units and parking spaces in One San Miguel Avenue located at San Miguel Avenue in Ortigas Center, Pasig City and these are already part of the inventory being marketed by the Sales Team of the Company.

E. Competition

Competition in the real estate business is primarily driven by location. However, other factors such as quality of property and provision of property management, sales, and marketing services also shape the competitive landscape, insofar as capturing customers is concerned.

Within the property leasing business, the Company can be considered in direct competition with other lessors of comparable buildings in the immediate vicinity of Kepwealth Center in the Cebu Business Park as well as those in the Cebu IT Park.

Furthermore, the Company also competes with other industry players, such as property developers and real estate investors, in securing properties to be able to expand its portfolio of properties available for lease.

As for its asset management business, the Company's competitors are likewise diverse. These range from multinational property asset management firms and their Philippine partners, such as Colliers International, Knight Santos Frank, Jones Lang La Salle, among others, who deal with multi-building in different locations to much smaller, fragmented players, who deal with single buildings.

F. Sources and availability of raw materials and the names of principal suppliers

The Company does not utilize any raw materials for its business.

G. Dependency of the business is upon a single customer or a few customers

The Company does not depend on a single or a few customers for its business, and no one customer accounts for more than 20% of its revenue.

H. Transactions with and/or dependence on related parties

The Company has entered into the following contracts which may be considered material:

Lease Contracts

The Company currently owns 77 units with 98 leasable spaces and one hundred sixty (160) parking slots in the Kepwealth Center for rent. As of 31 December 2019, the Company enjoys an 82% occupancy rate for the leasable spaces and a 73.6% occupancy rate for the parking slots.

The average term of the Company's lease contracts is two (2) years, with the shortest term at one (1) year and the longest term at six (6) years, subject to renewal upon mutual consent by the parties. Lessees may pre-terminate the lease contracts by informing the Company in advance and paying the pre-termination fees equivalent to the forfeiture of the security deposit and advance rental payments. The lease contracts may not be assigned or subleased without the prior written consent of the Company.

Under the lease contracts, the condominium dues/association fees are paid separately from the rentals and these are also for the account of the lessees. In the event of default by lessees of rental payments, interests shall be imposed at rates ranging from three percent (3%) to ten percent (10%) per year. The rental payments due shall also be subject to annual incremental increases.

Asset Management Agreement

The Company currently manages 555 units in the following buildings located across Metro Manila: Oxford Suites (60 units), Medical Plaza Ortigas (79 units), Burgundy Corporate Tower (91 units), Burgundy West Bay Tower (59 units), Atrium Mall (43 units), Luxe Madrigal (96 units), Icon Macapagal (98 units), and Vivaldi Residences – Cubao Commercial Space (29 units). The Asset Management Agreements concerning the foregoing properties were entered into with various related parties (affiliates of the Company through common shareholders).

The asset management agreements entered into by KPPI have a standard term of five (5) years, mostly commencing in March 2019 until February 2024. The agreements are subject to automatic renewal unless notice is given of the intention not to renew the agreement at least 90 days prior to the expiration of the term.

Under the asset management agreements, KPPI will provide the following services to the unit owners:

1. Marketing

a) Handle the marketing of the lease and sale of units with pro-active and strategic marketing efforts to ensure high occupancy rates.
b) Screen prospective tenants in relation to the overall marketing plan and branding of the property and the client.
c) Maintain and update a list of prospective tenants.

2. Tenant Services

a) Assist in negotiations with tenants and in the documentation of lease contracts executed in the ordinary course of the client's business.
b) Coordinate and oversee the move-in and move-out of tenants from the property.
c) Coordinate with the tenants/customers and third-party contractors for the fit-out/ renovation of leased units.
d) Monitor performance and compliance with the terms and conditions of the lease agreements between the client and its tenants/customers.
e) Advise on the collection of all rental payments from the tenants/customers of the client and make recommendations on actions and measures that may be approved and sanction by the client to collect delayed payments or arrears from tenants/customers of the client.
f) Monitor and advise on renewal of lease agreements between the client and its tenants/customers.
g) Maintain, development, and foster good business and working relationships between the tenants/customers and the client.
h) Liaise between the tenants/customers and the client in addressing complaints/issues in relation to the Property and the implementation of the lease contracts.
i) Monitor and oversee the repair and preventive maintenance of the Property.

Asset Management Contract

On 14 November 2017, the Company entered into an Asset Management Contract with Euro Capital Land, Inc. ("Euro Capital Land") to act as the sole agent and representative with respect to 77 condominium units and 160 parking slots owned and controlled by the Company in Kepwealth Center. The agreement is effective for an initial period of one (1) year from 14 November 2017 to 13 November 2018 and was extended up to 28 February

2019. Effective 1 March 2019, the asset management business was taken over by the Company from Euro Capital Land.

Under the previous contract, Euro Capital Land shall provide financial, practical, and professional services to the Company. These include key services such as rental and deposit collection, issuance of billings, unit management and repairs, preventive maintenance and inspection, and other administrative functions. In return, Euro Capital Land shall receive a Management Fee of Fifty Thousand Pesos (₱50,000.00) a month exclusive of VAT, Broker's Fee for sales of units from 3.0% to 3.5%, Broker's Fee for leases of units equivalent to one (1) month's rent for every year of the lease, and other extra charges for expenses in connection with the management of the unit to be reimbursed by the Company.

Management Service Agreement

On 1 June 2008, the Company formalized its Management Service Agreement with Kepwealth Center Condominium Corporation ("KCCC"). Under the agreement, KCCC recognized that it has paid the Company a Management Fee of twenty-five thousand (₱25,000.00) per month since December 2005 and shall continue to do so until termination of the agreement by the parties. There is no specific provision on the period of effectivity and termination of the agreement.

This monthly Management Fee covers regular consultancy services rendered by the Company in favor of KCCC for operations, financial, and administrative matters. The monthly Management Fee shall also be subject to increase depending on the extent and volume of services required.

Insurance

On 30 April 2018, KCCC procured an Insurance Policy with Standard Insurance Co., Inc. covering Kepwealth Center effective until 22 April 2019. The total sum insured is one billion thirty-five million one hundred fifty-six thousand four hundred (₱1,035,156,400.00). The insurance policy covers the entire building (excluding the contents of the units) and its elevators, air conditioning system, fire-fighting, water distribution, and water treatment systems, and KVA gensets. The insurance coverage includes Fire, Lightning, and All Other Perils including earthquake, typhoon, flood, windstorm, hail, extended coverage (smoke, explosion, vehicle impact, and falling aircraft), riot, strikes, and malicious damage, sprinkler leakage, broad water damage, bursting and/or overflowing of water tanks, apparatus, and pipes, collapse due to insured perils, spontaneous combustion, tidal wave or tsunami, volcanic eruption, hurricane, and tornado.

The extension of coverage also includes Comprehensive General Liability insurance, money insurance, fidelity insurance, group personal accident insurance, plate glass/signages insurance, and machinery breakdown. The amount collectible for different risks covered are subject to specific limitations and deductibles provided under the insurance policy. Excluded from the Insurance Policy are terrorism and sabotage, war, documentary stamp tax payment warranty, electronic data exclusion clause, and total asbestos exclusion clause.

Contract for Brokerage Services

On 14 March 2018, the Company entered into a contract entitled Exclusive Broker Marketing Agreement and Corporate Real Estate Agency with Santos Knight Frank, Inc. ("SKF") effective from 1 April 2018 until 31 March 2019. The contract has been renewed for another year or until 31 March 2020. The Company engaged SKF as the exclusive marketing agent for leasing the Company's 77 units and 160 parking slots at Kepwealth Center. Under the Agreement, SKF is not allowed to assign its rights as the exclusive broker to any party but was guaranteed non-diminution of its Commission Fees. However, it was agreed that SKC shall not be entitled to Commission Fees on Lease Contracts with entities affiliated with the Company.

SKF is a real estate services company which may provide services to prospective tenants. These services include project management, construction management, property management, facilities management, and technical and engineering services.

The Commission Fees payable to SKF varies depending on the duration of the lease term. For new leases, the Commission Fee is equivalent to 1, 2, or 3 months Gross Rent per year if the lease term is 1-3 years, 4-7 years, or 8 years and above respectively. For Lease Contract renewals, the Commission Fee is equivalent to 0.5, 1, or 1.5 months Gross Rent per year if the lease term is 1-3 years, 4-7 years, or 8 years and above respectively.

Group Business Services

On 1 March 2019, the Company entered into a business process outsourcing agreement with Global O. Under the agreement, KPPI has outsourced the following finance and accounting business processes: treasury services, bookkeeping services, management accounting reports and services, financial account reports and services, accounts payable function, accounts receivable function, and tax compliance services. Under the agreement, KPPI shall pay a monthly service fee of ₱251,521.98 for the services it outsources to Global O.

Global O is a group business services provider of companies under the GOLD Group. Global O is driven by key business principles. It shall also serve as the vanguard of internal control for KPPI. As such, Global O seeks to ensure compliance to statutory requirements, consolidation of information, reengineering and standardization of processes while leveraging on technology. The group business services arm will allow KPPI to take advantage of economies of scale and process standards while at the same time being customer focused and business intelligent.

Stockholders

The Company received non-interest-bearing advances from stockholders amounting to Php0.9 million. These cash advances were paid by the Corporation in 2019.

Management Service and Lease Agreements

ECLI

The Company has entered into an asset management, legal, and finance services agreement with ECLI for a fixed monthly fee which continues to be valid and subsisting. Expenses arising from this agreement, on the part of the Company, amounted to Php0.2 million, Php1.4 million, and Php 0.2 million in 2017, 2018, and 2019, respectively.

Keppel Center Condominium Corporation (KCCC)

The Company entered into an operational, financial, and administration services agreement with KCCC, a related party, until today, for a fixed monthly fee. Management income arising from this agreement amounted to Php300,000 in 2018 and 2019.

Terms and Conditions of Transactions with Related Parties

In the ordinary course of business, the Company has loan transactions with certain directors, officers, stockholders and related interests. Under the Company's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risk.

As to the advances made to related parties ECLI, ETII and certain stockholders, all cash advances made were non-interest-bearing, unsecured, and were either payable on demand or settled within one year.

Related Party Transaction Policy

The Company enters into transactions with affiliates and other related parties on an arm's length basis. Aligned with this thrust, the Company, in dealing with affiliates and other related parties, ensures above-board transactions and fairness and equity among all parties.

The Company exerts efforts to obtain the most beneficial terms and conditions for the Company, taking into consideration various factors including pricing and quality.

For this purpose, the Company determines the prevailing and applicable price in the market. In the process, it also gathers quotes and/or proposals from other parties engaged in similar or the same undertaking. Based on these, a comparable summary is presented to ascertain a fair price for the applicable related party transaction.

The Related Party Transaction Committee reviews all related party transactions of the Company.

FINANCIAL STATEMENTS

The Company's 2019 Audited Consolidated Financial Statements and Notes thereto, including the Statement of Management's Responsibility and Supplementary Schedules, and unaudited Interim Financial Statements of the Company as of 31 March 2020, form part of this report as Annex B hereto.

DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. Reyes Tacandong & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion of the KEPWEALTH PROPERTY PHILIPPINES, INC.'s ("KPPI" or the "Company") recent financial condition and results of operations should be read in conjunction with the KPPI's Audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and notes thereto, which form part of the SEC Form 17-A as **"Annex A"**.

A. Financial Condition

The Company has total assets of Php 832.5 million and Php 433.5 million as of December 31, 2019 and 2018, respectively, increase of which is primarily related to inflows of proceeds from the IPO.

Assets

Current Assets

- The Company has Total Current Assets of Php 511.1 Million and Php 81.6 Million as of December 31, 2019 and 2018, respectively.

- Cash and cash equivalents amounted to Php 452.3 million and Php 75 million as of December 31, 2019 and 2018, respectively Cash and cash equivalents includes unused proceeds from IPO which are part of Cash in bank and the same earns interest at the respective bank deposit rates. Cash equivalents which are made for varying periods of up to three months depending on the immediate cash requirement of the Company and the same earn annual interest of 3.25%.

- Short-term investments amounting to Php 50.3 has maturity of more than three months but less than one year with an annual interest of 3.30%. No similar short-term investments were recorded as of December 31, 2018.

- Trade and other receivables of the Company amounted to Php 4.0 million and Php 6.2 million as of December 31, 2019 and 2018, respectively. The total Trade receivables of the Company are just less than 1% of the total current asset. Trade Receivables are non-interest bearing and are generally collectible in the succeeding month.

Non-Current Assets

- Of the Company's total assets, noncurrent assets comprise only of 39% as of December 31, 2019 down from 81% as of December 31, 2018.

- The Company's Investment Property consists mainly of condominium units and parking slots at 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. Leasing revenues are earned from the Investment Property and will be discussed in detail below.

- Property and equipment includes office equipment and improvements.

- Net deferred tax asset is the net between deferred tax assets such as advance rent and allowance for estimated credit loss ("ECL") and deferred tax liabilities which are initial leasing cost and accrued rent. The Net deferred tax asset of the Company is Php 3.3 million and Php 4.3 million as of December 31, 2019 and 2018, respectively.

Liabilities

- The Company has total liabilities of Php 39.4 million and Php 43.9 million as of December 31, 2019 and 2018, respectively.

- Accounts and other payable comprises 86% (Php 34 million) and 86% (Php 37.7 million) of the Total liabilities as of December 31, 2019 and 2018, respectively.

- Other items of liabilities include income tax payable, advance rent – net of current portion, security deposits – net of current portion and deferred credits – net of current portion.

Equity

- The Company has total equity of Php 793.1 million and Php 389.6 million as of December 31, 2019 and 2018, respectively.

- In March 7, 2019, the SEC approved the Company's change in authorized capital structure from 8,800,000 common shares at Php 10 par value a share and 53,200,000 preferred shares at Php 10 par value a share to 365,000,000 common shares at Php 1 par value a share and 255,000,000 preferred

shares at Php 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 Board of Director ("BOD") and stockholders declared stock dividends of 49,000,000 common shares Php 1 par value a share equivalent to Php 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.

- In January 30, 2019, the Board of Directors (BOD) and the Stockholders of the Company approved to undertake an IPO of its shares with the Philippine Stock Exchange, Inc. (PSE). Subsequently in July 23, 2019 and July 24, 2019, the SEC and PSE, respectively, approved the Company's application for IPO.

The Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares of stock were officially listed for trading in the PSE on August 19, 2019. The Company's IPO consisted of 67 million common at an offer price of Php 5.74 per share.

Key Performance Indicators

	December 31, 2019	December 31, 2018
Current ratio	**14.55:1**	2.05:1
Debt-to-equity ratio	**0.05:1**	0.11:1
Asset-to-equity ratio	**1.05:1**	1.11:1

Notes:
Current ratio = *Current Assets / Current Liabilities*
Debt-to-equity ratio = *Total Liabilities / Total Equity*
Asset-to-equity ratio = *Total Assets / Total Equity*

B. RESULTS OF OPERATIONS

The Group's consolidated operating results for the years ended December 31, 2019, 2018 and 2017 in absolute terms and expressed as a percentage of total sales are compared below:

	For the years ended December 31 All amounts in Php, except percentages							
	2019	% of Sales	2018	% of Sales	% Change 2019 vs 2018	2017	% of Sales	% Change 2018 vs 2017
Revenues	100,795,417	100	81,846,155	100	23	75,475,152	100	8
Cost of Services	39,946,830	40	33,271,010	41	20	30,194,603	40	10
Gross Profit	60,848,587	60	48,575,145	59	25	45,280,549	60	7
General and Administrative Expenses	18,119,305	18	6,526,490	8	178	4,244,944	6	54
Income from Operations	42,729,282	42	42,048,655	51	2	41,035,605	54	2
Interest Income	4,628,524	5	632,739	1	632	786,347	1	(20)
Other Income	791,971	1	591,719	1	34	999,247	1	(41)
Income before Income Taxes	48,149,777	48	43,273,113	53	11	42,821,199	57	1
Income Tax Expense	11,265,097	11	8,976,100	11	26	8,132,526	11	10
Net Income	**36,884,680**	**37**	**34,297,013**	**42**	**8**	**34,688,673**	**46**	**(1)**

EBITDA, before one-offs	82,486,974	82	72,529,678	89	14	68,684,962	91	6
EBITDA, after one-offs	77,233,593	77	72,529,678	89	6	68,684,962	91	6
Net income, after one-offs	36,884,680	37	34,297,013	42	8	34,688,673	46	(1)

Other Key Financial Ratios			
Return on equity	10.97%	29.19%	10%
Return on total assets	5.83%	7.66%	8%

Notes:
Return on Equity = *Net Income / Total Equity*
Return on Total Assets = *Net Income / Total Assets*

2019 vs 2018

Sales

- The Company generated sales of Php 100.8 million for the year ended December 31, 2019, up by 23% year on year, this is brought about by the increase in leasing revenue from third parties by 2.6% (Php 2.1 million) and asset management revenue from related party by 100% (Php 16 million) in 2019.

- The asset management revenue from related in the income statements for the year ended December 31, 2019 pertain to the management of various properties located across Metro Manila and commission on every unit which will be leased out by the Company on these properties.

Costs of Services

- Costs of services for the year ended December 31, 2019 closed at Php 39.9 million, resulting in a gross profit of Php 60.8 million.

- The Company's cost of services primarily consist of depreciation, commission, salaries, wages and employee benefits, taxes and licenses and repairs and maintenance which are directly attributable to the leasing and asset management revenue of the Company.

- Cost of services in 2019 was up to 40% of the total revenue as compared to 41% in 2018 or a cost of services increase of 20%.

Gross Profit

- The Company's gross profit has increased to 60% of the total revenue in 2019 as compared to 59% in 2018 or an increase of Php 12.3 million in 2019.

Operating expenses

- Operating expenses, composed of general and administrative expenses, amounting to Php 18.1 million for the year ended December 31, 2019. This translates to a 18% of revenues from 8% of revenues the year prior.

Interest Income

- Interest income in 2019 represents mainly interest earned from the Company's cash and cash equivalents and short-term investments. The Company's cash and cash equivalents have earned interest income of Php 4.3 million in 2019 as compared to Php 0.6 million in 2018.

Other Income

- Other income represents Management fee earned from a related party for a fixed Management income amounted to Php 0.3 million in 2019 and 2018, gain on sale of office improvement and penalties and charges.

Income Tax Expense

- Income tax expense for the year totaled Php 11.2 million. This consisted of current income tax totaling Php 10.2 million representing regular corporate income tax and a Php 1.0 million deferred tax. In 2018,

income tax expense netted out at Php 8.9 million, which consisted of Php 8.5 million current tax expense and a deferred tax liability of Php 0.5 million.

Net Income

- Net income for the year ended December 31, 2019 reached Php 36.9 million for a net income margin of 37%, an 8% increase from last year's net income of Php 34.3 million for a net income margin of 42%.
- Without the one-time expense on professional fees related to IPO of Php 5.3 million, net income in 2019 would have been Php 42.2 million. Net income in 2019 is still higher by 8% as compared in 2018 even with the said one-time expense.

2018 vs 2017

Sales

- Revenues for the year ended December 31, 2018 amounted to Php 81.8 million, an increase of 8% as compared to Php 75.5 million for the year ended December 31, 2017. The total revenue in 2019 were all earned from third parties.

Cost of Services

- Costs of services for the year ended December 31, 2018 closed at Php 32.3 million, resulting in a gross profit of Php 48.6 million.

- The Company's costs of services primarily consist of depreciation, commission, taxes and licenses and repairs and maintenance which are directly attributable to the leasing revenue of the Company.

- Costs of services in 2018 were up to 41% of the total revenue as compared to 40% in 2017 or a cost of services increase of 10%.

Gross Profit

- The Company's gross profit is up to 59% of the total revenue in 2018 as compared to 60% in 2017 or an increase of Php 3.3 million in 2018.

Operating expenses

- Operating expenses, composed of general and administrative expenses, amounting to Php 6.5 million for the year ended December 31, 2018. This translates to an 8% of the revenues from 6% of revenues the year prior.

Interest Income

- Interest income in 2018 represents mainly interest earned from the Company's cash and cash equivalents. The Company's cash and cash equivalents have earned interest income of Php 0.6 million in 2018 as compared to Php 0.8 million in 2017.

Other Income

- Other income represents Management fee earned from a related party for a fixed Management income amounted to Php 0.3 million in 2018 and 2017, and penalties and charges of Php 0.3 million and Php 0.7 million in 2018 and 2017, respectively.

Income Tax Expense

- Income tax expense for the year 2018 totaled Php 8.9 million. This consisted of current income tax totaling Php 8.5 million representing regular corporate income tax and a Php 0.5 million deferred tax. In 2017, income tax expense netted out at Php 8.1 million, which consisted of Php 8.5 million current tax expense offset by a deferred tax asset of Php 0.4 million.

Net Income

- Net income for the year ended December 31, 2018 reached Php 34.3 million for a net income margin of 42%, a 1% decrease from last year's net income of Php 34.7 million for a net income margin of 46%.

B. Cash flows

Cash flows generated from operating activities in 2019 amounted to Php 64.6 million which is 4.2% higher than Php 62.0 million generated in 2018. This is primarily attributable to the higher results of operations in 2019 as well as continuous improvement in the working capital.

Net cash used in investing activities totaled Php 53.8 million in 2019 mainly due to acquisition short-term investments, investment properties and property and equipment.

Net cash generated from financing activities amounted to Php 366.6 million which is primarily attributable to the receipt of the proceeds from IPO.

Overall, net cash generated for the year ended December 31, 2019 amounted to Php 377.3 million resulting to cash and cash equivalents balance of Php 452.3 million as of December 31, 2019.

FIRST QUARTER OF 2020

1. FINANCIAL CONDITION

As at March 31, 2020 compared to as at December 31, 2019

The total assets of Kepwealth Property Phils., Inc. (the Company) increased by P=12.0 million or by 1% from December 31, 2019.

Material changes in asset accounts are analyzed as follows:

a. The net decrease in cash and cash equivalents of P=121 million (-27%) is mainly due to the cash outflows for the purchase of investment properties and property and equipment totaling P=167.0 million and increase in other noncurrent assets of P=16.8 million mainly pertaining to deferred input VAT on the purchased investment properties. This was offset by cash inflows from proceeds of matured short-term investments of P=50.3 million and net cash provided by operating activities of P=12.4 million.

b. The increase in trade and other receivables by P=4.5 million (+122%) is due to increase in trade receivables from leasing and asset management operations.

c. Other current assets increased by P=3.5 million (+78%) is mainly due to the current portion of deferred input VAT on the acquisition on investment in properties.

d. Net increase in investment properties of P=156.8 million (+49%) is due to acquisition of two floors and eighteen parking slots at a commercial building located within Metro Manila.

e. Net increase of P=1.9 million (+424% %) in property and equipment is due to acquisition of office improvements.

f. Increase in other noncurrent assets by P=16.8 million (+3525%) is mainly due to non-current portion of the deferred input VAT on the acquisition on investment in properties.

The total liabilities of the Company increased by P=1.30 million (+3%) due primarily to accruals of income tax payable for the quarter.

Total equity stood at P=803.8 million as at March 31, 2019 compared to P=793.1 million as at December 31, 2019 increase by P=10.7 million (1%) representing the net income for the quarter.

The movements in the Company's retained earnings account represents the net income recognized during the three-month period ended March 31, 2020 amounting to P=10.7 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 9.53:1 as at March 31, 2020 from 14.55:1 as at December31, 2019 due mainly to use of liquid funds in the acquisition of office improvements.

The solvency ratio decreased to 0.54:1 as at March 31, 2020 from 1.96:1 as at December 30, 2019 due to the increased accruals as at period-end.

The debt-to-equity ratio of remain at 0.05:1 as at March 31, 2020 and 0.05:1 as at December 31, 2019.

The asset-to-equity ratio of the Company remained relatively stable during the periods under comparison

2. RESULTS OF OPERATIONS

For the Three-month Period Ended March 31, 2020 Compared to for the Three-month Period Ended March 31, 2019

The Company generated a total of P=25.1 million revenues from its business segments for the three-month period ended March 31, 2020 which is P=2.4 million (+11%) higher than the revenue generated for the same period in the prior year, mainly attributed to the increase in the Asset management segment.

Consequently, gross income is higher by P=1.3 million (+9%). The total comprehensive income of the Company for the three-month period ended March 31, 2020 registered at P=10.8 million which is P=2.0 million (23%) higher than that of the previous year for the same period.

Key factors to the changes of the items above are as follows:
a. Revenue increased mainly as a result of asset management operations of the Company which commenced on March 2019. The segment contributed P=5.6 million (+22%) to the Company's revenue for the period.

b. Cost of services increased by P=1.2 million (+13%) due to the increase in commission recognized from amortization of initial leasing costs and the incurrence of salaries and employee benefits.

c. General and administrative expenses increased by P=2.3 million (+121%). This increase mainly attributed payment of Professional Fees, Salaries and Other Employee Benefits and Contracted Services.

d. Interest income increased by P=2.8 million (+667%) 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 optional standard deductions amounted to =P2.7 million for the three-month period ended March 31, 2020 vs. P=2.8 million for the same period last year.

The resulting basic and diluted earnings per share of the Company increase to 0.7 from 0.6 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 slightly reduced from 2.18% to 2.02% due to the decrease in net income and increase in the average balance of equity.

The return on assets also reduced from 1.98% to 1.81% due also to the decrease in net income and increase in the average total asset base.

Net income margin has increased to 42.78% from 38.36% while the gross margin remained at the same level (around 58%) when compared to the same period last year.

Operating margin for the period improved to85.39% from82.98% for the same period last year resulting from the increase in revenue generated from the Asset management segment.

The leasing operations of the Company accounted for 44% of the total segment net income while the asset management operations accounted for 30%.

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 March 31, 2020.

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 expectedtohaveamaterialfavorableorunfavorableimpactonnetrevenuesorincomefrom 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

DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Company. The articles of incorporation of the Company, as amended ("Articles of Incorporation") currently provide for a Board of Directors of not more than seven (7) Directors, at least four (4) of whom must be citizens of the Philippines, and at least two (2) of whom must be independent directors. Directors are elected at the annual meeting of shareholders which is, in accordance with the Company's by-laws, as amended ("By-Laws"), held on the second Wednesday of July of every year. The seven (7) candidates receiving the highest number of votes through cumulative voting shall be declared elected. Each elected Director has a term of office of one (1) year and is eligible for re-election the following year. Currently, the Board consists of seven (7) Directors.

The table below sets out the members of the Board of Directors as of 30 June 2020:

Name	Age	Gender	Citizenship	Type/Position	Date First Elected
Restituto T. Lopez	69	Male	Filipino	Chairman / Non-exec	January 2019
August Pablo A. Corpus, Jr.[4]	63	Male	Filipino	Director / Exec	June 2020
Edmundo G. Las	67	Male	Filipino	Director / Exec	November 2017
Robert Ivan F. Olanday	38	Male	Filipino	Director / Exec	2017
John F. Catindig[5]	48	Male	Filipino	Director / Exec	2017
Ignacio Salvador Gimenez, III[6]	39	Male	Filipino	Director / Exec	January 2019
Mark Anthony C. Migallos	66	Male	Filipino	Director / Non-exec	January 2019

[4] Mr. Augusto Pablo A. Corpus, Jr. was elected as President effective June 19, 2020.

[5] Mr. John F. Catindig was appointed as Chief Information Officer and Compliance Officer effective June 19, 2020.

[6] Mr. Ignacio Salvador R.Gimenez, III was appointed as the new Corporate Treasurer and Investment Relations Officer effective June 19, 2020.

Executive Officers of the Company

The executive officers ("Executive Officers") of the Company, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Company. They are responsible for the implementation of the policies set by the Board of Directors.

The Executive Officers are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting, each to hold office for a period of one year.

The table below sets out the Company's Executive Officers as of 30 June 2020:

Name	Age	Gender	Citizenship	Position
Augusto Pablo A. Corpus, Jr.[6]	63	Male	Filipino	President
Robert Ivan F. Olanday	38	Male	Filipino	Corporate Secretary
Ignacio Salvador Gimenez III[8]	39	Male	Filipino	Treasurer and Investment Relations Officer
John F. Catindig[7]	48	Male	Filipino	Chief Information Officer and Compliance Officer

The following is a brief description of the business experience of each of the Directors and Officers:

MR. RESTITUTO T. LOPEZ, Filipino, 69 years old, joined as one of the Company's Independent Director in January 2019. He earned from the University of the East his Bachelor of Science degree in Business Administration and Accountancy in 1972. He then obtained a Master's degree in Management from the Asian Institute of Management in 1981 and completed the KPMG International Partner Program from Wharton School, University of Pennsylvania in 1992. He is likewise a registered auditor under the United Kingdom Act of 1985 and an accredited consultant of the Asian Development Bank. Practicing as a Certified Public Account ("CPA") for over 30 years, Mr. Lopez has extensive experience in auditing and consultancy. Prior to joining the Company, he served as the President of Transnational Construction Corporation which is involved in the construction business, management services, and in the leasing of commercial spaces. He also served as an Independent Director of Draka Phils, Inc. from 2009 to 2012 and President and Director of KPMG Peat Marwich Management Consultants, Phils. From 1990 to 2000. He was a member of the board of trustee of the Metropolitan Club, Inc. from 1998 to 2013. Currently, he is serving as the Chairman and Senior Partner of Lopez and Co., CPAs, Vice Chairman and Partner of KPMG – Fernandez Santos & Lopez, President and Chairman of RTL Holdings, Inc., and Chairman of LFC Solutions.net, Inc. and Spencers Landholdings, Inc.

MR. AUGUSTO PABLO A. CORPUS, JR., Filipino, 63 years old, is the President of the Company. He was elected as President on 19 June 2020. He earned his Bachelor of Science degree in Hotel and Restaurant in 1978 from the University of the Philippines in Diliman. He then obtained a Master's of Business Administration in Management from the Texas A&M University, College Station, Texas in 1983. Mr. Corpus has almost 40-years' experience in management of restaurants, resorts, hotels and office buildings. Prior to joining the Company, he served for 20 years as the Chief Executive Officer of Hotel Sogo which is involved in the construction, management and operation (including leasing of all commercial areas for rent) of the largest hotel chain in the Philippines. Mr. Corpus was key to growing the company from 3 hotels in 1999 to 41 hotels in 2019. He also served as the General Manager of Montevista Resorts and Convention Center from 1997 to 1999. From 1995 to 1997, Mr. Corpus was the General Manager of City Garden Hotel, Manila. From 1983 to 1995, he was the Vice President of Rosario Investments that constructed and operated 12 Hotels as well as managed and operated the King's Court Buildings, Makati.

MR. EDMUNDO G. LAS, Filipino, 67 years old, was the former President of the Company until June 2020 and has been a Director of the Company since November 2017. Prior to joining the Company, he served as a Director and Chief Executive Officer of Hotel Sogo, Inc. for 24 years and a director of Eurotel hotel chain. A previous banker, he has accumulated 40 years' experience in the hotel and lodging industry. He is presently the President of Edsa I Real Estate Corporation, Las Tuazon and Sons Realty, Inc., Golden Quick Food, Inc., Dormsuites, Inc., Manhattan Residences, Inc., Northwork Inn, Inc., and Hilton House, Inc. Mr. Las is the head of the Company's Business Development Division and has been very instrumental in the Company's expansion of its business, particularly in negotiating and managing the Company's acquisitions. He attended Notre Dame University Cotabato from 1969 to 1972 and Polytechnic University of the Philippines from 1972 to 1974.

MR. ROBERT IVAN F. OLANDAY, Filipino, 38 years old, has been the Company's Corporate Secretary since 2017. He is currently serving as the Corporate Secretary of Surprise Inc., Treasurer of We Serve 24 Hrs Inc. and EuroCapital Land, Inc., and Vice President for Finance and Authorized Managing Officer of New City Builders,

[7] Mr. John F. Catindig was appointed as Chief Information Officer and Compliance Officer effective June 19, 2020.

Inc. He is also a director in LUC Foods, Inc. and Great Freshness Inc. He attended Thames International School in 2002.

MR. JOHN F. CATINDIG, Filipino, 48 years old, has served as a Director of the Company since 2017 and is also the Treasurer of the Company. He used to work as the Support Operation of Metropolitan Bank and Trust Company from 1991 to 1994 and Account Support of Zuellig Group of Companies from 1994 to 1996. At present, he is the General Manager of Drugcheck Philippines, Inc. and Associated Person/Compliance Officer of IB Gimenez Securities, Inc. He received a Bachelor of Science degree in Commerce from the University of Santo Tomas in 1991. He also completed trainings on Anti-Money Laundering and Principle of Risk Management, The Net Capital and Risk board Capital Adequacy Requirements conducted by the PSE in 2010 and SEC in 2006, respectively.

MR. IGNACIO SALVADOR GIMENEZ, III, Filipino, 39 years old, was elected director of the Company in 9 January 2019. He is currently the President of I.B. Gimenez Securities, Inc.; Managing Director of J. Rosario Foods Corp. (a Jollibee franchisee); and Vice President for business development of China Philippines United Enterprises, Inc. Mr. Gimenez has a master's degree in strategic marketing from the University of Greenwich. He obtained a Bachelor of Arts in International Business (with Mandarin Chinese) from European Business School, London and Nanjing University, China. Mr. Gimenez is a member of JCI Manila and The Tower Club since 2010 and 2012, respectively.

MR. MARK ANTHONY C. MIGALLOS, Filipino, 66 years old, joined as one of the Independent Directors of the Company in January 2019. He previously worked for PruLife UK as the Vice President General Agencies from 1998 to 2018. He also worked for Insular Life as the Senior Assistant Vice President for Metro Manila Sales from 1983 to 1997. He obtained his Bachelor of Arts degree in English from the University of the Philippines in 1976. In 2007, he obtained his Master's degree in Business Administration from the Ateneo de Manila University.

MARKET PRICE OF, AND DIVIDENDS ON, COMMON SHARES

The common shares of the Company first listed on the PSE on August 19, 2019, are traded on the Philippine Stock Exchange ("PSE") under the symbol of KPPI. The closing price of the said shares on August 12, 2020 is P5.24.

The table below sets outs the high and low share prices for the Company's common shares as reported on the PSE:

Year		1Q	2Q	3Q	4Q
2019	High	-	-	27.35	15.40
	Low	-	-	5.84	8.90
2020	High	12.78	7.88	-	-
	Low	5.00	5.70	-	-

Holders

As of June 30, 2020, the Company's total outstanding common shares totaled 201,057,609 with a par value of P1.00 per share. Further, based on the report submitted by its Stock Transfer Agent, the Company had 15 shareholders of record with a public ownership percentage of 33.34%.

The following table sets forth the twenty (20) largest shareholders of the Company as of June 30, 2020.

	Name of Stockholder	No. of Shares Subscribed	% Ownership
1	CROWN CASTLE HOLDINGS.COM, INC.	75,590,090	37.596
2	PCD NOMINEE CORP. (FILIPINO)	66,935,007	33.291
3	WE SERVE 24 HOURS, INC.	34,310,390	17.065
4	EURO CAPITAL PTE. LTD.	16,082,980	7.999
5	LAS TUAZON AND SONS REALTY, INC.	8,041,490	4.00
6	PCD NOMINEE CORP. (NON-FILIPINO)	90,600	0.045
7	MYRA P. VILLANUEVA	6,000	0.003
8	NERO MORADA YAP MORENO	1,000	0.000
9	GERARD JOSEPH B. ALAVA	10	0.000
10	JOHN F. CATINDIG	10	0.000
11	EDMUNDO G. LAS	10	0.000
12	IGNACIO SALVADOR GIMENEZ, III	10	0.000
13	ROBERT IVAN F. OLANDAY	10	0.000
14	RESTITUTO T. LOPEZ	1	0.000

15	MARK ANTHONY C. MIGALLOS	1	0.000
	TOTAL	201,057,609	100.00

As of 30 June 2020, the Company has four (4) shareholders of its preferred shares of stock, set out in the following table:

	Name of Stockholder	No. of Shares Subscribed	% Ownership
1	CROWN CASTLE HOLDINGS.COM, INC.	143,820,000	56.400
2	WE SERVE 24 HOURS, INC.	65,280,000	25.600
3	EURO CAPITAL PTE. LTD.	30,600,000	12.000
4	LAS TUAZON AND SONS REALTY, INC.	15,300,000	6.000
	TOTAL	255,000,000	100.00

Dividend Policy

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. "Unrestricted Retained Earnings" refer to "the undistributed earnings of a corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends." The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation, (ii) when the required consent of any financing institution or creditor to such distribution has not been secured, (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies, or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

In relation to the preceding paragraph, Section 29 of the Tax Code imposes for each taxable year an improperly accumulated earnings tax ("IAET") of 10% of the improperly accumulated taxable income of corporations formed or availed of for the purpose of avoiding the income tax with respect to its shareholders or the shareholders of any other corporation, by permitting the earnings and profits of the corporation to accumulate instead of dividing them among or distributing them to the shareholders.

Reasonable needs of the business refer to the immediate needs of the business, including reasonably anticipated needs. Revenue Regulations No. 02-01 ("RR 02-01") provides that a corporation should be able to prove an immediate need for the accumulation of the earnings and profits, or the direct correlation of anticipated needs to such accumulation of profits, such as in the following instances:

- Allowance for the increase in the accumulation of earnings up to 100% of the paid-up capital of the corporation as of Balance Sheet date, inclusive of accumulations taken from other years;
- Earnings reserved for definite corporate expansion projects or programs requiring considerable capital expenditure as approved by the Board of Directors or equivalent body;
- Earnings reserved for building, plants or equipment acquisition as approved by the Board of Directors or equivalent body;
- Earnings reserved for compliance with any loan covenant or pre-existing obligation established under a legitimate business agreement;
- Earnings required by law or applicable regulations to be retained by the corporation or in respect of which there is legal prohibition against its distribution; or
- In the case of subsidiaries of foreign corporations in the Philippines, all undistributed earnings intended or reserved for investments within the Philippines as can be proven by corporate records and/or relevant documentary evidence.

On the other hand, RR 02-01 considers the following as prima facie instances of accumulation of profits beyond the reasonable needs of a business and indicative of purpose to avoid income tax upon shareholders:
- Investment of substantial earnings and profits of the corporation in unrelated business or in stock or securities of unrelated business;
- Investment in bonds and other long-term securities; or
- Accumulation of earnings in excess of 100% of paid-up capital, not otherwise intended for the reasonable needs of the business.

In order to determine whether profits are accumulated for the reasonable needs of the business as to avoid the imposition of the improperly accumulated earnings tax, the controlling intention of the taxpayer is that which is manifested at the time of accumulation, not subsequently declared intentions which are merely the product of afterthought.

If there is any excess accumulated taxable income, the corporation must declare and pay or issue dividends not later than one (1) year following the close of the taxable year, otherwise, the IAET, if any, should be paid within 15 days thereafter.

This provision does not apply to publicly-held corporations, or corporations at least fifty percent (50%) in value of the outstanding capital stock or at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by or for more than 20 individuals.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend Policy

The Company, pursuant to a board approval on 9 January 2019, intends to pay dividends annually in the amount of up to 25% of its audited net income after tax of the previous year subject to compliance with the requirements of applicable laws and regulations and subject to investment plans and financial condition of the Company.

The Board of Directors will review the amount of dividends periodically in light of the Company's earnings, financial condition, cash flows, capital requirements, and other considerations. The declaration of dividends shall also take into account the need to maintain a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a stand-alone basis.
Dividends shall be declared and paid out of the Company's unrestricted retained earnings in cash, property or stock, which shall be payable to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the Board of Directors, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the Company's earnings, cash flow, return on equity and retained earnings;
- the Company's results and financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the Company's projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any future financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board of Directors deems appropriate.

The Company's dividend policy on preferred shares is to declare and pay dividends in accordance with the terms and conditions of its issuance. With regard to the preferred shares, the Board has the power to determine such other features of the preferred shares. Under the Company's amended AOI, the Board has the power to determine such other features of the preferred shares. Currently and pursuant to a board resolution approved and passed on 22 May 2019, holders of the currently issued and outstanding preferred shares do not enjoy dividend rights and only enjoy preference in the event of liquidation.

For the year 2017, the Board of Directors declared a cash dividend of ₱31,273,394.00 or ₱0.92 per share for all shareholders as of 30 September 2017 payable on 27 October 2017.

No dividends were declared in 2018.

For the year 2019, on 30 January 2019, the Board of Directors declared stock dividends to all shareholders of record as of 30 January 2019 equivalent to 49,000,000 common shares at a par value of ₱1.00 per share, valued at ₱49,000,000, subject to the approval by the stockholders of the stock dividend declaration and the approval by the SEC of the amendments to the articles of incorporation. On 30 January 2019, the stockholders of the Corporation approved the declaration of stock dividends. On 7 March 2019, the SEC approved the amendments to the articles of incorporation.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

As of the date hereof, the Company has not undertaken any recent sale of unregistered or exempt securities, including issuances of securities constituting an exempt transaction.

DISCUSSION ON COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company adopted its Manual on Corporate Governance (the "Manual") on January 30, 2019. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in the Manual. The directors and officers have likewise attended the mandatory seminar on updates in corporate governance as required under the SEC regulations. An evaluation system has been established by the Company to measure or determine the level of compliance of the BOD and top-level management with the Manual. The Company also has established board committees, including the audit committee, corporate governance committee, and related party transaction committee, as part of its commitment to the best practices of corporate governance and has a Compliance Officer to monitor compliance with the Manual. The Company's BOD is likewise composed of two Independent Directors as required under the Manual. The Independent Directors possess all the qualifications required by law and the Manual and likewise serve as chairpersons of the board committees as part of best practices.

As of the date of this report, the Company is not aware of any deviation from the Manual and has substantially complied with all provisions of the Manual.

Pursuant to SEC Memorandum Circular 15, Series of 2017, and the Notice issued by the Corporate Finance and Corporate Governance Department of the SEC on April 22, 2020 in light of the imposition of the enhanced community quarantine in Metro Manila, the Integrated Annual Corporate Governance Report (I-ACGR) of the Company for 2019 was filed with the SEC on 30 July 2020.

THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, ADDRESSED TO THE OFFICE OF THE CORPORATE SECRETARY BY EMAIL TO asm2020@kepwealth.com.

THE COMPANY UNDERTAKES TO POST THE SEC FORM 17-Q QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2020 AT ITS WEBSITE https://kepwealth.com AT LEAST 5 DAYS BEFORE 04 SEPTEMBER 2020 OR AS SOON AS IT IS FILED WITH THE COMMISSION.

ANNEX "A"

KEPWEALTH PROPERTY PHILS., INC.

Procedures and Requirements for Voting and Participation in the 2020 Annual Stockholders' Meeting

To conform with the government's regulations on social distancing and prohibition on mass gatherings and to protect the safety of its stockholders during the COVID-19 pandemic crisis, **KEPWEALTH PROPERTY PHILS., INC.** (the "Company") will dispense with the physical attendance of its stockholders for the 2020 Annual Stockholders' Meeting (ASM). Instead, the Company will conduct the 2020 ASM scheduled on September 09, 2020 at 8:00 AM by remote communication and will conduct electronic voting *in absentia*. Only stockholders of record as of August 14, 2020 are entitled to participate and vote in the 2020 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2020 ASM.

I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

A. Stockholders may register from 9:00 AM of 18 August 2020 until 5:00 PM of 26 August 2020 to signify his/her/its intention to participate in the 2020 ASM by remote communication. The registration steps and requirements are available at the Company's website: https://kepwealth.com.

B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at asm2020@kepwealth.com:

B.1 For Individual Stockholders –

(i) Scanned copy of stock certificate issued in the name of the individual stockholder;
(ii) Valid email address and active contact number;
(iii) Scanned copy of valid government-issued identification card; and
(iv) Recent photo of stockholder.

B.2 For Stockholders with Joint Accounts –

(i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
(ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
(iii) Valid email address and active contact number of the authorized stockholder;
(iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
(v) Recent photo of the authorized stockholder.

B.3 For Corporate Stockholders –

(i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
(ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
(iii) Valid email address and active contact number of authorized representative; and
(iv) Valid government-issued identification card of authorized representative.

B.4 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-

Stockholders should coordinate with their broker on how they can register and participate in the meeting and submit the following:

(i) Broker's Certification on the stockholder's number of shareholdings;
(ii) Sub-proxy issued by broker;
(iii) Valid email address and active contact number of the stockholder;
(iv) Scanned copy of valid government-issued identification card of stockholder; and
(v) Recent photo of stockholder.

C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide

instructions for the stockholder's access to the Company's electronic voting and to access the ASM livestreaming link.

II. VOTING BY BALLOT OR PROXY

A. For individual stockholders holding certificated shares of the Company – Download the ballot or proxy form that is available at https://kepwealth.com.

B. For corporate stockholders - Download the ballot or proxy form that is available at https://kepwealth.com. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the ballot or proxy form. A sample Secretary's Certificate is available at https://kepwealth.com.

C. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Stockholders are advised to coordinate with their brokers for the execution of this type of ballot or proxy.

D. General Instructions on Voting by Proxy:

(1) Download and fill up the appropriate ballot or proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.

(2) Send the scanned copy of the duly executed ballot or proxy form by email to asm2020@kepwealth.com.

(3) **Deadline for the submission of ballots and proxies is on 5:00 PM of 26 August 2020**.

(4) Validation of proxies will be on 27 August 2020.

III. **PARTICIPATION BY REMOTE COMMUNICATION**

A. The link to the online annual stockholders' meeting will be sent to the registered stockholder through his/her/its e-mail address.

B. Only duly registered stockholders will be included in determining the existence of a quorum.

C. Duly registered stockholders may send their questions and/or comments prior to the ASM through email at asm2020@kepwealth.com. The deadline for submitting questions shall be at 5:00 PM of 04 September 2020.

D. The proceedings during the 2020 ASM will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at asm2020@kepwealth.com.

kepwealth

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The management of **Kepwealth Property Phils., Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements as at and for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of Kepwealth Property Phils., Inc. complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e., Philippine Financial Reporting Standards) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) Kepwealth Property Phils., Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

RESTITUTO T. LOPEZ
Chairman of the Board

EDMUNDO G. LAS
President

JOHN F. CATINDIG
Treasurer

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	5	1	6	3	6	1

COMPANY NAME

K	E	P	W	E	A	L	T	H		P	R	O	P	E	R	T	Y		P	H	I	L	S	.	,		I	N	C	.												

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

U	N	I	T		I	J	0	1	-	2	3		B	U	R	G	U	N	D	Y		C	O	R	P	O	R	A	T	E		T	O	W	E	R		2
5	2		S	E	N	.		G	I	L		P	U	Y	A	T		A	V	E	.	,		M	A	K	A	T	I		C	I	T	Y				

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@kepwealth.com	**(632) 7978-5080**	**+63917-888-2789**

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
15	**July 10, 2019**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Edmundo G. Las	**edmundo.las@kepwealth.com**	**(632) 7978-5080**	**–**

CONTACT PERSON'S ADDRESS

51 Visayas Street, Ayala Alabang Village, Muntinlupa City

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
KEPWEALTH PROPERTY PHILS., INC.
Unit IJ01-23 Burgundy Corporate Tower
252 Sen. Gil Puyat Ave.
Makati City

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of KEPWEALTH PROPERTY PHILS., INC. (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended December 31, 2019, 2018 and 2017 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and 2018 and its financial performance and its cash flows for the years then ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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RSM

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

Accounting for the Proceeds from the Initial Public Offering (IPO)

The shares of the stock of the Company were listed with the Philippine Stock Exchange, Inc. on August 19, 2019. The proceeds from the IPO amounted to ₱384.7 million. The accounting for the proceeds is significant to our audit because the outstanding balance of the proceeds amounting to ₱360.0 million as at December 31, 2019 represent 43% of the total assets. Moreover, the Company is required to adhere to the use of the proceeds pursuant to the Offering Circular.

Our procedures included, among others, examining the underlying documents and obtaining confirmation from banks of the outstanding balance of the outstanding balance of the proceeds and testing the nature and validating the underlying documents of the actual disbursements of the proceeds for the year ended December 31, 2019.

Necessary disclosures are included in Note 4, *Initial Public Offering,* which discusses IPO and use of proceeds, and Note 10, *Equity*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified in the foregoing when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore considered the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Company. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
CPA Certificate No. 27455
Tax Identification No. 102-084-004-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 27455-SEC Group A
Valid until January 27, 2025
BIR Accreditation No. 08-005144-005-2019
Valid until October 16, 2022
PTR No. 8116470
Issued January 6, 2020, Makati City

June 19, 2020
Makati City, Metro Manila

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8741 Paseo de Roxas
Makati City 1226 Philippines
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Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY INCOME TAX RETURN FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors
KEPWEALTH PROPERTY PHILS., INC.
Unit IJ01-23 Burgundy Corporate Tower
252 Sen. Gil Puyat Ave.
Makati City

We have audited the accompanying financial statements of KEPWEALTH PROPERTY PHILS., INC. (the Company) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated June 19, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
CPA Certificate No. 27455
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KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱452,334,407**	₱75,009,849
Short-term investments	5	**50,311,667**	–
Trade and other receivables	6	**4,043,720**	6,243,932
Other current assets		**4,445,905**	335,513
Total Current Assets		**511,135,699**	81,589,294
Noncurrent Assets			
Investment properties	7	**317,038,624**	346,754,146
Property and equipment	8	**466,891**	20,256
Net deferred tax asset	15	**3,338,475**	4,332,459
Deferred input value-added tax		**475,255**	798,650
Total Noncurrent Assets		**321,319,245**	351,905,511
		₱832,454,944	₱433,494,805
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	9	**₱33,958,981**	₱37,677,664
Income tax payable		**1,167,688**	2,183,620
Total Current Liabilities		**35,126,669**	39,861,284
Noncurrent Liabilities	16		
Advance rent - net of current portion		**1,793,621**	1,189,262
Security deposits - net of current portion		**2,378,029**	2,568,895
Deferred credits - net of current portion		**75,338**	231,130
Total Noncurrent Liabilities		**4,246,988**	3,989,287
Total Liabilities		**39,373,657**	43,850,571
Equity			
Capital stock	10	**456,057,609**	340,025,000
Additional paid-in capital	10	**299,519,764**	–
Retained earnings		**37,503,914**	49,619,234
Total Equity		**793,081,287**	389,644,234
		₱832,454,944	₱433,494,805

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUES				
Leasing	16	**₱84,808,943**	₱81,846,155	₱75,475,152
Asset management	14	**15,986,474**	–	–
		100,795,417	81,846,155	75,475,152
COSTS OF SERVICES	11	**39,946,830**	33,271,010	30,194,603
GROSS INCOME		**60,848,587**	48,575,145	45,280,549
GENERAL AND ADMINISTRATIVE EXPENSES	12	**18,119,305**	6,526,490	4,244,944
OTHER INCOME	13	**5,420,495**	1,224,458	1,785,594
INCOME BEFORE INCOME TAX		**48,149,777**	43,273,113	42,821,199
PROVISION FOR (BENEFIT FROM) INCOME TAX	15			
Current		**10,271,113**	8,507,466	8,546,971
Deferred		**993,984**	468,634	(414,445)
		11,265,097	8,976,100	8,132,526
NET INCOME		**36,884,680**	34,297,013	34,688,673
OTHER COMPREHENSIVE INCOME		**–**	–	–
TOTAL COMPREHENSIVE INCOME		**₱36,884,680**	₱34,297,013	₱34,688,673
BASIC AND DILUTED EARNINGS PER SHARE	10	**₱0.23**	₱0.26	₱0.26

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2019**	2018	2017
CAPITAL STOCK	10			
Common				
Balance at beginning of year		**₱85,025,000**	₱85,025,000	₱85,010,000
Stock dividends		**49,000,000**	–	–
Issuance		**67,032,609**	–	15,000
Balance at end of year		**201,057,609**	85,025,000	85,025,000
Preferred				
Balance at beginning and end of year		**255,000,000**	255,000,000	255,000,000
		456,057,609	340,025,000	340,025,000
ADDITIONAL PAID-IN CAPITAL	10	**299,519,764**	–	–
RETAINED EARNINGS				
Balance at beginning of year		**49,619,234**	15,322,221	11,906,942
Net income		**36,884,680**	34,297,013	34,688,673
Stock dividends	10	**(49,000,000)**	–	–
Cash dividends		**–**	–	(31,273,394)
Balance at end of year		**37,503,914**	49,619,234	15,322,221
		₱793,081,287	₱389,644,234	₱355,347,221

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱48,149,777**	₱43,273,113	₱42,821,199
Adjustments for:				
Depreciation and amortization	7	**33,292,072**	30,043,473	26,858,749
Interest income	5	**(4,628,524)**	(632,739)	(786,347)
Provision for expected credit loss	6	**1,089,473**	–	–
Gain on sale of office improvement	13	**(179,464)**	–	–
Operating income before working capital changes		**77,723,334**	72,683,847	68,893,601
Decrease (increase) in:				
Trade and other receivables		**1,110,739**	(3,131,647)	(8,313,645)
Other current assets		**(4,110,392)**	(50,915)	(2,722)
Deferred input VAT		**323,395**	305,366	(1,385,892)
Increase (decrease) in:				
Accounts and other payables		**3,033,860**	6,233,086	7,690,184
Advance rent		**(5,624,122)**	(4,909,039)	(2,099,115)
Security deposits		**(774,371)**	(2,198,898)	(2,313,022)
Deferred credits		**(146,886)**	(44,106)	(91,422)
Net cash generated from operations		**71,535,557**	68,887,694	62,377,967
Income taxes paid		**(11,287,045)**	(7,575,289)	(8,136,431)
Interest received		**4,316,857**	679,648	769,802
Net cash provided by operating activities		**64,565,369**	61,992,053	55,011,338
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Short-term investments		**(50,311,667)**	–	–
Investment properties	7	**(3,531,640)**	(3,858,087)	(5,484,770)
Property and equipment	8	**(1,362,081)**	(22,098)	–
Proceeds from sale of office improvement	8	**1,050,000**	–	–
Interest received		**311,667**	–	–
Net cash used in investing activities		**(53,843,721)**	(3,880,185)	(5,484,770)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common stock		**366,552,373**	–	15,000
Increase (decrease) in due to related parties	20	**50,537**	(55,386,700)	14,834,452
Cash dividends paid		–	–	(31,273,394)
Net cash provided by (used in) financing activities		**366,602,910**	(55,386,700)	(16,423,942)

(Forward)

	Note	Years Ended December 31		
		2019	2018	2017
NET INCREASE IN CASH AND CASH EQUIVALENTS		**₱377,324,558**	₱2,725,168	₱33,102,626
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**75,009,849**	72,284,681	39,182,055
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱452,334,407**	₱75,009,849	₱72,284,681
NONCASH FINANCIAL INFORMATION				
Issuance of stock dividends	10	**₱49,000,000**	₱–	₱–
Settlement through offsetting of advances to officers against due to a related party		**–**	7,500,000	–
Acquisition of investment properties through advances from related party		**–**	–	47,686,799

See accompanying Notes to Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.
NOTES TO 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 an increase in authorized common shares by 79,200,000 and preferred shares by 478,800,000 and 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.

The financial statements of the Company as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017 were approved and authorized for issue by the BOD on June 19, 2020.

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 are included in Note 7, *Investment Properties* and Note 18, *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, 2019:

- PFRS 16, *Leases* – This standard replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income (OCI)).

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendment is part of the Annual Improvement to PFRS 2015 to 2017 Cycle and requires entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, OCI or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

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.

New and Amended PFRS in Issue but Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the financial statements, are summarized below.

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, an 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 is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be 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 December 31, 2019 and 2018, 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. Deposit 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 25 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 beginning January 1, 2019

   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. Assessment Policies prior to January 1, 2019

   The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

   A reassessment is made after inception of the lease only if one of the following applies:

   i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

   ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (ii) or (iv) and at the date of renewal or extension period for scenario (ii).

c. Assessment Policies beginning January 1, 2019

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:

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

iv. 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.

d. 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 Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments, accounting 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 financial statements as they become reasonably determinable.

Judgments, 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.

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

Determining the 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 the 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 19).

Determining the Classification of 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 ₱84.8 million, ₱81.8 million and ₱75.5 million in 2019, 2018 and 2017, respectively (Note 16).

Determining the Classification of Investment Properties. The Company determines whether a property qualifies 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 ₱317.0 million and ₱346.8 million as at December 31, 2019 and 2018, respectively (Note 7).

Accounting Estimates and Assumptions

Accounting estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the year in which the estimate is revised and in any future years 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.

Provision for ECL on trade receivables amounted to ₱1.1 million in 2019. No provision for ECL on trade receivables was recognized in 2018 and 2017. Allowance for ECL on trade receivables amounted to ₱1.1 million and nil as at December 31, 2019 and 2018, respectively (Note 6).

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 in 2019, 2018 and 2017.

The carrying amounts of other financial assets at amortized cost as at December 31, 2019 and 2018 are as follows:

	Note	**2019**	2018
Cash and cash equivalents	5	**₱452,334,407**	₱75,009,849
Short-term investments	5	**50,311,667**	–
Due from related parties	6	**–**	1,024,840

Estimating the Useful Lives of Investment Properties and Property and Equipment. The Company estimates the useful lives of its investment properties and property and equipment based on the years 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 and property and equipment in 2019, 2018 and 2017.

The carrying amounts of investment properties amounted to ₱317.0 million and ₱346.8 million as at December 31, 2019 and 2018, respectively (Note 7). The carrying amounts of property and equipment amounted to ₱0.5 million and ₱20,256 as at December 31, 2019 and 2018 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 in 2019, 2018 and 2017. The carrying amounts of nonfinancial assets as at December 31, 2019 and 2018 are as follows:

	Note	**2019**	2018
Investment properties	7	**₱317,038,624**	₱346,754,146
Other current assets		**4,445,905**	333,513
Accrued rent	6	**1,147,683**	1,241,066
Deferred input VAT - net of current portion		**475,255**	798,650
Property and equipment	8	**466,891**	20,256
Advances to officers and employees	6	**339,808**	110,781

Assessing the Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting period and reduces the carrying amounts to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2019 and 2018, the Company's recognized deferred tax assets amounted to ₱4.0 million and ₱5.4 million, respectively (Note 15).

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 ₱24.7 million (Notes 1 and 10).

The unapplied proceeds from the IPO of ₱360.0 million as at December 31, 2019 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 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:

	2019	2018
Cash on hand	**₱27,002**	₱17,000
Cash in banks	**401,162,555**	74,992,849
Cash equivalents	**51,144,850**	–
	₱452,334,407	₱75,009,849

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 December 31, 2019 are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn annual interest at 3.25%.

Short-term Investments

Short-term investments amounting to ₱50.3 million as at December 31, 2019 has a maturity of more than three months but less than a year with annual interest at 3.30%.

Details of interest income earned are as follows:

	Note	**2019**	2018	2017
Cash and cash equivalents		**₱4,316,857**	₱632,739	₱786,347
Short-term investments		**311,667**	–	–
	13	**₱4,628,524**	₱632,739	₱786,347

6. Trade and Other Receivables

This account consists of:

	Note	**2019**	2018
Trade			
Third parties		**₱3,617,507**	₱3,867,245
Related parties	14	**28,195**	–
Accrued rent		**1,147,683**	1,241,066
Due from related party	14	**–**	1,024,840
Others		**339,808**	110,781
		5,133,193	6,243,932
Less allowance for ECL		**1,089,473**	–
		₱4,043,720	₱6,243,932

Provision for ECL of ₱1.1 million was recognized in 2019 (Note 12).

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	2019 Condominium Units and Parking Slots	 Initial Leasing Cost	 Total
Cost				
Balance at beginning of year		**₱673,974,734**	**₱6,396,451**	**₱680,371,185**
Additions		**1,229,743**	**2,301,897**	**3,531,640**
Write-off		**–**	**(2,982,178)**	**(2,982,178)**
Balance at end of year		**675,204,477**	**5,716,170**	**680,920,647**
Accumulated Depreciation and Amortization				
Balance at beginning of year		**330,407,877**	**3,209,162**	**333,617,039**
Depreciation and amortization	11	**28,879,925**	**4,367,237**	**33,247,162**
Write-off		**–**	**(2,982,178)**	**(2,982,178)**
Balance at end of year		**359,287,802**	**4,594,221**	**363,882,023**
		₱315,916,675	**₱1,121,949**	**₱317,038,624**

	Note	2018 Condominium Units and Parking Slots	 Initial Leasing Cost	 Total
Cost				
Balance at beginning of year		₱673,974,734	₱2,538,364	₱676,513,098
Additions		–	3,858,087	3,858,087
Balance at end of year		673,974,734	6,396,451	680,371,185
Accumulated Depreciation and Amortization				
Balance at beginning of year		301,492,948	2,082,460	303,575,408
Depreciation and amortization	11	28,914,929	1,126,702	30,041,631
Balance at end of year		330,407,877	3,209,162	333,617,039
		₱343,566,857	₱3,187,289	₱346,754,146

This account consists mainly of condominium units and parking slots at 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 leasing cost which consists of unamortized portion of commission incurred for lease transactions.

Leasing revenue earned from investment properties amounted to ₱84.8 million, ₱81.8 million and ₱75.5 million in 2019, 2018 and 2017, respectively (Note 16).

Direct costs incurred related to the investment properties amounted to ₱39.9 million, ₱33.3 million and ₱30.2 million in 2019, 2018 and 2017, respectively (Note 11).

The fair value of the investment properties aggregating ₱869.2 million is based on the appraisal of an accredited independent appraiser. The latest appraisal report is dated July 6, 2018. The fair value of the 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 and amortization recognized in the statements of comprehensive income consist of the following:

	Note	**2019**	2018	2017
Investment properties:				
Condominium units and parking slots	11	**₱28,879,925**	₱28,914,929	₱25,589,567
Initial leasing cost	11	**4,367,237**	1,126,702	1,269,182
		33,247,162	30,041,631	26,858,749
Property and equipment	8	**44,910**	1,842	–
		₱33,292,072	₱30,043,473	₱26,858,749

The amortization 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:

		2019		
	Note	**Office Improvement**	**Office Equipment**	**Total**
Cost				
Balance at beginning of year		**₱–**	**₱22,098**	**₱22,098**
Additions		**1,025,974**	**336,107**	**1,362,081**
Disposal		**(870,536)**	**–**	**(870,536)**
Balance at end of year		**155,438**	**358,205**	**513,643**
Accumulated Depreciation				
Balance at beginning of year		**–**	**1,842**	**1,842**
Depreciation	7	**15,934**	**28,976**	**44,910**
Balance at end of year		**15,934**	**30,818**	**46,752**
		₱139,504	**₱327,387**	**₱466,891**

As at December 31, 2018, the carrying amount of office equipment amounted to ₱20,256. Depreciation recognized in 2018 amounted to ₱1,842 (Note 7).

In 2019, the Company sold office improvement to an entity under common management for ₱1.0 million. Gain on sale of office improvement amounted to ₱179,464 (Note 13).

9. Accounts and Other Payables

This account consists of:

	Note	2019	2018
Security deposits	16	**₱16,142,945**	₱16,726,450
Advance rent	16	**10,514,790**	16,743,271
Accruals for:			
Condominium dues	14	**812,778**	–
Professional fees		**806,000**	376,500
Taxes and licenses		**694,966**	–
Salaries, wages and employee benefits		**509,911**	–
Utilities		**468,210**	–
Directors' fees	14	**267,500**	–
Management fee	14	**120,000**	411,557
Commission		**99,687**	937,354
Others		**60,209**	–
Statutory payables		**1,541,857**	721,605
Reservation deposit		**135,970**	–
Deferred credits		**97,888**	88,982
Due to a related party	14	**50,537**	–
Others		**1,635,733**	1,671,945
		₱33,958,981	₱37,677,664

Accruals are normally settled within one year.

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

10. Equity

Capital Stock

This account consists of:

	2019		2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Common Shares						
Authorized:						
Balance at beginning of year - ₱10 par value	**8,800,000**	**₱88,000,000**	8,800,000	₱88,000,000	8,800,000	₱88,000,000
Recapitalization - ₱1 par value						
Reclassification from preferred shares	**277,000,000**	**277,000,000**	–	–	–	–
Effect of stock split	**79,200,000**	**–**	–	–	–	–
Balance at end of year	**365,000,000**	**₱365,000,000**	8,800,000	₱88,000,000	8,800,000	₱88,000,000
Issued and outstanding:						
Balance at beginning of year	**8,502,500**	**₱85,025,000**	8,502,500	₱85,025,000	8,501,000	₱85,010,000
Effect of stock split	**76,522,500**	**–**	–	–	–	–
Stock dividends	**49,000,000**	**49,000,000**	–	–	–	–
Issuance	**67,032,609**	**67,032,609**	–	–	1,500	15,000
Balance at end of year	**201,057,609**	**₱201,057,609**	8,502,500	₱85,025,000	8,502,500	₱85,025,000

	2019		2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares						
Authorized:						
Balance at beginning of year - ₱10 par value	**53,200,000**	**₱532,000,000**	53,200,000	₱532,000,000	53,200,000	₱532,000,000
Recapitalization - ₱1 par value						
Effect of stock split	**478,800,000**	**–**	–	–	–	–
Reclassification to common shares	**(277,000,000)**	**(277,000,000)**	–	–	–	–
Balance at end of year	**255,000,000**	**₱255,000,000**	53,200,000	₱532,000,000	53,200,000	₱532,000,000
Issued and outstanding:						
Balance at beginning of year	**25,500,000**	**₱255,000,000**	25,500,000	₱255,000,000	25,500,000	₱255,000,000
Effect of stock split	**229,500,000**	**–**	–	–	–	–
Balance at end of year	**255,000,000**	**₱255,000,000**	25,500,000	₱255,000,000	25,500,000	₱255,000,000

Preferred shares are non-voting, and redeemable at dates and in number of shares to be determined by the BOD.

On September 30, 2017, the BOD approved the declaration of cash dividends amounting to ₱31.3 million at ₱0.92 a share.

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 ₱24.7 million (Notes 1 and 4).

Additional Paid-in Capital

Movements of additional paid-in capital in 2019 are as follows:

Balance at beginning of year	**₱–**
Additions	**317,244,357**
Costs of issuance	**(17,724,593)**
Balance at end of year	**₱299,519,764**

EPS

Basic and diluted EPS were computed as follows:

	2019	2018	₱2017
Net income	**₱36,884,680**	₱34,297,013	34,688,673
Divided by weighted average number of outstanding common shares:			
Balance at beginning of year	**8,502,500**	8,502,500	8,502,500
Effect of stock split	**76,522,500**	76,522,500	76,522,500
Effect of stock dividend	**49,000,000**	49,000,000	49,000,000
Issuance	**24,792,883**	–	–
	158,817,883	134,025,000	134,025,000
	₱0.23	₱0.26	₱0.26

11. Costs of Services

This account consists of:

	Note	**2019**	2018	2017
Depreciation	7	**₱28,879,925**	₱28,914,929	₱25,589,567
Commission	7	**4,367,237**	1,126,702	1,269,182
Salaries, wages and employee benefits		**3,373,297**	–	–
Taxes and licenses		**3,265,129**	3,171,590	3,037,143
Repairs and maintenance		**61,242**	57,789	298,711
		₱39,946,830	₱33,271,010	₱30,194,603

12. General and Administrative Expenses

This account consists of:

	Note	**2019**	2018	2017
Professional fees		**₱6,971,958**	₱921,516	₱350,170
Contracted services	14	**2,515,220**	–	–
Condominium dues	14	**1,323,371**	992,850	880,123
Provision for ECL	6	**1,089,473**	–	–
Salaries, wages and employee benefits		**1,063,430**	–	–
Taxes and licenses		**975,668**	1,314,534	930,773
Selling and marketing		**876,587**	–	–
Transportation and travel		**629,547**	1,051,856	89,728
Directors' fees	14	**590,000**	–	–
Registration and filing fees		**430,939**	–	–
Subscription		**243,684**	–	–
Management fee	14	**240,000**	1,440,000	1,390,200
Interest	16	**203,891**	341,636	274,196
Office supplies		**69,557**	5,584	20,366
Utilities		**60,327**	26,162	43,351
Others		**835,653**	432,352	266,037
		₱18,119,305	₱6,526,490	₱4,244,944

13. Other Income

This account consists of:

	Note	2019	2018	2017
Interest	5	**₱4,628,524**	₱632,739	₱786,347
Management fee	14	**302,336**	300,000	300,000
Gain on sale of office improvement	8	**179,464**	–	–
Penalties and charges		**310,171**	291,719	699,247
		₱5,420,495	₱1,224,458	₱1,785,594

Penalties and charges mainly consist of forfeitures from pre-terminated lease contracts and gain from liability extinguishment.

14. 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	Transaction during the Period	Trade and Other Receivables (Note 6)	Due from Related Parties (Note 6)	Accounts and Other Payables (Note 9)	Due to Related Parties (Note 9)
Entities Under Common Management	Asset management	**2019**	**₱15,986,474**	**₱–**	**₱–**	**₱–**	**₱–**
		2018	–	–	–	–	–
	Contracted services (Note 12)	**2019**	**2,515,220**	**–**	**–**	**–**	**–**
		2018	–	–	–	–	–
	Commission expense	**2019**	**1,198,846**	**–**	**–**	**9,406**	**–**
		2018	937,354	–	–	937,354	–
	Condominium dues (Note 12)	**2019**	**1,323,371**	**–**	**–**	**812,778**	**–**
		2018	992,850	–	–	–	–
	Leasing revenue	**2019**	**809,400**	**–**	**–**	**–**	**–**
		2018	–	–	–	–	–
	Management income (Note 13)	**2019**	**302,336**	**–**	**–**	**–**	**–**
		2018	300,000	–	125,000	–	–
	Management fee (Note 12)	**2019**	**240,000**	**–**	**–**	**120,000**	**–**
		2018	1,440,000	–	–	411,557	–
	Noninterest-bearing cash advances	**2019**	**153,140**	**28,195**	**–**	**–**	**50,537**
		2018	90,000,000	–	–	–	–
Stockholders	Directors' fees (Note 12)	**2019**	**590,000**	**–**	**–**	**267,500**	**–**
		2018	–	–	–	–	–
	Noninterest-bearing cash advances	**2019**	–	**–**	**–**	**–**	**–**
		2018	899,840	–	899,840	–	–
		2019		**₱28,195**	**₱–**	**₱1,209,684**	**₱50,537**
		2018		–	1,024,840	1,348,911	–

Management Agreements

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

- Asset management, legal and finance services agreement for a fixed monthly fee until February 28, 2019. Management fee expense amounted to ₱0.2 million in 2019 and ₱1.4 million in 2018 and 2017 (Note 12).
- Operational, financial and administration services agreement for a fixed monthly fee. Management income amounted to ₱0.3 million in 2019, 2018 and 2017 (Note 13).
- Asset management for a fixed monthly fee starting March 2019. Total asset management revenue in 2019 amounted to ₱15.9 million.
- Commission agreement for a predetermined fee. Commission revenue which is included as part of asset management revenue aggregated ₱1.6 million in 2019.

Service Agreement

On March 1, 2019, the Company entered into a service agreement with a related party under common management for a fixed monthly fee. The services rendered to the Company include 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 ₱2.5 million in 2019 (Note 12).

Compensation of Key Management Personnel

The compensation of key management personnel amounted to ₱2.5 million in 2019. This is mainly composed of salaries and other short-term employee benefits. In 2018, compensation of key management personnel was paid by a related party under common management and charged through a management fee to the Company.

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.

15. Income Tax

The current income tax expense represents regular corporate income taxes using optional standard deductions (OSD) in 2019, 2018 and 2017.

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

	2019	2018	2017
Income tax at statutory tax rate	**₱14,444,933**	₱12,981,934	₱12,846,360
Tax effects of:			
Difference between OSD and itemized deductions	**(1,738,459)**	(3,779,486)	(4,424,498)
Interest income already subjected to final tax	**(1,388,557)**	(189,822)	(221,849)
Others	**(52,820)**	(36,526)	(67,487)
	₱11,265,097	₱8,976,100	₱8,132,526

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

	2019	2018
Deferred tax asset:		
Advance rent	**₱3,692,523**	₱5,379,760
Allowance for ECL	**326,842**	–
	4,019,365	5,379,760
Deferred tax liabilities:		
Initial leasing cost	**336,585**	674,981
Accrued rent	**344,305**	372,320
	680,890	1,047,301
Net deferred tax asset	**₱3,338,475**	₱4,332,459

16. **Significant Contracts and Agreements**

Operating Lease Agreement - Company as a Lessor

The Company has various operating lease contracts with third parties and with 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 ₱84.8 million, ₱81.8 million and ₱75.5 million in 2019, 2018 and 2017, respectively, as shown in the statements of comprehensive income.

The aggregate future minimum annual rent receivables are as follows:

	2019	2018
Within one year	**₱45,648,285**	₱44,889,788
After one year but not more than five years	**20,970,901**	16,754,692
	₱66,619,186	₱61,644,480

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

	Note	**2019**	2018
Current	9	**₱10,514,790**	₱16,743,271
Noncurrent		**1,793,621**	1,189,262
		₱12,308,411	₱17,932,533

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:

	Note	2019	2018
Balance at beginning of year		**₱19,295,345**	₱21,743,654
Refund		**(3,441,523)**	(5,468,870)
Additions		**2,463,261**	2,678,925
Accretion of interest		**203,891**	341,636
Balance at end of year		**18,520,974**	19,295,345
Less current portion	9	**16,142,945**	16,726,450
Noncurrent portion		**₱2,378,029**	₱2,568,895

Roll forward analysis of deferred credits is as follows:

	Note	2019	2018
Balance at beginning of year		**₱320,112**	₱359,487
Amortization		**(176,067)**	(341,050)
Additions		**29,181**	301,675
Balance at end of year		**173,226**	320,112
Current portion	9	**(97,888)**	(88,982)
Noncurrent portion		**₱75,338**	₱231,130

Amortization of deferred credits is recorded as part of "Revenues" in the statements of comprehensive income.

17. Financial Risk Management Objectives and Policies

The Company's financial instruments are composed of cash and cash equivalents, short-term investments, trade receivables, due from related parties, security deposits, accruals, due to a related party 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 risks 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.

The table below presents the summary of the Company's gross maximum exposure to credit risk, before taking into consideration any collateral and credit enhancements, and shows the credit quality of the financial assets by indicating whether these are subjected to 12-month or lifetime ECL

	2019			
	12-month ECL	**Lifetime ECL - Not Credit Impaired**	**Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱452,307,405**	**₱–**	**₱–**	**₱452,307,405**
Short-term investments	**50,311,667**	**–**	**–**	**50,311,667**
Trade receivables	**3,645,702**	**–**	**1,089,473**	**4,735,175**
	₱506,291,776	**₱–**	**₱1,089,473**	**₱507,381,249**

	2018			
	12-month ECL	Lifetime ECL - Not Credit Impaired	Credit Impaired	Total
Cash in banks and cash equivalents	₱74,992,849	₱–	₱–	₱74,992,849
Trade receivables	3,867,245	–	–	3,867,245
Due from related parties	1,024,840	–	–	1,024,840
	₱78,877,094	₱–	₱–	₱78,877,094

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.

The Company has an outstanding line of credit with a local bank, in case of the need for financing arises.

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018 based on contractual, undiscounted principal and interest payments:

	2019			
	Total	**On Demand**	**1 Year and below**	**Greater than 1 up to 5 Years**
Security deposits	**₱18,520,974**	**₱–**	**₱16,142,945**	**₱2,378,029**
Accruals	**3,839,261**	**3,839,261**	**–**	**–**
Due to a related party	**50,537**	**50,537**	**–**	**–**
Other payables	**1,635,733**	**1,635,733**	**–**	**–**
	₱24,046,505	**₱5,525,531**	**₱16,142,945**	**₱2,378,029**

	2018			
	Total	On Demand	1 Year and below	Greater than 1 up to 5 Years
Security deposits	₱19,295,345	₱–	₱16,726,450	₱2,568,895
Accruals	1,725,411	1,725,411	–	–
Other payables	1,671,945	1,671,945	–	–
	₱22,692,701	₱3,397,356	₱16,726,450	₱2,568,895

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:

	2019	2018
Capital stock	**₱456,057,609**	₱340,025,000
Additional paid-in capital	**299,519,764**	–
Retained earnings	**37,503,914**	49,619,234
	₱793,081,287	₱389,644,234

18. 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:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱452,334,407**	**₱452,334,407**	₱75,009,849	₱75,009,849
Short-term investments	**50,311,667**	**50,311,667**	–	–
Trade receivables	**2,556,229**	**2,556,229**	3,867,245	3,867,245
Due from related parties	**–**	**–**	1,024,840	1,024,840
	₱505,202,303	**₱505,202,303**	₱78,877,094	₱78,877,094

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Security deposits	**₱18,520,974**	**₱18,520,974**	₱19,295,345	₱19,295,345
Accruals	**3,839,261**	**3,839,261**	1,725,411	1,725,411
Due to a related party	**50,537**	**50,537**	–	–
Other payables	**1,635,733**	**1,635,733**	1,671,945	2,568,895
	₱24,046,505	**₱24,046,505**	₱22,692,701	₱23,589,651

The carrying amounts of cash and cash equivalents, short-term investments, trade receivables, due from related parties, accruals, 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%, in 2019 and 2018.

In 2019 and 2018, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

19. 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 operating 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 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 two reportable operating segments as follows:

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

- Asset management - This segment includes management of various properties located across Metro Manila and commission on every unit which will be leased out by the Company on these properties.

Business Segment Information

The following table presents the revenues and expenses of the Company's business segments for the years ended 2019, 2018 and 2017 and certain assets and liabilities information as at December 31, 2019 and 2018.

	2019			
	Leasing	Asset Management	Corporate and Others	Total
Results of Operations				
Revenues				
Third parties	**₱83,999,543**	**₱–**	**₱–**	**₱83,999,543**
Related party	**809,400**	**15,986,474**	**–**	**16,795,874**
	84,808,943	**15,986,474**	**–**	**100,795,417**
Costs of services	**(38,933,510)**	**(1,013,320)**	**–**	**(39,946,830)**
Other operating expenses	**(9,420,744)**	**(1,238,111)**	**(7,460,450)**	**(18,119,305)**
Operating income (loss)	**36,454,689**	**13,735,043**	**(7,460,450)**	**42,729,282**
Interest income	**–**	**–**	**4,628,524**	**4,628,524**
Other income	**310,171**	**–**	**481,800**	**791,971**
Income tax expense	**(8,483,205)**	**(2,695,168)**	**(86,724)**	**(11,265,097)**
Net income	**₱28,281,655**	**₱11,039,875**	**(₱2,436,850)**	**₱36,884,680**
Assets and Liabilities				
Assets	**₱832,454,944**	**₱–**	**₱–**	**₱832,454,944**
Liabilities	**38,518,241**	**501,192**	**354,224**	**39,373,657**
Other Segment Information				
Capital expenditures:				
Investment properties	**₱3,531,640**	**₱–**	**₱–**	**₱3,531,640**
Property and equipment	**1,362,081**	**–**	**–**	**1,362,081**
Depreciation and amortization	**(28,924,835)**	**–**	**–**	**(28,924,835)**

	2018			
	Leasing	Asset Management	Corporate and Others	Total
Results of Operations				
Revenues				
Third parties	₱81,846,155	₱–	₱–	₱81,846,155
Related party	–	–	–	–
	81,846,155	–	–	81,846,155
Costs of services	(33,271,010)	–	–	(33,271,010)
Other operating expenses	(6,526,490)	–	–	(6,526,490)
Operating income	42,048,655	–	–	42,048,655
Interest income	632,739	–	–	632,739
Other income	291,719	–	–	291,719
Income tax expense	(8,922,100)	–	–	(8,976,100)
Net income	₱34,051,013	₱–	₱–	₱34,051,013
Assets and Liabilities				
Assets	₱433,494,805	₱–	₱–	₱433,494,805
Liabilities	43,796,571	–	–	43,796,571

	2018			
	Leasing	Asset Management	Corporate and Others	Total
Other Segment Information				
Capital expenditures:				
Investment properties	₱3,858,087	₱–	₱–	₱3,858,087
Property and equipment	22,098	–	–	22,098
Depreciation and amortization	28,916,771	–	–	28,916,771

	2017			
	Leasing	Asset Management	Corporate and Others	Total
Results of Operations				
Revenues				
Third parties	₱75,475,152	₱–	₱–	₱75,475,152
Related party	–	–	–	–
	75,475,152	–	–	75,475,152
Costs of services	(30,194,603)	–	–	(30,194,603)
Other operating expenses	(4,244,944)	–	–	(4,244,944)
Operating income	41,035,605	–	–	41,035,605
Interest income	786,347	–	–	786,347
Other income	699,247	–	300,000	999,247
Income tax expense	(8,078,526)	–	(54,000)	(8,132,526)
Net income	₱34,442,673	₱–	₱246,000	₱34,688,673
Other Segment Information				
Capital expenditures:				
Investment properties	₱53,353,569	₱–	₱–	₱53,353,569
Property and equipment	–	–	–	–
Depreciation and amortization	25,589,567	–	–	25,589,567

20. Notes to Statements of Cash Flows

The reconciliation of the Company's due to a related party arising from financing activities is presented below:

	2019	2018
Balance at beginning of year	**₱–**	₱62,886,700
Financing cash flows	**50,537**	(55,386,700)
Noncash item	**–**	(7,500,000)
Balance at end of year	**₱50,537**	₱–

21. Events After the Reporting Period

On March 6, 2020, the Company acquired two floors and eighteen parking slots at a commercial building located within Metro Manila for ₱184.4 million, inclusive of VAT (Note 4).

Moreover, 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. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company operations and financial performance, however, cannot be reasonably determined as at the report date. Management, however, believes that with the Company's strong financial position it can readily meet its maturing obligations and continue as a going concern.

22. **Supplementary Information Required by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010**

Output VAT

Output VAT declared in 2019 is as follows:

	Gross amount of Revenues	Output VAT
Zero-rated sales	₱18,379,522	₱–
Sales subject to 12% VAT	76,166,788	9,140,015
Government sales	1,500,727	180,087
Total	96,047,036	9,320,102
Applied input VAT		2,558,932
VAT withheld on sales to government		75,037
VAT payments		5,623,227
		₱1,062,906

Revenue is based on gross receipts of the Company for VAT purposes while revenue presented in the statements of comprehensive income is recognized on accrual basis.

Input VAT

Movements in input VAT claimed by the Company for the year ended December 31, 2019 are shown below:

	Amount
Balance at beginning of year	₱–
Add: Current year's domestic purchases/payments for:	
Goods other than capital goods	298,164
Domestic purchase of services	1,946,492
Input tax deferred on capital goods exceeding ₱1.0 million	1,080,526
Total available input VAT	3,325,182
Input tax on sale to government closed to income	32,399
Amortization of deferred input VAT	(798,649)
Applied against output VAT	(2,558,932)
Balance at end of year	₱–

Other Local and National Taxes

Other local and national taxes paid by the Company in 2019 consist of:

	Amount
IPO tax	₱3,847,672
Real property tax	3,265,129
Documentary stamp tax	1,160,328
Business permits and registration fees	975,668
	₱9,248,797

The difference between the amount of taxes and licenses recognized in the statement of comprehensive income and the amount presented above pertains to IPO tax and documentary stamp tax charged against additional paid-in capital, in accordance with PFRS.

Withholding Taxes

Withholding taxes paid and accrued as at and for the year ended December 31, 2019 consist of:

	Paid	Accrued	Total
Expanded withholding taxes	₱908,374	₱265,223	₱1,173,597
Compensation and final withholding taxes	328,872	480,465	809,337
	₱1,237,246	₱745,688	₱1,982,934

Tax Assessment and Tax Cases

The Company has no outstanding tax assessments and tax cases as at December 31, 2019.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
KEPWEALTH PROPERTY PHILS., INC.
Unit IJ01-23 Burgundy Corporate Tower
252 Sen. Gil Puyat Ave.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of KEPWEALTH PROPERTY PHILS., INC. as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017 and have issued our report thereon dated June 19, 2020. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Schedules required under Annex 68-J of the Revised Securities Regulation Code (SRC) Rule 68 as at and for the year ended December 31, 2019
- Map of Ownership as at December 31, 2019
- Schedule of Application of Proceeds from Initial Public Offering as at December 31, 2019
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2019 and 2018
- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2019

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the financial statements taken as a whole.

REYES TACANDONG & CO.

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SEC Accreditation No. 27455-SEC Group A
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BIR Accreditation No. 08-005144-005-2019
Valid until October 16, 2022
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Issued January 6, 2020, Makati City

June 19, 2020
Makati City, Metro Manila

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KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

	Formula		**2019**	2018
Current ratio	Total Current Assets	₱511,135,699	**14.55:1**	2.05:1
	Divide by: Total Current Liabilities	35,126,669		
	Current ratio	14.55		
Solvency Ratio	Income before income tax and depreciation	₱77,074,611	**1.96:1**	1.65:1
	Divide by: Total Liabilities	39,373,657		
		1.96		
Debt-to-equity Ratio	Total Liabilities	₱39,373,657	**0.05:1**	0.11:1
	Divide by: Total equity	793,081,287		
		0.05		
Asset-to-equity Ratio	Total assets	₱832,454,944	**1.05:1**	1.11:1
	Divide by: Total equity	793,081,287		
		1.05		
Interest rate coverage Ratio	Pretax income before interest	₱48,149,777	**–**	–
	Interest expense	–		
		–		
Profitability Ratio				
Return on equity	Net income	₱36,884,680	**10.97%**	29.19%
	Divide by: Average Equity	336,362,761		
		10.97%		
Return on total assets	Net income	₱36,884,680	**5.83%**	7.66%
	Divide by: Average Total Assets	632,974,875		
		5.83%		
Net income margin	Net income	₱36,884,680	**36.59%**	41.90%
	Divide by: Total Revenue	100,795,417		
		36.59%		
Gross margin	Gross income	₱60,848,587	**60.37%**	59.35%
	Divide by: Total Revenue	100,795,417		
		60.37%		

	Formula		2019	2018
Operating Margin	Income before Income Tax	₱48,149,777	**80.80%**	88.20%
	Add: Depreciation and Amortization	33,292,072		
	Interest Expense	–		
	Earnings Before Interest, Tax, Depreciation, and Amortization	₱81,441,849		
	Divide by: Total Revenue	100,795,417		
		80.80%		

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS AT DECEMBER 31, 2019

Unappropriated retained earnings, as shown in the financial statements at beginning of year	₱49,619,234
Balances at beginning of year of items affecting unappropriated retained earnings available for dividend declaration:	
Net deferred tax assets	(4,332,459)
Accrued rent resulting from straight-line recognition of rent income under Philippine Financial Reporting Standard (PFRS) 16, *Leases*	(1,241,066)
Unappropriated retained earnings, as adjusted to available for dividend distribution at beginning of year	44,045,709
Net income closed to retained earnings during the year	36,884,680
Adjustments:	
Decrease in:	
Net deferred tax assets	993,984
Accrued rent resulting from straight-line recognition of rent income under PFRS 16, *Leases*	93,383
Net income actually earned during the period	37,972,047
Less stock dividends declared during the year	(49,000,000)
Unappropriated retained earnings, as adjusted to available for dividend distribution at end of year	₱33,017,756

Reconciliation:	
Unappropriated retained earnings , as shown in the financial statements at end of year	₱37,503,914
Balances at end of year of items affecting unappropriated retained earnings available for dividend declaration:	
Net deferred tax assets	(3,338,475)
Accrued rent resulting from straight-line recognition of rent income under PFRS 16, *Leases*	(1,147,683)
Unappropriated retained earnings, as adjusted to available for dividend distribution at end of year	₱33,017,756

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULES AS REQUIRED UNDER ANNEX 68-E
OF THE REVISED SECURITIES REGULATIONS CODE RULE 68
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

Table of Contents

Schedule	*Description*	*Page*
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Indebtedness to Related Parties	2
D	Guarantees of Securities of Other Issuers	N/A
E	Capital Stock	3

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2019

			Deductions		Ending Balance		
Name and Designation of Debtor	**Balance at Beginning of Year**	**Additions**	**Collected**	**Written Off**	**Current**	**Noncurrent**	**Balance at End of Year**
Due from Stockholders:							
Crown Castle Holdings.Com Inc.	₱507,510	₱–	₱507,510	₱–	₱–	₱–	₱–
We Serve 24 Hours, Inc.	230,359	–	230,359	–	–	–	–
Euro Capital, Pte. Ltd.	107,981	–	107,981	–	–	–	–
Las Tuazon & Sons, Inc.	53,990	–	53,990	–	–	–	–
	₱899,840	₱–	₱899,840	₱–	₱–	₱–	₱–

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE C - INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2019

Name of Related Party	Balance at Beginning of Year	Balance at End of Year
Eurocapital Land, Inc.	₱–	₱50,537

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE E - CAPITAL STOCK

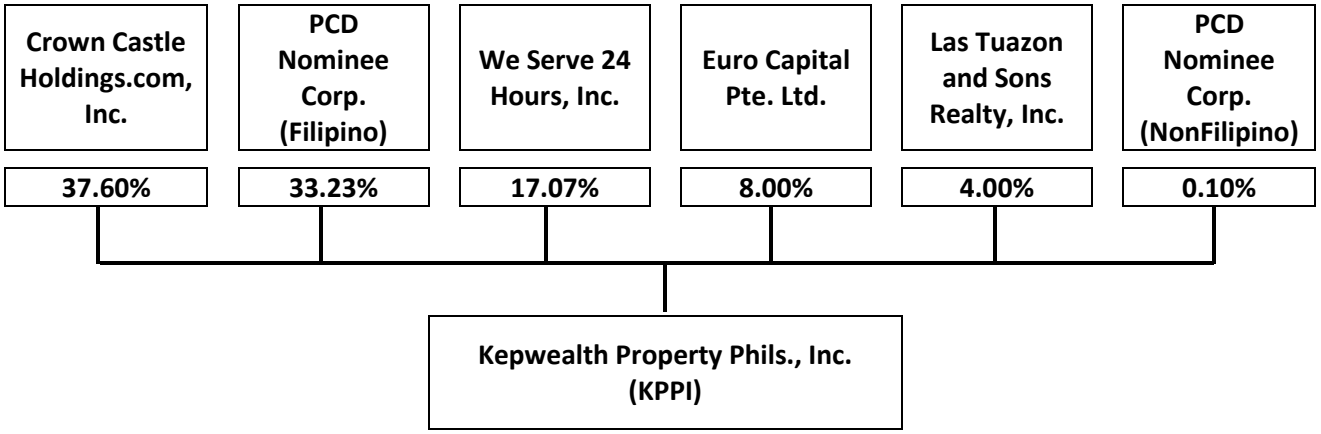
DECEMBER 31, 2019

Title of Issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors officers and employees	Others
Common shares	365,000,000	201,057,609	–	134,024,950	52	67,032,607
Preferred shares	255,000,000	255,000,000	–	255,000,000	–	–

KEPWEALTH PROPERTY PHILS., INC.

MAP OF OWNERSHIP

DECEMBER 31, 2019



KEPWEALTH PROPERTY PHILS., INC.

SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

AS AT DECEMBER 31, 2019

	Estimated	Actual	Balance
Gross Proceeds	₱384,767,164	₱384,767,164	₱–
Offering Expenses	(21,739,481)	(24,740,979)	3,001,498
Net Proceeds	₱363,027,683	₱360,026,185	₱3,001,498

Details of the estimated and actual application of the proceeds:

	Estimated	Actual	Balance
Net Proceeds	₱384,767,164	₱384,767,164	₱–
Use of the Proceeds			
Acquisition of office space in:			
Metro Manila	(245,000,000)	–	(245,000,000)
Davao City	(120,000,000)	–	(120,000,000)
	(365,000,000)	–	(365,000,000)
Offering Expenses	(21,739,481)	(24,740,979)	3,001,498
Unapplied Proceeds	(₱1,972,317)	₱360,026,185	(₱361,998,502)

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	EDMUNDO G. LAS, *President*
Date	June 15, 2020
Signature and Title	JOHN F. CATINDIG, *Treasurer*
Date	June 15, 2020

KEPWEALTH PROPERTY PHILS., INC.

PART I - FINANCIAL INFORMATION

Section 1. Financial Statements

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2020 AND DECEMBER 31, 2019

	Note	**2020 Unaudited**	2019 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱331,333,606**	₱452,334,407
Short-term investments	5	**–**	50,311,667
Trade and other receivables	6	**8,575,148**	4,043,720
Other current assets		**7,927,080**	4,445,905
Total Current Assets		**347,835,834**	511,135,699
Noncurrent Assets			
Investment properties	7	**473,847,705**	317,038,624
Property and equipment	8	**2,444,460**	466,891
Net deferred tax assets	14	**3,135,757**	3,338,475
Other noncurrent assets		**17,225,979**	475,255
Total Noncurrent Assets		**496,653,901**	321,319,245
		₱844,489,735	₱832,454,944
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	9	**₱34,098,357**	₱33,958,981
Income tax payable		**2,388,006**	1,167,688
Total Current Liabilities		**36,486,363**	35,126,669
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**	75,338
Total Noncurrent Liabilities		**4,188,299**	4,246,988
Total Liabilities		**40,674,662**	39,373,657
Equity			
Capital stock	10	**456,057,609**	456,057,609
Additional paid-in capital	10	**299,519,764**	299,519,764
Retained earnings		**48,237,700**	37,503,914
Total Equity		**803,815,073**	793,081,287
		₱844,489,735	832,454,944

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

	Note	Unaudited For the Three-Month Periods Ended March 31	
		2020	2019
REVENUE			
Leasing	15	**₱19,450,108**	₱21,895,147
Asset management	13	**5,637,746**	749,896
		25,087,854	22,645,043
COST OF SERVICES	11	**10,467,085**	9,287,547
GROSS INCOME		**14,620,769**	13,357,496
GENERAL AND ADMINISTRATIVE EXPENSES	12	**4,206,943**	1,897,699
INTEREST INCOME	5	**2,800,693**	41,377
OTHER INCOME		**244,390**	75,845
INCOME BEFORE INCOME TAX		**13,458,909**	11,577,019
INCOME TAX EXPENSE	14		
Current		**2,522,405**	1,684,291
Deferred		**202,718**	1,205,243
		2,725,123	2,889,534
NET INCOME		**10,733,786**	8,687,485
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**₱10,733,786**	₱8,687,485
BASIC AND DILUTED EARNINGS PER SHARE	10	**₱0.05**	₱0.06

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

		Unaudited	
	Note	**2020**	2019
CAPITAL STOCK	10		
Common			
Balance at beginning of period		**₱201,057,609**	₱85,025,000
Issuances		**–**	49,000,002
Balance at end of period		**201,057,609**	134,025,002
Preferred			
Balance at beginning and end of period		**255,000,000**	255,000,000
		456,057,609	389,025,002
ADDITIONAL PAID-IN CAPITAL	10	**299,519,764**	–
RETAINED EARNINGS			
Balance at beginning of period		**37,503,914**	49,619,234
Stock dividends	10	**–**	(49,000,000)
Net income		**10,733,786**	8,687,485
Balance at end of period		**48,237,700**	₱9,306,719
		₱803,815,073	₱398,331,721

See accompanying Notes to Unaudited Interim Financial Statements.

KEPWEALTH PROPERTY PHILS., INC.

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

		Unaudited	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱13,458,909**	₱11,577,019
Adjustments for:			
Depreciation	7	**8,258,710**	8,271,593
Interest income	5	**(2,800,693)**	(41,377)
Operating income before working capital changes		**18,916,926**	19,807,235
Decrease (increase) in:			
Trade and other receivables		**(4,531,428)**	(611,060)
Other current assets		**(3,481,175)**	(714,870)
Increase (decrease) in:			
Accounts and other payables		**134,144**	(2,978,090)
Advance rent		**(758,573)**	(43,955)
Security deposits		**650,026**	(684,068)
Deferred credits		**(58,689)**	(38,414)
Net cash generated from (used in) operations		**10,871,231**	14,736,778
Income taxes paid		**(1,302,087)**	(2,473,150)
Interest received		**2,800,693**	41,377
Net cash provided by operating activities		**12,369,837**	12,305,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Condominium units and parking lots	7	**(164,967,371)**	(621,778)
Property and equipment	8	**(2,077,989)**	–
Decrease (increase) in:			
Short-term investments	5	**50,311,667**	–
Other noncurrent assets		**(16,750,724)**	(9,396)
Net cash used in investing activities		**(133,484,417)**	(631,174)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in due to related parties		**113,779**	592,647
Issuance of common shares		**–**	2
Cash provided by financing activities		**113,779**	592,649
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(121,000,801)**	12,266,480
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**452,334,407**	75,009,849
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**₱331,333,606**	₱87,276,329
NONCASH FINANCIAL INFORMATION			
Issuance of common stock through stock dividends		**₱–**	₱49,000,000

See accompanying Notes to Unaudited Interim Financial Statements

KEPWEALTH PROPERTY PHILS., INC.

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 an increase in authorized common shares by 79,200,000 and preferred shares by 478,800,000 and 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 are 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, an 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 December 31, 2019 and 2018, 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. Deposit 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 25 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 ₱19.5 million and ₱21.9 million for the three-month periods ended March 31, 2020 and 2019, respectively (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 ₱473.8 and ₱317.0 million as at March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, (Note 6). No provision for ECL was recognized for the three-month periods ended March 31, 2020 and 2019.

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 three-month periods ended March 31, 2020 and 2019.

The carrying amounts of other financial assets at amortized cost as at March 31, 2020 and December 31, 2019 are as follows:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Cash and cash equivalents	5	**₱328,829,868**	₱452,334,407
Short-term investments	5	**–**	50,311,667

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 three-month periods ended March 31, 2020 and 2019.

The carrying amount of investment properties amounted to ₱473.8 million and ₱317.0 million as at March 31, 2020 and December 31, 2019, respectively (Note 7). The carrying amounts of property and equipment amounted to ₱2.4 million and ₱0.5 million as at March 31, 2020 and December 31, 2019, 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 three-month periods ended March 31, 2020 and 2019. The carrying amounts of nonfinancial assets as at March 31, 2020 and December 31, 2019 are as follows:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Investment properties	7	**₱473,847,705**	₱317,038,624
Other noncurrent assets		**17,225,979**	475,255
Other current assets		**7,927,080**	4,445,905
Property and equipment	8	**2,444,460**	466,891
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 March 31, 2020 and December 31, 2019, the Company's recognized deferred tax assets amounted to ₱3.7 million and ₱4.0 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 ₱24.7 million (Notes 1 and 10).

The unapplied proceeds from the IPO of ₱175.5 million as at March 31, 2020 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:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	**₱42,002**	₱27,002
Cash in banks	**281,141,882**	401,162,555
Cash equivalents	**50,149,722**	51,144,850
	₱331,333,606	₱452,334,407

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 December 31, 2019 are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn annual interest at 3.25%.

Short-term Investments

Short-term investments amounting to ₱50.3 million as at December 31, 2019 has a maturity of more than three months but less than a year with annual interest at 3.30%.

Details of interest income earned are as follows:

	March 31, 2020 (Unaudited)	March 31, 2019 (Audited)
Cash and cash equivalents	**₱446,677**	₱41,377
Short-term investments	**2,354,016**	–
	₱2,800,693	₱41,377

6. Trade and Other Receivables

This account consists of:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Trade:			
Third parties		**₱5,765,242**	₱3,617,507
Related parties	13	**2,135,355**	28,195
Accrued rent		**1,147,683**	1,147,683
Others		**616,341**	339,808
		₱9,664,621	₱5,133,193
Less allowance for ECL		**1,089,473**	1,089,473
		₱8,575,148	₱4,043,720

No provision for ECL on trade and other receivables was recognized for the three-month periods ended March 31, 2020 and March 31, 2019.

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:

		March 31, 2020 (Unaudited)		
	Note	**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		**164,678,400**	**288,971**	**164,967,371**
Balance at end of period		**839,882,877**	**6,005,141**	**845,888,018**
Accumulated Depreciation and Amortization				
Balance at beginning of period		**359,287,802**	**4,594,221**	**363,882,023**
Depreciation	11	**7,786,474**	**371,816**	**8,158,290**
Balance at end of period		**367,074,276**	**4,966,037**	**372,040,313**
Carrying Amount		**₱472,808,601**	**₱1,039,104**	**₱473,847,705**

		December 31, 2019 (Audited)		
	Note	Condominium Units and Parking Slots	Initial Leasing Cost	Total
Cost				
Balance at beginning of year		₱673,974,734	₱6,396,451	₱680,371,185
Additions		1,229,743	2,301,897	3,531,640
Write-off		–	(2,982,178)	(2,982,178)
Balance at end of year		675,204,477	5,716,170	680,920,647
Accumulated Depreciation and Amortization				
Balance at beginning of year		330,407,877	3,209,162	333,617,039
Depreciation	11	28,879,925	4,367,237	33,247,162
Write-off		–	(2,982,178)	(2,982,178)
Balance at end of year		359,287,802	4,594,221	363,882,023
Carrying Amount		₱315,916,675	₱1,121,949	₱317,038,624

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 ₱19.5 million and ₱21.9 million for the three-month periods ended March 31, 2020 and 2019, respectively (Note 15).

Direct costs incurred related to the investment properties amounted to ₱10.5 million and ₱9.3 million for the three-month periods ended March 31, 2020 and 2019, 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 consist of the following:

		For the Three-Month Periods Ended March 31	
		2020	2019
	Note	**(Unaudited)**	(Audited)
Investment properties:			
Condominium units and parking slots	11	**₱7,786,474**	₱7,213,897
Initial leasing cost	11	**371,816**	1,055,854
		8,158,290	8,269,751
Property and equipment	8	**100,420**	1,842
		₱8,258,710	₱8,271,593

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:

		March 31, 2020 (Unaudited)		
	Note	Office Improvement	Office Equipment	Total
Cost				
Balance at beginning of period		**₱155,438**	**₱358,204**	**₱513,642**
Additions		**109,952**	**1,968,037**	**2,077,989**
Balance at end of period		**265,390**	**2,326,241**	**2,591,631**
Accumulated Depreciation				
Balance at beginning of period		**15,934**	**30,817**	**46,751**
Depreciation	7	**34,027**	**66,393**	**100,420**
Balance at end of period		**49,961**	**97,210**	**147,171**
Carrying Amount		**₱215,429**	**₱2,229,031**	**₱2,444,460**

	Note	December 31, 2019 (Audited) Office Improvement	Office Equipment	Total
Cost				
Balance at beginning of period		₱–	₱22,098	₱22,098
Additions		1,025,974	336,107	1,362,081
Disposal		(870,536)	–	(870,536)
Balance at end of period		155,438	358,205	513,643
Accumulated Depreciation				
Balance at beginning of period		–	1,842	1,842
Depreciation	7	15,934	28,976	44,910
Balance at end of period		15,934	30,818	46,752
Carrying Amount		₱139,504	₱327,387	₱466,891

9. Accounts and Other Payables

This account consists of:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Security deposits	15	**₱16,792,971**	₱16,142,945
Advance rent	15	**9,756,217**	10,514,790
Accrued expenses		**4,360,876**	3,839,261
Rent Payable		**1,264,057**	–
Statutory payables		**355,150**	1,541,857
Reservation deposit		**207,749**	135,970
Deferred credits	15	**97,888**	97,888
Due to a related party	13	**164,316**	50,537
Others		**1,099,133**	1,635,733
		₱34,098,357	₱33,958,981

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:

	March 31, 2020 (Unaudited)		December 31, 2019 (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	8,800,000	₱88,000,000
Recapitalization - ₱1 par value				
Reclassification from preferred shares	–	–	277,000,000	277,000,000
Effect of stock split	–	–	79,200,000	–
Balance at end of period	365,000,000	₱365,000,000	365,000,000	₱365,000,000
Issued and outstanding:				
Balance at beginning of period	201,057,609	₱201,057,609	8,502,500	₱85,025,000
Effect of stock split	–	–	76,522,500	–
Stock dividends	–	–	49,000,000	49,000,000
Issuance	–	–	67,032,609	67,032,609
Balance at end of period	201,057,609	₱201,057,609	201,057,609	₱201,057,609

	March 31, 2020 (Unaudited)		December 31, 2019 (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	53,200,000	₱532,000,000
Recapitalization - ₱1 par value				
Effect of stock split	–	–	478,800,000	–
Reclassification to common shares	–	–	(277,000,000)	(277,000,000)
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	25,500,000	₱255,000,000
Effect of stock split			229,500,000	–
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 ₱24.7 million (Notes 1 and 4).

Additional Paid-in Capital

Movements in this account are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	**₱299,519,764**	₱–
Additions	**–**	317,244,357
Costs of issuance	**–**	(17,724,593)
Balance at end of year	**₱299,519,764**	₱299,519,764

EPS

Basic and diluted EPS were computed as follows:

	Unaudited	
	For the Three-Month Periods Ended March 31	
	2020	2019
Net income	**₱10,733,786**	₱8,687,485
Divided by weighted average number of outstanding common shares	**201,057,609**	134,025,002
	₱0.05	₱0.06

11. **Cost of Services**

This account consists of:

		Unaudited	
		For the Three-Month Periods Ended March 31	
	Note	**2020 (Unaudited)**	2019 (Audited)
Depreciation	7	**₱7,786,474**	₱7,213,897
Salaries and employee benefits		**1,477,861**	223,523
Taxes and licenses		**830,934**	792,898
Commission	7	**371,816**	1,055,854
Others		**–**	1,375
		₱10,467,085	₱9,287,547

12. **General and Administrative Expenses**

This account consists of:

		Unaudited	
		For the Three-Month Periods Ended March 31	
	Note	**2020**	2019
Salaries, wages and employee benefits		**₱867,758**	₱191,000
Contracted services	13	**754,566**	251,522
Professional fees		**711,646**	241,534
Condominium dues	13	**350,995**	434,834
Taxes and licenses		**293,192**	235,827
Transportation and travel		**209,202**	86,191
Directors' fee	13	**180,000**	70,000
Utilities		**106,131**	–
Office supplies		**92,087**	–
Interest		**79,310**	67,964
Subscription expense		**44,465**	–
Management fee	13	**–**	240,000
Others		**517,591**	78,827
		₱4,206,943	₱1,897,699

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 management	**2020**	**₱5,637,746**	**₱2,135,355**	**₱–**	**₱–**
		2019	749,896	–	–	–
	Contracted services	**2020**	**754,566**	**–**	**164,316**	**–**
		2019	251,522	–	–	–
	Commission expense	**2020**	**258,676**	**–**	**99,687**	**–**
		2019	621,779	–	9,406	–
	Condominium dues	**2020**	**350,995**	**–**	**1,148,931**	**–**
		2019	434,834	–	812,778	–
	Leasing revenue	**2020**	**225,625**	**–**	**–**	**–**
		2019	–	–	–	–
	Management fee	**2020**	**–**	**–**	**120,000**	**–**
		2019	240,000	–	120,000	–
	Management income	**2020**	**75,000**	**–**	**–**	**–**
		2019	75,000	–	–	–
	Cash advances	**2020**	**164,316**	–	–	**164,316**
		2019	592,647	28,195	–	–
Stockholders						
	Directors' fees	**2020**	**180,000**	**–**	**–**	**–**
		2019	–	–	267,500	–
	Noninterest-bearing cash advances	**2020**	**–**	**–**	**–**	**–**
		2019	(899,840)	–	–	50,537
		2020		**₱2,135,355**	**₱1,532,934**	**₱164,316**
		2019		28,195	1,209,684	50,537

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 ₱240,000 for the three-month periods ended March 31, 2019 (Note 12).

- Operational, financial and administration services agreement for a fixed monthly fee. Management income earned amounted to ₱75,000 for the three-month periods ended March 31, 2020 and 2019.

- Asset management for a fixed monthly fee starting March 2019. Total asset management revenue amounted to ₱5.3 million and ₱742,270 for the three-month periods ended March 31, 2020 and 2019, respectively.

- Commission agreement for a predetermined fee. Commission revenue which is included as part of asset management revenue, amounted to ₱258,675 and ₱7,626 for the three-month periods ended March 31, 2020 and 2019, 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 ₱754,566 and ₱251,522 for the three-month periods ended March 31, 2020 and 2019, respectively (Note 12).

Compensation of Key Management Personnel

The compensation of key management personnel amounted to ₱777,232 and ₱191,000 for the three-month periods ended March 31, 2020 and 2019, respectively. 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 optional standard deductions (OSD) in 2020 and 2019.

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 Three-Month Periods Ended March 31	
	2020	2019
Income tax at statutory tax rate	**₱4,037,673**	₱3,473,106
Tax effects of:		
Difference between OSD and itemized deductions	**(419,521)**	(553,552)
Interest income subjected to final tax	**(840,208)**	(12,413)
Nontaxable income	**(52,821)**	(17,607)
	₱2,725,123	₱2,889,534

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets:		
Advance rent	**₱3,464,951**	₱3,692,523
Allowance for ECL	**326,842**	326,842
	3,791,793	4,019,365
Deferred tax liabilities:		
Initial leasing cost	**311,731**	336,585
Accrued rent	**344,305**	344,305
	656,036	680,890
Net deferred tax assets	**₱3,135,757**	₱3,338,475

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 ₱19.5 million and ₱21.9 million for the three-month periods ended March 31, 2020 and 2019, respectively, as shown in the unaudited interim statements of comprehensive income.

The aggregate future minimum annual rent receivables are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Within one year	**₱48,382,450**	₱45,648,285
After one year but not more than five years	**10,060,666**	20,970,901
	₱58,553,116	₱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	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Current	9	**₱9,756,217**	₱10,514,790
Noncurrent		**1,793,621**	1,793,621
		₱11,549,838	₱12,308,411

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:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Balance at beginning of period		**₱2,378,029**	₱19,295,345
Refund		**(197,862)**	(3,441,523)
Additions		**779,924**	2,463,261
Accretion of interest		**67,964**	203,891
Balance at end of period		**19,171,000**	18,520,974
Less current portion	9	**16,792,971**	16,142,945
Noncurrent portion		**₱2,378,029**	₱2,378,029

Roll forward analysis of deferred credits is as follows:

	Note	**March 31, 2019 (Unaudited)**	December 31, 2019 (Audited)
Balance at beginning of period		**₱173,226**	₱320,112
Amortization		**(58,689)**	(176,067)
Additions		**–**	29,181
Balance at end of period		**114,537**	173,226
Less current portion	9	**97,888**	97,888
Noncurrent portion		**₱16,649**	₱75,338

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:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Capital stock	**₱456,057,609**	₱456,057,609
Additional paid-in capital	**299,519,764**	299,519,764
Retained earnings	**48,237,700**	37,503,914
	₱803,815,073	₱793,081,287

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:

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱331,333,606**	**₱331,333,606**	₱452,334,407	₱452,334,407
Short-term investments	**–**	**–**	50,311,667	50,311,667
Trade receivables	**6,811,124**	**6,811,124**	2,556,229	2,556,229
	₱338,144,730	**₱338,144,730**	₱505,202,303	₱505,202,303

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Security deposits	**₱19,171,000**	**₱19,171,000**	₱18,520,974	₱18,520,974
Accrued expenses	**2,733,143**	**2,733,143**	3,839,261	3,839,261
Rent payable	**1,264,057**	**1,264,057**	–	–
Due to a related party	**164,316**	**164,316**	50,537	50,537
Other payables	**2,726,866**	**2,726,866**	1,635,733	1,635,733
	₱26,059,382	**₱26,059,382**	₱24,046,505	₱24,046,505

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 three-month period ended March 31, 2020 and for the year ended December 31, 2019.

For the three-month period ended March 31, 2020 and for the year ended December 31, 2019, 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 two reportable operating segments as follows:

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

- Asset management - This segment includes management of various properties located across Metro Manila and commission on every unit which will be leased out by the Company on these properties.

Business Segment Information

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

	March 31, 2020 (Unaudited)			
	Leasing	**Asset Management**	**Others**	**Total**
Results of Operations				
Revenues:				
Third parties	**₱19,116,208**	**₱-**	**₱–**	**₱19,116,208**
Related parties	**333,900**	**5,637,746**	–	**5,971,646**
	19,450,108	**5,637,746**	–	**25,087,854**
Cost of services	**10,134,980**	**332,105**	–	**10,467,085**
Other expenses	**3,358,256**	**848,687**	–	**4,206,943**
Operating income	**5,956,872**	**4,456,954**	–	**10,413,826**
Interest income	–	–	**2,800,693**	**2,800,693**
Other income	**169,390**	–	**75,000**	**244,390**
Income tax expense	**1,365,537**	**1,337,086**	**22,500**	**2,725,123**
Net income (loss)	**₱4,760,725**	**3,119,868**	**₱2,853,193**	**₱10,733,786**
Assets and Liabilities				
Assets	**₱844,489,735**	**₱–**	**₱–**	**₱844,489,735**
Liabilities	**39,337,576**	**1,337,086**	**22,500**	**40,697,162**
Other Segment Information				
Additional capital expenditures:				
Investment properties	**₱164,967,371**	**₱–**	**₱–**	**₱164,967,371**
Property and equipment	**2,077,989**	–	–	**2,077,989**
Depreciation	**8,258,710**	–	–	**8,258,710**

	March 31, 2019 (Audited)			
	Leasing	Asset Management	Others	Total
Results of Operations				
Revenues	₱21,895,147	₱749,896	₱–	₱22,645,043
Cost of services	9,280,145	7,402	–	9,287,547
Other expenses	1,859,456	38,243	–	1,897,699
Operating income	10,755,546	704,251	–	11,459,797
Interest income	–	–	41,377	41,377
Other income	845	–	75,000	75,845
Income tax expense	2,655,759	211,275	22,500	2,655,759
Net income	₱8,100,632	₱492,976	₱93,877	₱8,687,485
Other Segment Information				
Additional capital expenditure –				
Investment properties	₱621,778	₱–	₱–	₱621,778
Depreciation	8,271,593	–	–	8,271,593

	December 31, 2019 (Audited)			
	Leasing	Asset Management	Corporate and Others	Total
Assets and Liabilities				
Assets	₱832,454,944	₱–	₱–	₱832,454,944
Liabilities	38,518,241	501,192	354,224	39,373,657

KEPWEALTH PROPERTY PHILS., INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT AND FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019, AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	December 31, 2019 (Audited)
Liquidity Ratio	**9.53**	2.59	14.55
Current assets	**₱347,835,834**	₱95,181,704	₱511,135,699
Current liabilities	**36,486,363**	36,686,982	35,126,669
Solvency Ratio	**0.54**	0.47	1.96
Income before income tax and depreciation	**21,794,084**	18,792,758	77,074,611
Total liabilities	**40,674,662**	39,909,832	39,373,657
Debt-to-equity Ratio	**0.05**	0.10	0.05
Total liabilities	**40,674,662**	39,909,832	39,373,657
Total equity	**803,815,073**	398,331,721	793,081,287
Asset-to-equity Ratio	**1.05**	1.10	1.05
Total assets	**844,489,735**	438,241,553	832,454,944
Total equity	**803,815,073**	398,331,721	793,081,287
Interest Rate Coverage Ratio	–	–	–
Income before income tax and interest	**13,458,909**	11,577,019	48,149,777
Interest expense	–	–	–
Profitability Ratio			
Return on equity	2.02%	2.18%	10.97%
Return on total assets	1.81%	1.98%	5.83%
Net income margin	42.78%	38.36%	36.59%
Gross margin	58.28%	58.99%	60.37%
Operating margin	85%	82.98%	80.80%

KEPWEALTH PROPERTY PHILS., INC.

SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

AS AT MARCH 31, 2020

	Estimated	Actual	Balance
Gross Proceeds	**₱384,767,164**	**₱384,767,164**	**₱–**
Offer Expenses	24,781,567	24,781,567	**–**
Net Proceeds	**₱359,985,597**	**₱359,985,597**	**₱–**

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	241,957,914	184,439,808	57,518,106
Davao City	120,000,000	–	120,000,000
	361,957,914	**184,439,808**	**177,518,106**
Offer Expenses	**24,781,567**	**24,781,567**	**–**
Unapplied Proceeds	**₱(1,972,317)**	**₱175,545,789**	**₱(177,518,106)**

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 MARCH 31, 2020 AND DECEMBER 31, 2019 AND
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

1. FINANCIAL CONDITION

As at March 31, 2020 compared to as at December 31, 2019

The total assets of Kepwealth Property Phils., Inc. (the Company) increased by ₱12.0 million or by 1% from December 31, 2019.

Material changes in asset accounts are analyzed as follows:

a. The net decrease in cash and cash equivalents of ₱121 million (-27%) is mainly due to the cash outflows for the purchase of investment properties and property and equipment totaling ₱167.0 million and increase in other noncurrent assets of ₱16.8 million mainly pertaining to deferred input VAT on the purchased investment properties. This was offset by cash inflows from proceeds of matured short-term investments of ₱50.3 million and net cash provided by operating activities of ₱12.4 million.

b. The increase in trade and other receivables by ₱4.5 million (+122%) is due to increase in trade receivables from leasing and asset management operations.

c. Other current assets increased by ₱3.5 million (+78%) is mainly due to the current portion of deferred input VAT on the acquisition on investment in properties.

d. Net increase in investment properties of ₱156.8 million (+49%) is due to acquisition of two floors and eighteen parking slots at a commercial building located within Metro Manila.

e. Net increase of ₱1.9 million (+424% %) in property and equipment is due to acquisition of office improvements.

f. Increase in other noncurrent assets by ₱16.8 million (+3525%) is mainly due to non-current portion of the deferred input VAT on the acquisition on investment in properties.

The total liabilities of the Company increased by ₱1.30 million (+3%) due primarily to accruals of income tax payable for the quarter.

Total equity stood at ₱803.8 million as at March 31, 2019 compared to ₱793.1 million as at December 31, 2019 increase by ₱10.7 million (1%) representing the net income for the quarter.

The movements in the Company's retained earnings account represents the net income recognized during the three-month period ended March 31, 2020 amounting to ₱10.7 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 9.53:1 as at March 31, 2020 from 14.55:1 as at December 31, 2019 due mainly to use of liquid funds in the acquisition of office improvements.

The solvency ratio decreased to 0.54:1 as at March 31, 2020 from 1.96:1 as at December 30, 2019 due to the increased accruals as at period-end.

The debt-to-equity ratio of remain at 0.05:1 as at March 31, 2020 and 0.05:1 as at December 31, 2019.

The asset-to-equity ratio of the Company remained relatively stable during the periods under comparison.

2. RESULTS OF OPERATIONS

For the Three-month Period Ended March 31, 2020 Compared to for the Three-month Period Ended March 31, 2019

The Company generated a total of ₱25.1 million revenues from its business segments for the three-month period ended March 31, 2020 which is ₱2.4 million (+11%) higher than the revenue generated for the same period in the prior year, mainly attributed to the increase in the Asset management segment.

Consequently, gross income is higher by ₱1.3 million (+9%). The total comprehensive income of the Company for the three-month period ended March 31, 2020 registered at ₱10.8 million which is ₱2.0 million (23%) higher than that of the previous year for the same period.

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

a. Revenue increased mainly as a result of asset management operations of the Company which commenced on March 2019. The segment contributed ₱5.6 million (+22%) to the Company's revenue for the period.

b. Cost of services increased by ₱1.2 million (+13%) due to the increase in commission recognized from amortization of initial leasing costs and the incurrence of salaries and employee benefits.

c. General and administrative expenses increased by ₱2.3 million (+121%). This increase mainly attributed payment of Professional Fees, Salaries and Other Employee Benefits and Contracted Services.

d. Interest income increased by ₱2.8 million (+667%) 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 optional standard deductions amounted to ₱2.7 million for the three-month period ended March 31, 2020 vs. ₱2.8 million for the same period last year.

The resulting basic and diluted earnings per share of the Company increase to 0.7 from 0.6 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 slightly reduced from 2.18% to 2.02% due to the decrease in net income and increase in the average balance of equity.

The return on assets also reduced from 1.98% to 1.81% due also to the decrease in net income and increase in the average total asset base.

Net income margin has increased to 42.78% from 38.36% while the gross margin remained at the same level (around 58%) when compared to the same period last year.

Operating margin for the period improved to 85.39% from 82.98% for the same period last year resulting from the increase in revenue generated from the Asset management segment.

The leasing operations of the Company accounted for 44% of the total segment net income while the asset management operations accounted for 30%.

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 March 31, 2020.

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.