

**COVER SHEET**  
for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 3 0 5

Company Name

K E P P E L P H I L I P P I N E S P R O P E R T I E S ,  
I N C . A N D S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

1 8 t h F l o o r , U n i t s 1 8 0 2 B - 1 8 0 3 , T h e  
P o d i u m W e s t T o w e r , 1 2 A D B A v e n u e ,  
O r t i g a s C e n t e r , M a n d a l u y o n g C i t y

Form Type

I 7 - A

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

**COMPANY INFORMATION**

Company's Email Address

keppel.prop@kepland.com.ph

Company's Telephone Number/s

(632) 8584-6170

Mobile Number

0917-8500380

No. of Stockholders

1,242

Annual Meeting  
Month/Day

06/13

Fiscal Year  
Month/Day

12/31

**CONTACT PERSON INFORMATION**

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Pang Chan Fan

Email Address

James.Pang@kepland.com.ph

Telephone Number/s

(632) 8584-6170

Mobile Number

0917-8500380

Contact Person's Address

18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center,  
Mandaluyong City, 1550

Note: 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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2019
2. SEC Identification Number PW305
3. BIR Tax Identification No. 000-067-618-000

KEPPEL PHILIPPINES PROPERTIES, INC.

4. Exact name of registrant as specified in its charter
5. Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)

7. 12 ADB Ave, Ortigas Center, Mandaluyong City 1550  
Address of registrant's principal office . Postal Code

8. (632) 584-6170  
Registrant's telephone number, including area code

9. Not applicable  
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC
- | <u>Title of each Class</u> | <u>Number of shares of common stock outstanding<br/>and amount of debt outstanding</u> |
|----------------------------|--|
| <b>Common Stock</b>        | <b>293,828,900 (Exclusive of Treasury Shares)</b>                                      |
| <b>Debt Outstanding</b>    | <b>Nil</b>   |

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

Yes [ / ] No [ ]

Name of stock exchange: **Philippine Stock Exchange**

Class of securities listed: **Common stock**

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [ / ] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [ / ] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

**₱154,780,828**

DOCUMENTS INCORPORATED BY REFERENCE

14. 2019 Audited Consolidated Financial Statements (incorporated as reference to item 9 of SEC Form 17-A)

**KEPPEL PHILIPPINES PROPERTIES, INC.**  
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**SEC FORM 17-A**

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## PART I- BUSINESS AND GENERAL INFORMATION

### 1. BUSINESS

#### The Company

Keppel Philippines Properties, Inc. (“Parent Company” or “KPPI”), is a stock corporation organized under the laws of the Philippines. The Parent Company was first incorporated on 7 February 1918 under the name Hoa Hin Co., Inc. It was renamed to Cebu Shipyard and Engineering Works, Inc. in 1957 and then renamed to Keppel Philippines Properties Inc. in 1998.

The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on 7 February 1918. Its corporate life was extended for another fifty (50) years starting 7 February 1968. On 5 May 2017, the Philippine SEC approved the amendment of KPPI’s Articles of Incorporation to further extend its corporate life for another 50 years starting 6 February 2018.

KPPI is also listed in the Philippine Stock Exchange (PSE). Its immediate parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore. KCL is listed in the Singapore Exchange.

#### Subsidiaries

CSRI Investment Corporation (“CSRI”) was incorporated in the Philippines on 25 October 1990. CSRI, a wholly owned subsidiary of KPPI, is a holding company with investments in marketable equity securities and other investments.

Buena Homes, Inc. (“BHI”) was incorporated in the Philippines on 25 May 2000. BHI, a wholly owned subsidiary of KPPI, is engaged in property holding and development through BHSI.

#### Associates

Opon Realty and Development Corporation (“ORDC”), 40% owned by KPPI, was incorporated in the Philippines on 31 March 1989 primarily to acquire by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or other otherwise, real estate of all kinds.

Opon Ventures, Inc., 40% owned by KPPI, was incorporated in the Philippines on 14 September 1993 with the same purpose as ORDC.

Opon-KE Properties, Inc., 40% owned by KPPI, was incorporated in the Philippines on 19 January 1994 primarily to hold investments in associates.

Buena Homes (Sandoval), Inc. (“BHSI”), previously 40% owned by BHI, was incorporated in the Philippines on 24 May 2000. BHSI was involved in the development of a residential project known as “Palmdale Heights” which was completed in 2003.

In October 2019, the Group sold its 61% effective ownership interest in BHSI, hence, BHSI ceased to be an associate of the Group as at December 31, 2019.

## Joint Venture

SM Keppel Land, Inc. ("SMKL"), 40% owned by KPPI, was incorporated in the Philippines on 11 January 1994 to develop, operate and manage the property thereafter.

The Parent Company, together with its subsidiaries, associates and a joint venture, are collectively referred to as the "Group".

## Business

KPPI, through its associated companies, is engaged in real estate development of office and commercial buildings, and renders property management consultancy services to these associates.

### Commercial

The Podium Complex is a mixed-use development and lifestyle destination, comprising of retail and office spaces, which is located in the central business district of Ortigas.

### The Podium

The Podium is the retail component in the mixed-use development of SMKL. It is a retail mall with an approximate total net leasable area of 50,000 sqm that offers a first-class shopping experience with a mix of specialty stores featuring well known international and local labels and wide selection of gourmet dining, prestige wellness, services outlets and cinemas.

### The Podium West Tower

The Podium West Tower is the office component in the mixed-use development of SMKL. It is a 40-storey premium grade office tower, above The Podium expansion, with an approximate total net leasable area of 90,000 sqm.

The office tower and retail mall have been pre-certified Green Mark Gold by the Building and Construction Authority of Singapore and have also obtained pre-certification (Gold) by the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) for its green and energy-efficient features.

## Competition

As a property developer through its associated companies, KPPI considers the following as the industry's key players in terms of commercial developments:

	3Q2019 Income to date <i>In Php Billions</i>
SM Prime Holdings, Inc.	28.12
Ayala Land Inc.	26.28
Robinson's Land Corporation	7.31

*Source: Published corporate disclosures.*

Competitive pressures are expected to remain as new players have embarked on aggressive developments.

In the retail sector, the market is expected to be resilient with continued consumer spending. Retail developers continue to expand their retail portfolios to meet the growing consumer demand. The Podium continues to strengthen its presence in the market by offering a unique retail, dining and lifestyle offerings from its diverse and exciting range of local and internal brands. With its intricate architectural design and spacious ambiance, The Podium remains the preferred meeting place for professionals.

In the office sector, the market is also expected to be robust with the increasing demand from traditional and outsourcing tenants and continued supply of office spaces within the business district. The Podium West Tower remains strategically competitive with its location being in the center of Ortigas business district, green and energy-efficient features, and attractive rent rates.

### **Related Party Transactions**

In the normal course of business, KPPI's significant transactions with related parties and associated companies consist of the following:

- a. KPPI has a Consultancy Services Agreement with Straits Mansfield Property Marketing Pte., Ltd., a subsidiary of KLL, based on time spent to provide consultancy, advisory and support services.
- b. KPPI provides management, advisory and consultancy services to SMKLL based on agreed rates.
- c. KPPI provides and incurs operating advances to and from certain associated companies.

### **Government Approvals/Regulations**

The Philippine real estate industry is regulated by numerous government policies and guidelines, commencing from land acquisition and title issuance, development planning, design and construction permits up to mortgage financing/refinancing to pre-selling.

KPPI, through its associated companies, has accordingly complied with the application and approval process as required by the government.

### **Employees**

KPPI has a total of 14 employees as at December 31, 2019 with breakdown as follows:

	No. of Employees
Senior Management	3
Human Resources	2
Finance and Accounting	4
Administration	3
Legal and Compliance	1
Information Technology	1
Total	14

No significant hiring or recruitment is expected for 2020.

## **Risks**

KPPI's business activities are conducted in the Philippines and its revenues and operating profits are derived from its investments and the activities of its associates which expose KPPI to changes in the Philippine economy. The Group is also exposed to financial, operating and administrative risks which are normal in the course of business.

To manage these risks, Management is highly committed to ensuring that the Group's business processes are clearly defined, in compliance with the KPPI's policies and procedures, and performed effectively and efficiently in satisfying stakeholders' needs.

The Group also considers significant market trends and analysis in light of the current economic and political developments when assessing significant transactions and financial viability of prospect projects.

## **2. PROPERTIES**

KPPI's associated companies' investments in real estate properties as at 31 December 2019 are as follow:

Type Of Property	Location	Description	Remarks
a. Land & Buildings	ADB Avenue, Ortigas Center, Mandaluyong City	20,000 sqm site on which stands SMKL mixed-use development	40% owned by KPPI through its associate, SMKL. Phase 2 land area of 12,932 sqm is mortgaged to BDO.

## **3. LEGAL PROCEEDINGS**

The Parent Company, its subsidiaries, and associated companies are not involved in any litigation.

## **4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Except for the matters taken up during the Annual Stockholders' Meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.



## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

KPPI's common shares are traded in the Philippine Stock Exchange.

STOCK PRICES	2020		2019		2018	
	High	Low	High	Low	High	Low
First Quarter	₱3.61	₱3.60	₱4.83	₱4.82	₱4.30	₱4.28
Second Quarter	-	-	4.79	4.68	4.17	4.11
Third Quarter	-	-	4.02	4.00	4.17	4.11
Fourth Quarter	-	-	4.11	4.00	3.86	3.81

KPPI's common shares were last traded on 16 December 2019 at P4.00 per share.

There are no cash dividends declared from 2003 to date as KPPI's retained earnings are restricted for the portion of undistributed share in results of associated companies and cost of treasury shares.

There were no recent sales of unregistered or exempt securities nor any plans for acquisitions, business combinations, or other reorganization planned in the near future which involves issuance of securities.

There were 1,242 shareholders on record and 293,828,900 common shares outstanding, with KPPI's top 20 stockholders as at 31 December 2019 as follow:

	Name	No. of Shares Held	% to Total
1.	Keppel Land, Limited	148,365,050	50.49
2.	Kepwealth, Inc.	51,033,178	17.37
3.	Keppel Corporation, Limited	35,783,742	12.18
4.	Molten Pte Ltd.	19,951,723	6.79
5.	PCD Nominee Corporation - Filipino	11,573,907	3.94
6.	PCD Nominee Corporation – Foreign	4,432,346	1.51
7.	International Container Terminal Services Inc.	4,265,171	1.45
8.	George S. Dee, Jr.	3,442,891	1.17
9.	PNOC Shipping and Transport Corporation	2,227,511	0.76
10.	Visayan Surety & Insurance Corporation	1,671,664	0.57
11.	Sulpicio Lines, Inc.	694,719	0.24
12.	Augusto Go	410,423	0.14
13.	Negros Navigation Company, Inc.	357,777	0.12
14.	Eduardo Go Hayco	269,277	0.09
15.	Ho Tong Hardware, Inc.	248,018	0.08
16.	Adrienne Gotian Chu	236,795	0.08
17.	Mary Margaret G. Dee	236,788	0.08
18.	Tessa L. Navera	225,005	0.08
19.	Janette Nellie Go Chiu	200,055	0.07
20.	Rafanan/Antonio Diosdado East Visayan Milling Corporation	181,453 181,453	0.06 0.06

## 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### A. Results of Operations

The Group holds investments in associates and joint venture involved in property development and holding of investment properties. It derives its revenue from rendering management consultancy services to associates.

#### Year Ended 31 December 2019 Compared To 2018

**TOTAL REVENUE AND INCOME** decreased by ₱86.4 million or 74% from ₱117.3 million in 2018 to ₱30.9 million in 2019. The net decrease is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. Share in net income decreased by ₱93.6 million from of ₱103.5 million in 2018 to ₱9.9 million in 2019 mainly due to the lower net fair value gain recognized on SMKL's investment properties in 2019 and higher interest expense from the completion of The Podium West Tower in September 2019, offset by improvements in SMKL's net revenue.
- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱6.8 million or 70% from ₱9.7 million in 2018 to ₱16.5 million in 2019 due to the improvement of SMKL's net revenue from higher occupancy in The Podium and from the commencement of the operations of The Podium West Tower in 2019, on which these fees from SMKL are based.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by ₱3.4 million or 5% from ₱74.2 million in 2018 to ₱77.6 million in 2019 mainly from depreciation on leasehold improvements.

As a result, the Group's operations posted a reversal of ₱90.5 million from ₱42.4 million net income in 2018 to a net loss for the year amounting to ₱48.1 million.

#### Year Ended 31 December 2018 Compared To 2017

**TOTAL REVENUE AND INCOME** decreased by ₱832.0 million or 88% from ₱949.3 million in 2017 to ₱117.3 million in 2018. The net decrease is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. Share in net income decreased by ₱837.2 million or 89% from ₱940.7 million in 2017 to ₱103.5 million in 2018, mainly due to the lower net fair value gain recognized on SMKL's investment properties in 2018, higher interest expense incurred in 2018, and loss contributed from the closure of the old wing of The Podium in October 2017 for renovation which was completed in December 2018.
- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱4.3 million or 80% from ₱5.4 million in 2017 to ₱9.7 million in 2018 due to increase in The Podium's rental income on which these fees from SMKL are based.
- Increase in **INTEREST INCOME** by ₱1.0 million or 31% from ₱3.2 million in 2017 to ₱4.2 million in 2018 due to higher interest rates on deposit placements.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by ₱15.4 million or 26% from ₱58.8 million in 2017 to ₱74.2 million in 2018 mainly due to the timing of consultancy fee charges related to the SMKL mixed-use development project.

**OTHER INCOME (EXPENSE), NET** resulted to a ₱0.2 million income in 2018 in contrast to a ₱1.9 million expense in 2017 due to a significant provision for doubtful account set up in 2017.

As a result, the Group's operations posted a net income for the year amounting to ₱42.4 million, a decrease of ₱846.7 million or 95% from the ₱889.1 million net income in 2017.

#### Year Ended 31 December 2017 Compared To 2016

**TOTAL REVENUE AND INCOME** increased by ₱935.1 million from ₱14.2 million in 2016 to ₱949.3 million in 2017. The increase is mainly attributable to the following:

- o Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. Share in net income significantly increased by ₱933.9 million from ₱6.8 million in 2016 to ₱940.7 million in 2017 mainly due to the net fair value gain on SMKL's investment properties upon the adoption of fair value accounting, coupled with reversal of a provision no longer required, deferred income tax benefits from straight-lining of rental revenue and net operating loss carryover, offset by the significant interest expense, repairs and maintenance and advertising and promotions incurred related to the commencement of the operations of the expansion of The Podium Mall in October 2017.
- o **INTEREST INCOME** increased by ₱1.3 million or 68% from ₱1.9 million in 2016 to ₱3.2 million in 2017 due to higher interest rates on deposit placements.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by ₱13.8 million or 31% from ₱45.0 million in 2016 to ₱58.8 million in 2017 mainly due to the increase in supervision and oversight costs relating to the ongoing construction of SMKL mixed-use development, that are deemed non-capitalizable by the Parent Company.

**OTHER INCOME (EXPENSE), NET** resulted to a ₱1.9 million expense in 2017 in contrast with a ₱1.3 million income in 2016 due to a significant provision for doubtful account set up in 2017.

As a result, the Group's operations posted a net income for the year amounting to ₱889.1 million, an increase of ₱919.3 million from the ₱30.2 million net loss in 2016.

## KEY PERFORMANCE INDICATORS

For The Years Ended	December 2019	December 2018	% Change
Return On Assets	(1.84%)	1.66%	(211%)
Earnings (Loss) Per Share	(₱0.16)	₱0.14	(214%)
Net Tangible Asset Value Per Share	₱6.45	₱6.61	(2%)
Working Capital Ratio	2.3:1	3.2:1	(28%)

- a. **Return On Assets** – This indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax amounted to ₱48.1 million in 2019, which is a complete reversal from the ₱42.4 million net income in 2018. The net loss is due to a significant decrease in share in results of associated companies and increase in general and administrative expenses.

	<u>2019</u>	<u>2018</u>
Net Income (Loss) After Tax (a)	(₱48,129,588)	₱42,368,990
Total Assets At Beginning (b)	2,619,145,552	2,554,300,512
Return On Assets (a/b)	(1.84%)	1.66%

- b. **Earnings (Loss) Per Share** – This represents the equivalent apportionment of net income (loss) to each share of common stock outstanding. The unfavorable performance is due to the net loss incurred in 2019 as compared to net income in 2018.

	<u>2019</u>	<u>2018</u>
Net Income (Loss) After Tax (a)	(₱48,129,588)	₱42,368,990
Number of Common Stock (b)	293,828,900	293,828,900
Earnings (Loss) Per Share (a/b)	(₱0.16)	₱0.14

- c. **Net Tangible Asset Value Per Share** – It measures the equivalent entitlement of each share of common stock outstanding in the tangible assets. The tangible value per share decreased by 2% compared to 2018 due to the decrease in retained earnings resulting from the significant loss incurred during the year.

Note: Net Tangible Assets include ₱594.7 million subscription proceeds for Preferred Stock. As these Preferred Stocks are redeemable, the subscription proceeds have been excluded from Net Tangible Assets in the computation of Net Tangible Asset Per Share.

	<u>2019</u>	<u>2018</u>
Net Tangible Assets	₱2,489,398,843	₱2,538,038,844
Less : Preferred Stock	594,741,000	594,741,000
Net Tangible Assets Attributable To Common Stock	1,894,657,843	1,943,297,844
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.45	₱6.61

- e. **Working Capital Ratio** – The Group's ability to meet current obligations is measured by determining current assets over current obligations. The Working Capital ratio decreased by 28% as compared to 2018.

	<u>2019</u>	<u>2018</u>
Current Assets (a)	₱239,177,211	₱263,249,770
Current Liabilities (b)	102,755,492	81,106,708
Working Capital Ratio (a/b)	2.3:1	3.2:1

## **B. Financial Condition**

### Year Ended 31 December 2019 Compared To 2018

**TOTAL ASSETS** decreased by ₱21.2 million from ₱2,619.1 million in 2018 to ₱2,597.9 million in 2019. The significant change in account balances from period to period are as follows:

- **CASH AND CASH EQUIVALENTS** increased by ₱20.5 million from the proceeds from the sale of shares in an associate and collection of receivables, offset by net cash used in operations, acquisitions of property and equipment and financing activities.
- **DUE FROM RELATED PARTIES** decreased by ₱49.1 million due to the partial collection of long outstanding receivables.
- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱3.6 million due to the deposits made for the fit-out of the Parent Company's new office, advances for rentals and related input tax on leasehold improvements.
- **INVESTMENTS IN ASSOCIATES AND JOINT VENTURE** decreased by ₱20.9 million due to lower share in results of associated companies in 2019, mainly from lower net fair value gain and higher interest expense incurred on the investment properties of a joint venture.
- **PROPERTY AND EQUIPMENT, NET** increased by ₱10.2 million due to leasehold improvements on the Parent Company's new office and acquisitions of computer and office equipment.
- **RIGHT-OF-USE ASSET** of ₱11.5 million in 2019 due to the recognition of asset on the leased premises in accordance with PFRS 16.
- **REFUNDABLE DEPOSITS** increased by ₱1.4 million due to deposits made for the leased premises.

**TOTAL LIABILITIES** increased by ₱27.4 million from ₱81.1 million in 2018 to ₱108.5 million in 2019 mainly due to the recognition of lease liability in accordance with PFRS 16, accumulated consultancy fees that remain outstanding, and payables to contractor for the fit-out of the Parent Company's new office.

**TOTAL EQUITY** decreased by ₱48.6 million from ₱2,538.0 million in 2018 to ₱2,489.4 million in 2019 due to the net loss incurred during the year.

### Year Ended 31 December 2018 Compared To 2017

**TOTAL ASSETS** increased by ₱64.8 million from ₱2,554.3 million in 2017 to ₱2,619.1 million in 2018. The significant change in account balances from period to period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱40.6 million due to the net cash used in operating activities, mainly from general and administrative expenses, offset by interest income received and collections from receivables and return of investments from an associate.
- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱1.6 million due to the renewal of leases in 2018 that required prepayments and advance rentals.

- **INVESTMENTS IN ASSOCIATES AND JOINT VENTURE** increased by ₱103.7 million due to the positive share in results of associated companies for 2018, mainly from the net fair value gain recognized for 2018 after offsetting the interest expense incurred for the investment properties of the joint venture.

**TOTAL LIABILITIES** increased by ₱21.8 million from ₱59.3 million in 2017 to ₱81.1 million in 2018 due to the following changes:

- **ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES** increased by ₱11.5 million due to the accruals for withholding taxes on management consultancy fees, compensation, and professional fees made during the year.
- **DUE TO RELATED PARTIES** increased by ₱10.3 million mainly from management consultancy fees for the year that remains outstanding as of year end.

**EQUITY** increased by ₱43.0 million from ₱2,495.0 million in 2017 to ₱2,538.0 million in 2018 due to the net income recognized for the year.

Year Ended 31 December 2017 Compared To 2016

**TOTAL ASSETS** increased by ₱817.0 million from ₱1,737.3 million in 2016 to ₱2,554.3 million in 2017. The significant change in account balances from period to period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱25.2 million due to the net cash used in operating activities, mainly from general and administrative expenses, offset by interest income received and collections from receivables and return of investments from an associate.
- **RECEIVABLES** decreased by ₱3.1 million due to the provision for doubtful accounts set up in 2017 and realization of accrued revenue from prior year.
- **DUE FROM RELATED PARTIES** increased by ₱26.7 million related to the outstanding balance from the return of investments from an associate resulting from the approved reduction of share capital of an associate.
- **INVESTMENTS IN ASSOCIATES AND JOINT VENTURE** increased by ₱817.4 million mainly due to the net fair value gain recognized in SMKL's investment properties upon adoption of fair value accounting, offset by the approved reduction of share capital of an associate.
- **DEFERRED INCOME TAX ASSETS, NET** increased by ₱1.5 million due to the additional taxable accruals in 2017.

**TOTAL LIABILITIES** decreased by ₱71.7 million from ₱131.0 million in 2016 to ₱59.3 million in 2017 due to the following changes:

- **ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES** increased by ₱4.7 million due to the accruals for withholding taxes on management consultancy fees and compensation made during the year.
- **DUE TO RELATED PARTIES** decreased by ₱76.3 million due to the reclassifications made from liabilities to reduction in assets in relation to the approved capital reduction of an associate that was reflected as return of investments from an associate in 2017.

**EQUITY** increased by ₱888.8 million from ₱1,606.2 million in 2016 to ₱2,495.0 million in 2017 due to the net income recognized for the year.

## **7. TRENDS, EVENTS OR UNCERTAINTIES THAT HAVE AFFECTED OR THAT ARE REASONABLY EXPECTED TO AFFECT REVENUES OR INCOME**

a) As at December 31, 2019:

- o There are no known material commitments for capital expenditures.
- o 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.
- o There are no significant elements of income or loss that did not arise from the Group's continuing operations.
- o There are no seasonal aspects that had a material impact on the results of operations of Group.

b) There are no events nor any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to Group.

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

d) The Group is not a party to any lawsuit or claim arising from the ordinary course of business.

e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions. Property market in the office and retail sectors remains challenging with the increasing supply and ongoing renovations for office developments and retail expansions in the area where the Group's projects are located.

## **8. INFORMATION ON EXTERNAL AUDITORS**

Total audit fees paid by the Group to the external auditors amounted to ₱400,000 in 2018. The 2019 audit fees are yet to be finalized.

The Audit Committee's approval on policies and procedures included assessing the proposed scope of audit work to be conducted by the independent auditor, evaluating if there are material audit issues to be resolved, and determining whether the fee charged is commensurate with the work carried out.

Other non-audit fees paid to the Group of external auditors for 2019 includes ₱100,000 for BHI's partial redemption of redeemable preferred shares to KPPI and ₱167,400 for the Group's tax retainer services.

## **9. CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 25) are filed as part of this Form 17-A (pages 26 to 89).

## **10. CHANGES IN AND DISAGREEMENTS WITH EXTERNAL AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

There were no changes in and/or disagreements with Group's external auditors on accounting and financial disclosures.



## PART III- CONTROL AND COMPENSATION INFORMATION

### 11. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

#### Board of Directors

##### (1) Ng Ooi Hooi, 60

Mr. Ng Ooi Hooi, 60, Singaporean, was re-elected on 23 December 2019 as Director and Chairman of the Board of Directors of KPPI effective 1 January 2020. Mr. Ng joined Keppel Land Group in 2007, and is currently President, Singapore & Regional Investments, overseeing the Group's real estate businesses in Singapore, Thailand, Philippines, Myanmar and Malaysia. He was previously General Manager, Regional Head (and before that, General Manager, Business Development) of Keppel Land China Limited. From 2008 to 2011, Mr. Ng was deployed as Deputy Chief Executive Officer of the Sino-Singapore Tianjin Eco-City Investment and Development Co Ltd.

Prior to joining Keppel Land Group, Mr. Ng served for 22 years in the Singapore Administrative Service, and held key appointments in several government ministries and statutory boards, including the Ministry of Home Affairs, Ministry of Communications and Information, Ministry of Information and the Arts, Ministry of Trade and Industry, Ministry of National Development, Ministry of Defence, Ministry of Law, Singapore Land Authority, and Ministry of Transport.

Mr. Ng is a Director of a number of subsidiaries and associates in the Keppel Land Group.

Mr. Ng holds a Master Degree in Public Administration from Harvard University, and a Bachelor of Economics (First Class Honours) Degree from the Australian National University.

##### (2) Sam Moon Thong, 54

Mr. Sam Moon Thong, 54, Singaporean, has retired effective 31 December 2019 and has served as KPPI's Director and Chairman of the Board of Directors from 27 April 2017 until his retirement. Mr. Sam joined Keppel Land Group in 2003 and was previously President, Regional Investments, overseeing the Group's business in India, Thailand, Myanmar, Malaysia, Philippines, Sri Lanka and Middle East. His previous appointments include President, Indonesia, overseeing the Group development and investments in Indonesia as well as General Manager, Investment, overseeing business development and asset management activities outside China and Singapore. Mr. Sam has over 20 years of experience in investing and managing real estate projects in the Asia Pacific region.

Prior to joining Keppel Land Group, Mr. Sam was Vice-President, Real Estate Development and Investment at Ascendas Pte. Ltd and Business Development Manager at Fraser Centrepoint Limited, overseeing business development and investment in South-East Asia, South Asia and China. He started his career with the Urban Redevelopment Authority where he held responsibilities in the Land Management and Sale of Sites Departments.

Mr. Sam is a Director of a number of subsidiaries and associates in the Keppel Land Group.

He holds a Bachelor of Science (Estate Management) (Honours) Degree from National University of Singapore, and a Master of Business Administration Degree from the University of Dubuque, Iowa, USA.

**(3) Ramon J. Abejuela, 70**

Mr. Ramon J. Abejuela, 70, Filipino, was elected as an Independent Director of KPPI from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit Committee of KPPI. He is also an Independent Director of Keppel Philippines Holdings, Inc. since September 2017. He also serves as Director and Vice Chairman of the Board of Philippine Nutri-Foods Corporation and NCP Publishing Inc. since 2004.

Mr. Abejuela holds a Bachelor of Science in Chemical Engineering (Cum Laude) Degree from De La Salle University and a Master's Degree in Business Management - General Management Curriculum from the Asian Institute of Management.

Mr. Abejuela has over 40 years of experience in the field of financial planning, control and consultancy.

**(4) Celso P. Vivas, 73**

Mr. Celso P. Vivas, 73, Filipino, was elected as an Independent Director of KPPI since November 2004 and is a member of KPPI's Audit Committee. He is also an Independent Director since June 2005 and is currently the Lead Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippine Holdings, Inc., as well as an Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippines Marine, Inc.

Mr. Vivas is also an Independent Director of Megawide Construction Corporation, Chairman of its Audit and Compliance Committee, and Member of both the Board Risk Oversight and Governance, Nomination and Remuneration Committee. He also serves as an Independent Director of Republic Glass Holdings Corporation, Chairman of its Governance, Nomination and Remuneration Committee, and Member of the Audit and Risk Management Committee. He is a member of Marubeni Foundation's Board of Trustees.

Mr. Vivas was a Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001.

Mr. Vivas holds a Bachelor of Business Administration (Cum Laude) Degree from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar).

Mr. Vivas is a Certified Public Accountant and has over 50 years of experience in audit, finance, enterprise risk management and corporate governance.

**(5) Mayo Jose B. Ongsingco (†), 68**

Mr. Mayo Jose B. Ongsingco, 68, Filipino, was elected as an Independent Director of KPPI in May 2018. He is also an Independent Director of Keppel Philippines Holdings Inc., Keppel Philippines Marine Inc. and Keppel Subic Shipyards Inc. since 2018. He is currently an Adviser to the Board of Directors of First Metro Investment Corp. since 2015, Non-executive Director of First Metro Asset Management Inc. since 2017, Vice Chairman of First Metro Securities Brokerage Corp. since 2018, President/Director of PBC Capital Investment Corp. since 2019 and Independent Director of Mapfre Insular Insurance Corp. and Omnipay, Inc. since 2016 and 2017, respectively.

He is also a Non-executive Director of Rafael-Alunan Agro Development Inc. since 2006 and a Trustee of Foundation for Carmelite Scholastics since 2013. He served as President of The Insular Life Assurance Co. Ltd. during 2004 to 2015 and was concurrent Vice-Chairman and/or Director of various Insular Life subsidiaries and affiliates such as Pilipinas Shell Petroleum Corp., Mapfre Insular Insurance Corp., Insular Savings Bank, Insular Healthcare Inc., Insular Investment Corp., Asian Hospital Inc. and Union Bank of the Philippines. He was a trustee of the De La Salle College of St. Benilde from 2013 to January 2020.

Mr. Ongsingco graduated from the De La Salle University with Bachelor's Degrees (Magna Cum Laude) in Economics and Accounting. He also obtained a Master's Degree in Business Administration from the University of the Philippines and in National Security Administration from the National Defense College of the Philippines (both with Honors).

Mr. Ongsingco has over 45 years of experience in banking, finance, and insurance.

**(6) Stefan Tong Wai Mun, 47**

Mr. Stefan Tong Wai Mun, 47, Malaysian, was elected as a Director of KPPI in June 2007. He is also the Executive Vice President and Director of Keppel Philippines Marine, Inc., as well as a Director of Keppel Philippines Holdings, Inc., and of various Keppel companies in the Philippines.

Mr. Tong holds a Bachelor of Commerce Degree in Accounting and Finance (Honours) from University of Western Australia. He is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia and New Zealand.

Mr. Tong has over 20 years of experience in banking, finance and real estate.

**(7) Oh Lock Soon, 61**

Mr. Oh Lock Soon, 61, Singaporean, was elected as a Director and President of KPPI on 31 March 2017. Prior to his election, Mr. Oh Lock Soon served as the President of Keppel Thai Properties Public Company Limited from January 2012 until June 2016. He served as an Executive Director at Keppel Thai Properties Public Company Limited from December 2011 until June 2016. Further, under Keppel Land International Ltd. Mr. Oh served as President (Thailand) under the Regional Investments Division.

Prior to joining Keppel Land International Pte. Ltd, Mr. Oh served as Director for Qingjian Realty, Pte. Ltd. He also served as a General Manager for Acacio Concept Singapore, Pte. Ltd. in 2010. In 2009, he sat as General Manager of Qingjian Precast Pte Ltd. Mr Oh was the Chief Operating Officer of TCC Capital Land (Thailand) Limited, a joint venture between Capital Land (Singapore) Limited and TCC Land (Thailand) Limited from November 2006 until December 2008.

Mr. Oh holds a Bachelor of Science Degree in Civil Engineering, Honors from University of Southampton and Master of Science Degree in Concrete Structure from the Imperial College of Science, Technology and Medicine, University of London, U.K.

**(8) Tan Boon Ping, 46**

Ms. Tan Boon Ping, 46, Singaporean, was elected as a Director of KPPI on 14 January 2019. Ms. Tan joined Keppel Land Limited in December 2008 as Financial Controller, overseeing the Group consolidation and reporting for the Keppel Land Group. She reported directly to the Chief Financial Officer, and she also assisted the Company Secretary on corporate secretarial matters. In December 2015, she was appointed the Chief Financial Officer of Keppel Land China Limited. In August 2018, she assumed the role of Chief Financial Officer, Keppel Land Limited.

Prior to joining Keppel Land, Ms. Tan worked with two other real estate developers, Ascendas Pte. Ltd. and City Development Limited, where she gained experiences in group consolidation, tax, financial and management reporting, forecasting and budgeting for large groups with regional presence. She started her career as an auditor with Ernst and Young and PricewaterhouseCoopers.

Ms. Tan holds a Bachelor of Business Administration from National University of Singapore (NUS) and a Master in Financial Management from University of Manchester. She is a Chartered Accountant with the Institute of Chartered Accountants of Singapore.

**(9) Lim Jean Loong, 50**

Mr. Lim Jean Loong, 50, Singaporean, was elected as a Director of KPPI on 13 June 2019. Mr. Lim joined Keppel Land Limited in January 2001 as the Finance and Systems Manager overseeing the Group's implementation of accounting system overseas. He also provides finance and accounting support to overseas projects in the Group. In December 2010, he was appointed the Chief Financial Officer of Keppel Land China Limited. From December 2015, he assumed the role of Deputy General Manager (Finance and Administration) of Keppel Land Limited.

Mr. Lim holds a Bachelor in Accountancy (Honours) Degree from Nanyang Technological University of Singapore.

**Key Officers**

**Oh Lock Soon, 61, Singaporean.** *(See foregoing director's profile)*

**Pang Chan Fan, 38, Singaporean,** was appointed Treasurer of KPPI in October 2017. Mr. Pang joined Keppel Land Group under Keppel Land Hospitality Management Pte., Ltd. and was assigned as the Financial Controller of Wiseland Investment (Myanmar), Ltd. in October 2015. Mr. Pang was then transferred to Keppel Land International Limited and was assigned as Financial Controller of KPPI in April 2017. Prior to joining Keppel Land Group, Mr. Pang has held positions as a Finance Manager and has started his professional career in audit firms in Singapore. Mr. Pang is a member of the Association of Chartered Certified Accountants.

**Atty. Ma. Melva E. Valdez, 60, Filipino,** has been the Corporate Secretary of KPPI since 1999. Atty. Valdez also served as Director of KPPI from 24 June 2008 to 11 June 2009. She is a Senior Partner of the law firm Bello Valdez & Fernandez (JGLaw). Atty. Valdez is also the Corporate Secretary of Keppel Philippines Holdings, Inc., and Mabuhay Vinyl Corporation (listed corporations), Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Asian Institute of Management, Keppel Subic Shipyard, Inc., Keppel Batangas Shipyard, Inc. and various Keppel companies in the Philippines, EMS Components Assembly Inc., EMS Resources Technology Inc., EMS Land Services Inc., EMS Services Philippines, Inc., EMS Services International Inc., Alliance Mansols Inc., Creotec Philippines Inc. and Wartsila Philippines Inc. She is also a member of the Board of Directors of Leighton Contractors (Phils), Inc., Servier Philippines, Inc., Cambe Dental Inc., Suretrac Holdings Inc., and Asia Contractors Holdings, Inc. Atty. Valdez likewise holds directorship positions in the following companies: Logwin Air + Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-Ke Properties, Inc., Asia Control Systems Philippines, Yinda Communications Philippines Inc., and Saint-Gobain Philippines Co. Ltd. Inc.

Atty. Valdez graduated from the University of the Philippines with a Bachelor of Arts Degree in Political Science and a Bachelor's Degree in Law. She has over 30 years of working experience in her field of profession as a lawyer.

**Atty. Stephanie Maree N. Dysangco**, 28, Filipino, was appointed as the Assistant Corporate Secretary of KPPI in September 2019. She is a Junior Associate of the law firm Bello Valdez & Fernandez (JGLaw). Her professional experience covers litigation practice and general corporate law practice as counsel to corporations in various industries, including electronics manufacturing, chemical manufacturing, e-commerce, and retail. She is also Assistant Corporate Secretary of Mabuhay Vinyl Corporation, a corporation listed with the Philippine Stock Exchange.

Atty. Dysangco graduated from Ateneo de Manila University with a Bachelor of Arts degree in European Studies and Minor in French Studies. She received her Juris Doctor degree and completed the Corporate and Business Law Track at Ateneo Law School.

The members of the Board of Directors of KPPI are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of the Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have been qualified.

As stated in this report, the business experience of KPPI's directors and officers covers the past five years.

### **Significant Employees**

There are no other employees other than the officers mentioned herein as executive officers who are expected to make a significant contribution to the business.

### **Directorships in Other Reporting Companies**

The following are directorships held by the Directors in other reporting companies:

#### **Ramon J. Abejuela**

Keppel Philippines Holdings, Inc. ....Independent Director

#### **Celso P. Vivas**

Keppel Philippines Holdings, Inc. ....Independent Director and Chairman  
and Lead Independent Director of the  
Audit & Risk Management Committee

Keppel Philippines Marine, Inc.....Independent Director and Chairman of  
the Audit & Risk Management Committee

#### **Stefan Tong Wai Mun**

Keppel Philippines Holdings, Inc.....Director

Keppel Philippines Marine, Inc.....Director and Executive Vice President

#### **Mayo Jose B. Ongsingco**

Keppel Philippines Holdings, Inc.....Independent Director

Keppel Philippines Marine, Inc..... Independent Director

Keppel Subic Shipyards Inc.....Independent Director

### Family Relationship

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by KPPI to become directors or executive officers, any security holder of certain record, beneficial owner or management.

### Legal Proceedings

To the knowledge and/or information of KPPI, none of the directors and officers/nominees was involved during the past five (5) years in any litigation nor any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

## 12. EXECUTIVE COMPENSATION

KPPI has seven executive officers as at 31 December 2019:

Name	Principal Position
Oh Lock Soon	President
Pang Chan Fan	Finance Controller
Tan Ye-Huang	Investment Manager
Janel Michelle Dazo	Senior Manager - Human Resources
Joseph Paul Pelaez	Manager - Legal and Compliance
Faye Monique Valderrama	Deputy Manager - Finance and Accounting
Jan Michael Velasco	Assistant Manager - Controls and Assurance

- a. The aggregate annual compensation (including salary and benefits) paid to the executive officers is summarized in the table below:

Top four executive officers as a group unnamed	Salary	Bonus	Others	Total
	In ₱ Millions			
2020 (Estimate)	25.92	12.27	0.03	38.22
2019	24.59	12.34	0.03	36.96
2018	18.79	5.57	0.03	24.39
Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
	In ₱ Millions			
2020 (Estimate)	3.04	0.44	0.07	3.55
2019	3.16	0.35	0.07	3.58
2018	3.14	0.10	0.07	3.31

Executive officers do not receive any other form of remuneration aside from the above compensation. There are no arrangements and/or employment contracts between KPPI and executive officers providing for any compensatory plan or arrangement for payment upon resignation, retirement, termination or cessation of employment.

- b. KPPI's By-Laws provide that, by resolution of the Board, each Director shall receive a per diem allowance for his/her attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten (10%) of the net income before tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders. With respect to directors' remuneration, the directors are being paid directors' fees of ₱80,000 each per annum. Payment of directors' fee of ₱80,000 per director for 2019 will be presented to the stockholders for approval at the annual stockholders' meeting. Each director also receives an amount of ₱10,000 per diem for attendance at every board meeting.
- c. There are no other standard or special arrangements and no special consulting contracts awarded to any director or officer of KPPI by which they were compensated, or to be compensated, directly or indirectly, and there are no amounts payable to any of the directors arising from participation in any working committee or special assignments in the current fiscal year or in the coming year.
- d. There are no employment contract/s, termination and change in control arrangements including pension/s or retirement plan/s in which any of the directors and officers will participate.
- e. There are no outstanding warrants or options held by the registrant's chief executive officers, executive officers and all officers and directors as a Group.

### 13. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Record and Beneficial Owners:

As at 31 December 2019, KPPI has no knowledge of any individual or any party who beneficially owns Keppel Philippines Properties, Inc. stock in excess of 5% of KPPI's common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and relationship with KPPI	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Shares of Stock	Keppel Land Limited <sup>1</sup> 1 HarbourFront Avenue Level 2 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	148,365,050	50.49%
Common Shares of Stock	Keppwealth, Inc. <sup>2</sup> Unit 3-B Country Space I Bldg., Sen. Gil Puyat Avenue, Makati City (Stockholder)	Same as Record Owner	Filipino	51,033,178	17.37%
Common Shares of Stock	Keppel Corporation Limited <sup>3</sup> 1 HarbourFront Avenue Level 2 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	35,783,742	12.18%
Common Shares of Stock	PCD Nominee Corp. – Filipino <sup>4</sup> 37/F Enterprise Bldg. Ayala Avenue, Makati City 1226	Various <sup>5</sup>	Filipino	31,525,630	10.73%

1. Mr. Ng Ooi Hooi is authorized as proxy to vote for the shareholdings of Keppel Land Limited.
2. Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote in the shares of Kepwealth, Inc. in KPPI.
3. Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote for the shareholdings of Keppel Corporation Limited in KPPI.
4. PCD Nominee Corporation (PCNC) is a wholly-owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all the shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD. However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as the beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with in its name.
5. Molten Pte. Ltd is the beneficial owner of the following shares of KPPI as of 31 December 2019:

	<u>No. of shares held</u>	<u>% of class</u>
Molten Pte. Ltd	18,496,016	6.29%

(b) Security Ownership of Directors and Management:

As at 31 December 2019, the shareholdings of all Directors of KPPI are as follow:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Ng Ooi Hooi	1	Singaporean	0.00%
Common Shares of Stock	Tan Boon Ping	1	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1	Filipino	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Mayo Jose B. Ongsingco	1	Filipino	0.00%
Common Shares of Stock	Oh Lock Soon	1	Singaporean	0.00%
Common Shares of Stock	Lim Jean Loong	1	Singaporean	0.00%

As disclosed above, apart from the President who is also a Director of KPPI, none of the compensated executive officers have Security Ownership in KPPI as shown in the list of shareholders' purchases as provided by KPPI's transfer agent.

(c) Voting Trust Holders of 5% or more

As at December 31, 2019, there are no individuals or parties who hold 5% or more of KPPI's common shares of stock under a voting trust or similar agreement.

(d) Changes in control

There were no events or arrangements which may result in a change in control of KPPI.



#### **14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

- a) During the last two (2) years, no director of KPPI has received or become entitled to receive any benefit by reason of any contract with KPPI, a related corporation, a firm of which the director is a member or a Company of which a director has a substantial financial interest.

There are no transactions in the last two (2) years or proposed transactions to which the registrant was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

- i. Any director or executive officer of the Corporation;
  - ii. Any nominee for election as a Director;
  - iii. Any security holders;
  - iv. Any member of the immediate family of the preceding persons.
- b) The Parent Company of the registrant is KLL, who owns 50.49% of KPPI's capital stock.

Details of KPPI's related party transactions are explained in Note 11 of the Notes to the Consolidated Audited Financial Statements of KPPI (Pages 50-52).

#### **PART IV – CORPORATE GOVERNANCE**

#### **15. CORPORATE GOVERNANCE**

KPPI complies with the principles and practices of good corporate governance by adherence to its Amended Manual on Corporate Governance (“the Amended Manual”).

It has a Compliance Officer who diligently performs the duties and responsibilities under the Amended Manual, by reporting to the Directors and Officers the pertinent requirements on corporate governance from time to time, and monitoring the compliance of such requirements. The Amended Manual is updated by incorporating new and improved governance and management practices, obtained through attendance at corporate governance seminars conducted by institutions accredited by SEC. The appointment/designation of the Compliance Officer has been immediately disclosed to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Board of Directors (“The Board”) has continued to observe KPPI's corporate missions and visions to ensure the long-term success of the Corporation and its continued competitiveness in the industry.

The Compliance Officer ensures that the Board of Directors, its officers and employees comply with all the leading practices and principles on good corporate governance as embodied in the Parent Company's Amended Manual. KPPI also complies with the appropriate self-rating assessment and performance evaluation system to determine and measure compliance in accordance with the Amended Manual.

KPPI has created committees required under the Amended Manual, namely, Audit Committee, Nominations/Screening Committee, and Compensation/Remuneration Committee. The creation of said committees and the corresponding members thereof have been immediately disclosed to the SEC and the PSE. Each committee aforementioned performed their functions and responsibilities set forth in the Amended Manual.

The Audit Committee meets regularly to review all financial reports to comply with the relevant accounting and regulatory standards, and performs oversight of financial management functions. As required by the Rules, four (4) independent directors are members of the Audit Committee, with one (1) independent director serving as head of said Committee.

The Nomination/Screening Committee complied with the provisions of KPPI's Amended Manual on the pre-screening of all candidates nominated to become a member of the Board of Directors. The qualifications of director mentioned in the Amended Manual have also been strictly followed.

All of the directors of KPPI have attended and actively participated in the Corporate Governance Seminars held annually.

KPPI has submitted its Annual Corporate Governance Report to SEC and PSE on 30 May 2019.

## PART V- EXHIBITS AND SCHEDULES

### 16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits- See accompanying Index to Exhibits (page 104)

The following exhibit is filed as a separate section of this report:  
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 105)

The other exhibits, as indicated in the Index to Exhibits are either not applicable to KPPI or require no answer.

(b) Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the last twelve (12) month period covered by this report are as follows:

<u>Date</u>	<u>Events Reported</u>
4 January 2019	Election of Ms. Tan Boon Ping as Director of KPPI
28 February 2019	Update of Business address of KPPI
22 March 2019	Y2019 Annual Stockholders' Meeting Date & Record Date Resignation of Ms. Tan Siew Ngok as Director of KPPI
26 March 2019	Approval and Release of Audited Financial Statements for Y2018
28 March 2019	Y2019 Annual Stockholders' Meeting Venue & Agenda
13 June 2019	Election of Officers & Appointment of Members of Various Committees Results of Y2019 Annual Stockholders' Meeting Approval of Directors' Remuneration for Y2018 Certificates of Attendance of the respective Directors and Officers to a Corporate Governance Seminar
5 July 2019	Resignation of Assistant Corporate Secretary of KPPI
6 September 2019	Confirmation of Partial Redemption by Buena Homes, Inc. of its Redeemable Preferred Shares Appointment of Assistant Corporate Secretary of KPPI
7 October 2019	Changes in Corporate Contact Details
11 October 2019	Sale of Buena Homes, Inc. and Opon-KE Properties, Inc. shareholdings in Buena Homes (Sandoval), Inc.
23 December 2019	Resignation of Mr. Sam Moon Thong as Chairman of the Board of Directors of KPPI effective 31 December 2019 Election of Mr. Ng Ooi Hooi as Chairman of the Board of Directors of KPPI beginning 1 January 2020



FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

I, J. ANTHONY A. REYES, Consul of the Embassy of  
the Republic of the Philippines to Singapore, duly commissioned and qualified, do  
hereby certify that MELISSA GOH  
before whom the annexed instrument has been executed, to wit:

**NOTARIAL CERTIFICATE SIGNED BY LIM CHEE KIANG**

was at the time he/she signed the same SINGAPORE ACADEMY OF LAW  
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed  
instrument.

**IN WITNESS HEREOF**, I have hereunto set my hand and affixed the seal of the  
Embassy of the Philippines in Singapore this day of 08 June 2020

Service No. : 4677  
O.R. No. : 1420839  
Fee Paid : \$42.50

  
**J. ANTHONY A. REYES**  
Consul

*The validity of this certification  
shall follow the validity of the  
attached/underlying document.*





NC0K4A02VH

## NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Lim Chee Kiang, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

That on the 29th day of May 2020, before me, personally appeared **OH WENG SOON (OH LOCK SOON)** identified to me by production of his Singapore Passport No.: E6512706E and **PANG CHAN FAN** identified to me by production of his Singapore Passport No.: E5517679C both named and described in the declaration contained on page 24 of the instrument entitled: "KEPPEL PHILIPPINES PROPERTIES, INC. SEC FORM 17-A" hereunto annexed WHO by solemn declaration which each of them then made before me in due form of law did solemnly and sincerely declare to be true the several matters and things mentioned and contained in the said annexed declaration.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 2nd day of June 2020.

NOTARY PUBLIC  
SINGAPORE



By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on 29 MAY 2020 2020.

By:

  
Oh Lock Soon  
President

  
Pang Chan Fan  
Treasurer

  
Atty. Ma. Melva E. Valdez  
Corporate Secretary



SUBSCRIBED AND SWORN to before me this 29 MAY 2020 day \_\_\_\_\_ of 2020 affiant (s) exhibiting to me his/their Tax Identification Numbers, as follows:

<u>Names</u>	<u>TIN</u>
Oh Lock Soon	486-612-639
Pang Chan Fan	500-034-655
Ma. Melva E. Valdez	123-493-209



Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 2020.

**KEPPEL PHILIPPINES PROPERTIES, INC.**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**SEC FORM 17-A**

**Financial Statements**

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FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES

EMBASSY OF THE PHILIPPINES )  
Consular Section ) S.S.  
Singapore )

**CERTIFICATE OF AUTHENTICATION**

I, J. ANTHONY A. REYES, Consul of the Embassy of  
the Republic of the Philippines to Singapore, duly commissioned and qualified, do  
hereby certify that MELISSA GOH  
before whom the annexed instrument has been executed, to wit:

**NOTARIAL CERTIFICATE SIGNED BY LIM CHEE KIANG**

was at the time he/she signed the same SINGAPORE ACADEMY OF LAW  
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed  
instrument.

**IN WITNESS HEREOF**, I have hereunto set my hand and affixed the seal of the  
Embassy of the Philippines in Singapore this day of **08 June 2020**

Service No. : 4655  
O.R. No. : 1420839  
Fee Paid : \$42.50

  
**J. ANTHONY A. REYES**  
Consul

*The validity of this certification  
shall follow the validity of the  
attached/underlying document.*







NC0K4A08XI

## NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Lim Chee Kiang, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

The document hereunto annexed is an original STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS issued by KEPPEL PHILIPPINES PROPERTIES, INC., a Philippines corporation, duly organised and existing, signed in my presence on the 29th day of May 2020 by Mr. NG OOI HOOI, Mr. OH LOCK SOON and Mr. PANG CHAN FAN, respectively the Chairman of the Board, President and Treasurer of the corporation.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 2nd day of June 2020.

NOTARY PUBLIC  
SINGAPORE



By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.



# Keppel Philippines Properties

Keppel Philippines Properties, Inc.  
Units 1802B-1803 The Podium West Tower  
12 ADB Avenue, Ortigas Center  
Mandaluyong City 1550, Philippines

Tel: (632) 8584-6170

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Keppel Philippines Properties, Inc. and Subsidiaries ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at and for the years ended December 31, 2019 and 2018 and January 1, 2018 and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**NG OOI HOOI**  
Chairman of the Board



**OH LOCK SOON**  
President



**PANG CHAN FAN**  
Treasurer

Signed this

29 MAY 2020



A member of the Keppel Group of Singapore



## Independent Auditor's Report

To the Board of Directors and Shareholders of  
**Keppel Philippines Properties, Inc. and Subsidiaries**  
18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue  
Ortigas Center, Mandaluyong City

### *Our Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Keppel Philippine Properties, Inc. and its subsidiaries (together, the "Group") as at December 31, 2019 and 2018, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

### *What we have audited*

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2019;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2019;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Group 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 our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

### *Our Audit Approach*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 845 2728, F: +63 (2) 845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
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We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

*Key audit matters*

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

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><u>Impairment of investments in associates and joint venture</u></p> <p>Impairment assessment of investments in associates and joint venture requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. These investments in associates and joint venture represent eighty-seven percent of the Group's total assets.</p> <p>Refer to Notes 6 for the details of the investments in associates and joint venture and 19.2 (c) on the discussion of critical accounting judgement.</p>	<p>We addressed the matter by evaluating management's impairment assessment of its investments in associates and joint venture with a particular focus on whether the continuous operating losses reported by some of the investees indicate impairment.</p> <p>The evaluation was made by testing the assumptions and methodologies in management's cash flow forecast of the operations of the investee companies. We focused on key assumptions affecting the long term profit and cash flow generating capacity of the individual assets of the investees. The assumptions tested and procedures performed follow:</p> <ul style="list-style-type: none"><li>• The rental, escalation and vacancy rates for cash inflows were compared against the rates based on the existing lease contracts, historical experience of the Group and industry outlook.</li><li>• Capital expenditures and non-recoverable expenses for cash outflows were compared with the historical financial experience of comparable companies with mall and office leasing activities.</li><li>• Discount and terminal capitalization rates were compared with the market data and industry research.</li></ul> <p>We also used the work and findings of external valuation experts engaged by management to corroborate our own findings.</p> <p>Based on the procedures performed, we find that the assumptions used were consistent with historical results, market research and industry outlook.</p>

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><u>Change in accounting policy for subsequent measurement basis of the investment properties of the Group's joint venture, SM Keppel Land, Inc. (SMKL), resulting in restatement of prior years' audited financial statements</u></p> <p>SMKL has changed its accounting policy from cost model to fair value model for subsequent measurement of its investment properties.</p> <p>As disclosed in Note 21, all investment properties have been fully completed and became fully operational which prompted local management to change its accounting policy to align its policy on the measurement of investment properties with KCL and its subsidiaries and other local players, and provide more relevant information to the users of the financial statements on the valuation of the investment properties</p> <p>The adjustments to the investment properties due to this change in accounting policy have resulted in the restatement of the Group's share in results of SMKL in prior years.</p> <p>In arriving at the fair value of the investment properties, the income approach was adopted using the discounted cash flow method. This valuation model used assumptions and inputs that are unobservable and entity specific, thus, more susceptible to subjectivity and influencing higher degree of estimation uncertainty. We have focused on this area as the valuation process involves significant judgements, estimates and assumptions.</p>	<p>We have performed the following procedures relative to the voluntary change in accounting policy of SMKL.</p> <p>a) We have assessed the need for change in accounting policy by understanding the practice for Keppel Corporation Limited (KCL), ultimate parent company, and the other subsidiaries under KCL located in China, Singapore, Indonesia and Vietnam, and assessed whether the change in accounting policy was aligned with the practice of KCL and other subsidiaries. We found that the policies applied were consistent with KCL and other subsidiaries.</p> <p>b) We have also checked the status of the completion and operations of the properties by validating project completion reports prepared by third party contractors, inspecting investment properties and checking corresponding lease contracts.</p> <p>c) We have also checked the mathematical accuracy of the restatement journal entries needed to adjust the comparative amounts.</p> <p>The results of procedures performed above indicates that the change has been properly accounted for in the consolidated financial statements.</p> <p>At SMKL level, we have performed the following to test the fair value of the investments properties:</p> <p>a) Verified the appraiser's competency, independence and objectivity to carry out the valuation of the investment properties by examining their qualifications, experiences and business relationships with the Group.</p> <p>b) Updated understanding of the process and controls related to estimates including management's basis, methodologies and assumptions.</p>



Independent Auditor's Report  
 To the Board of Directors and Shareholders of  
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<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><i>(continued)</i></p>	<p>c) Tested the cash flow forecast used by third party appraiser in their value-in-use calculations through the following:</p> <ul style="list-style-type: none"> <li>• The rental, escalation and vacancy rates for cash inflows were compared the rates based on the existing lease contracts, historical experience of the Group and industry outlook.</li> <li>• Capital expenditures and non-recoverable expenses for cash outflows were compared with the historical financial experience of comparable companies with mall and office leasing activities.</li> <li>• Discount and terminal capitalization rates were compared with the market data and industry research.</li> </ul> <p>The results of audit procedures did not note any exceptions on the valuation of the investment properties as at December 31, 2019.</p>

**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) and SEC Form 17-A, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

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

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

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

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



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
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In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity with the Group 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 entity or to cease operations, or has no realistic alternative but to do so.

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 ability of each entity with the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
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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 audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Catherine H. Santos.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 211-726-564

BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City  
May 29, 2020



## Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position  
December 31, 2019 and 2018 and January 1, 2018  
(All amounts in Philippine Peso)

	Notes	2019	2018	January 1, 2018
			(As restated)	(As restated)
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	2	158,601,955	138,059,462	178,689,036
Receivables	3	2,222,053	1,394,693	1,014,492
Due from related parties	11	50,757,729	99,841,251	100,331,592
Prepayments and other current assets	4	27,595,474	23,954,364	22,356,410
Total current assets		239,177,211	263,249,770	302,391,530
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income	5	79,512,230	79,512,230	79,512,230
Investments in associates and a joint venture	6	2,252,411,260	2,273,266,431	2,169,572,444
Property and equipment, net	7	11,192,560	976,172	1,211,206
Right-of-use asset, net	8	11,457,862	-	-
Refundable deposits	8	1,439,274	72,300	72,300
Retirement benefit asset	16	360,032	238,091	58,823
Deferred income tax assets, net	14	2,380,982	1,830,558	1,481,979
Total non-current assets		2,358,754,200	2,355,895,782	2,251,908,982
<b>Total assets</b>		2,597,931,411	2,619,145,552	2,554,300,512
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Accounts payable and other current liabilities	9	31,198,217	23,079,422	11,559,677
Due to related parties	11	66,718,360	57,989,202	47,701,578
Lease liability, current portion	8	4,716,660	-	-
Income tax payable		122,255	38,084	24,317
Total current liabilities		102,755,492	81,106,708	59,285,572
<b>Non-current liability</b>				
Lease liability, net of current portion	8	5,777,076	-	-
<b>Total liabilities</b>		108,532,568	81,106,708	59,285,572
<b>Equity</b>				
Share capital	10	356,104,000	356,104,000	356,104,000
Share premium		602,885,517	602,885,517	602,885,517
Treasury shares		(2,667,645)	(2,667,645)	(2,667,645)
Other reserves		498,168	1,008,581	353,667
Retained earnings		1,532,578,803	1,580,708,391	1,538,339,401
Total equity		2,489,398,843	2,538,038,844	2,495,014,940
<b>Total liabilities and equity</b>		2,597,931,411	2,619,145,552	2,554,300,512

The notes from pages 1 to 54 are an integral part of these consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	2019	2018 (As restated)	2017 (As restated)
Revenue and income				
Management consultancy and franchise fees	11	16,467,182	9,651,998	5,422,544
Share in results of associated companies	6	9,922,597	103,482,767	940,685,832
Interest income	2	4,544,282	4,202,521	3,197,901
		30,934,061	117,337,286	949,306,277
General and administrative expenses	12	(77,635,265)	(74,235,415)	(58,815,764)
Other income (expense), net	13	180,726	238,708	(1,891,135)
<b>Income (loss) before income tax</b>		<b>(46,520,478)</b>	<b>43,340,579</b>	<b>888,599,378</b>
Income tax (expense) benefit	14	(1,609,110)	(971,589)	494,407
<b>Net income (loss) for the year</b>		<b>(48,129,588)</b>	<b>42,368,990</b>	<b>889,093,785</b>
<b>Other comprehensive income (loss)</b>				
Items that will not be subsequently reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plan	14, 16	(330,705)	633,848	(172,189)
Deferred income tax relating to actuarial gain (loss)	16	99,212	(190,154)	51,657
Share in actuarial gains (losses) of an associate and a joint venture	6	(278,920)	211,220	(205,211)
		(510,413)	654,914	(325,743)
<b>Total comprehensive income (loss) for the year</b>		<b>(48,640,001)</b>	<b>43,023,904</b>	<b>888,768,042</b>
<b>Basic and diluted income (loss) per share</b>	15	<b>(0.16)</b>	<b>0.14</b>	<b>3.03</b>

The notes from pages 1 to 54 are integral part of these consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Share capital		Share premium (Note 10)	Treasury shares (Note 10)	Other reserves		Retained earnings (Notes 10 & 21)	Total equity
	Common (Note 10)	Preferred (Note 10)			Actuarial gain on defined benefit plan (Notes 10 & 16)	Share in actuarial gain of an associate and a joint venture (Notes 6 & 10)		
<b>Balances at January 1, 2017</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	354,988	324,422	649,245,616	1,606,246,898
<b>Comprehensive income</b>								
Net loss for the year	-	-	-	-	(120,532)	-	(37,848,940)	(37,848,940)
Other comprehensive loss	-	-	-	-	(120,532)	(205,211)	-	(325,743)
Total comprehensive loss for the year, as previously reported	-	-	-	-	(120,532)	(205,211)	(37,848,940)	(38,174,683)
Effect of change in accounting policy of a joint venture	-	-	-	-	-	-	926,942,725	926,942,725
Total comprehensive income (loss) for the year, as restated	-	-	-	-	(120,532)	(205,211)	889,093,785	888,768,042
<b>Balances at December 31, 2017, as restated</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	234,456	119,211	1,538,339,401	2,495,014,940
<b>Comprehensive income</b>								
Net loss for the year	-	-	-	-	443,694	-	(118,196,865)	(118,196,865)
Other comprehensive income	-	-	-	-	443,694	211,220	-	654,914
Total comprehensive income (loss) for the year, as previously reported	-	-	-	-	443,694	211,220	(118,196,865)	(117,541,951)
Effect of change in accounting policy of a joint venture	-	-	-	-	-	-	160,565,855	160,565,855
Total comprehensive income for the year, as restated	-	-	-	-	443,694	211,220	42,368,990	43,023,904
<b>Balances at December 31, 2018, as restated</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	678,150	330,431	1,580,708,391	2,538,038,844
<b>Comprehensive income</b>								
Net loss for the year	-	-	-	-	(231,493)	(278,920)	(48,129,588)	(48,129,588)
Other comprehensive loss	-	-	-	-	(231,493)	(278,920)	-	(510,413)
Total comprehensive loss for the year	-	-	-	-	(462,986)	(557,840)	(48,129,588)	(48,640,001)
<b>Balances at December 31, 2019</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	446,657	51,511	1,532,578,803	2,489,398,843

The notes on pages 1 to 54 are integral part of these consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
For each of the three years in the period ended December 31, 2019  
(All amounts in Philippine Peso)

	Notes	2019	2018 (As restated)	2017 (As restated)
<b>Cash flows from operating activities</b>				
Income (loss) before income tax		(46,520,478)	43,340,579	888,599,378
Adjustments for:				
Depreciation and amortization expense	7, 8, 12	6,428,397	351,105	317,416
Loss on sale of shares in an associate	6, 13	3,725,169	-	-
Interest expense	8	685,110	-	-
Retirement benefit expense	12, 16	177,543	521,220	328,438
Provision for doubtful accounts	13	-	-	2,666,664
Gain on sale of property and equipment	13	(7,143)	-	(140,000)
Unrealized foreign exchange gain	18.1a	(70,640)	-	(1,247)
Gain on reversal of liabilities	9, 13	(2,886,760)	(162,849)	(446,198)
Interest income	2	(4,544,282)	(4,202,521)	(3,197,901)
Share in results of associated companies	6	(9,922,597)	(103,482,767)	(940,685,832)
Operating loss before working capital changes		(52,935,681)	(63,635,233)	(52,559,282)
Decrease (increase) in:				
Receivables		(1,208,613)	(287,432)	740,051
Due from related parties		23,938,405	600,457	(1,821,060)
Prepayments and other current assets		(3,641,110)	(1,597,954)	(44,741)
Increase in:				
Accounts payable and other current liabilities		9,982,697	11,682,594	5,151,796
Due to related parties		8,799,797	10,287,624	7,399,186
Net cash used in operations		(15,064,505)	(42,949,944)	(41,134,050)
Contribution to the retirement plan	16	(54,677)	(442,310)	(139,286)
Interest received		4,925,535	4,109,752	2,940,196
Income tax paid		(1,976,151)	(1,496,555)	(1,062,071)
Net cash used in operating activities		(12,169,798)	(40,779,057)	(39,395,211)
<b>Cash flows from investing activities</b>				
Return of investments from an associate	11	24,569,605	265,554	14,541,618
Proceeds from sale of shares in an associate	6	26,773,679	-	-
Proceeds from sale of property and equipment		7,159	-	140,000
Acquisitions of property and equipment	7	(12,430,345)	(116,071)	(517,280)
Decrease (increase) in refundable deposits		(1,366,974)	-	47,808
Net cash provided by investing activities		37,553,124	149,483	14,212,146
<b>Cash flows from financing activities</b>				
Payments for the principal portion and advance rental of lease	8	(4,155,723)	-	-
Payments for the interest portion of lease liability	8	(685,110)	-	-
Net cash used in financing activities		(4,840,833)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>		20,542,493	(40,629,574)	(25,183,065)
Cash and cash equivalents at January 1		138,059,462	178,689,036	203,870,854
Effect of foreign exchange rate changes on cash and cash equivalents		-	-	1,247
<b>Cash and cash equivalents at December 31</b>	2	158,601,955	138,059,462	178,689,036

The notes on pages 1 to 54 are integral part of these consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2019 and 2018 and January 1, 2018

and for each of the three years in the period ended December 31, 2019

(In the Notes, all amounts are shown in Philippine Peso unless otherwise indicated)

### Note 1 - Corporate information

Keppel Philippines Properties, Inc. ("Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918 primarily to invest or acquire interest in, purchase, own or hold, directly or indirectly, shares of stocks and to undertake in property development activities through its associates and joint venture. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968. On June 11, 2016, the shareholders approved the amendment of the Parent Company's Articles of Incorporation to further extend its corporate life for another 50 years starting February 6, 2018.

The extension of the term of the Parent Company's existence was approved by the Philippine SEC on May 5, 2017.

The Parent Company is listed in the Philippine Stock Exchange (PSE) through an initial public offering (IPO) in 1989. There was no further follow on offering after the IPO. Its immediate parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore. KCL is listed in the Singapore Exchange (SGX).

As at December 31, 2019 and 2018, the top five shareholders of the Parent Company are the following:

Shareholders	Percentage of ownership	
	2019	2018
KLL	50%	50%
Kepwealth, Inc.	17%	17%
KCL	12%	12%
Molten Pte Ltd	7%	7%
Public*	14%	14%

\* 8% direct ownership and 6% through PCD Nominee Corporation as at December 31, 2019 and 2018.

As at December 31, 2019 and 2018, the Parent Company's subsidiaries, associates and joint venture, which were all incorporated in the Philippines are as follows:

	Percentage of ownership	Effective ownership interest	Nature of business
<b>Subsidiaries</b>			
CSRI Investment Corporation (CSRI)	100	100	Investment holding
Buena Homes, Inc. (BHI)	100	100	Investment holding
<b>Associates</b>			
Opon Realty and Development Corporation (ORDC)	40	40	Investment holding
Opon Ventures, Inc. (OVI)	40	64	Investment holding
Opon-KE Properties, Inc. (OKEP)	40	78	Investment holding
<b>Joint venture</b>			
SM Keppel Land, Inc. (SMKL)	40	48	Lease of mall and office spaces, cinema ticket sales and carpark operation

In 2018, Buena Homes (Sandoval), Inc. (BHSI) is an associate of the Parent Company at 61% effective ownership interest. In October 2019, the Group disposed its investment in BHSI, thus, ceases to be an associate.

The Parent Company, together with its subsidiaries, associates and a joint venture are collectively referred to as "The Group".

The Group's principal office address is 12 ADB Avenue, Ortigas Center, Mandaluyong City. On December 6, 2010, the Group submitted a notification to SEC to temporarily change its business address to Units 2203 and 2204, Raffles Corporate Center, F. Ortigas Jr. Road (formerly Emerald Avenue), Ortigas Center, Pasig City due to the ongoing reconstruction by the lessor of the Group's principal office. On February 28, 2019, the Group moved back to its principal office in 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The Group holds investments in associates and a joint venture involved in property development and holding of investment properties (Note 6) and renders management consultancy services to associates (Note 11).

The consolidated financial statements of the Group have been approved and authorized for issuance by the Board of Directors (BOD) on May 29, 2020.

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

Cash and cash equivalents as at December 31 consist of:

	2019	2018
Cash in banks	40,837,009	20,592,494
Cash equivalents	117,689,946	117,374,473
Cash on hand	75,000	92,495
	158,601,955	138,059,462

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates that range from 2.75% to 5.25% per annum in 2019 (2018 - 0.55% to 5.25% per annum; 2017 - 0.525% to 2.00% per annum).

Interest income from cash and cash equivalents amounted P4.5 million in 2019 (2018 - P4.2 million; 2017 - P3.2 million). Accrued interest receivable on money market placements is presented as part of Receivables (Note 3) and will form part of the investment carrying amount upon maturity.

### **Note 3 - Receivables**

Receivables as at December 31 consist of:

	Note	2019	2018
Non-trade		2,666,664	2,666,664
Accrued income	11	1,955,014	850,321
Accrued interest	2	149,167	454,169
Receivables from employees		117,872	58,203
Others		-	32,000
		4,888,717	4,061,357
Allowance for impairment loss		(2,666,664)	(2,666,664)
		2,222,053	1,394,693

Non-trade receivable pertains to the receivable arising from an agreement of the Group with a third party entered into on October 24, 2013 to sell its fully depreciated investment properties. As at December 31, 2019 and 2018, full allowance was provided for the receivable, subject to reversal until such time the Management can determine the probable amount to be recovered from the third party.

Accrued income pertains to accruals for management and franchise fee revenue and are collectible within the following month.

Receivables from employees represent non-interest-bearing loans granted to employees that are collected through salary deduction and are collectible within one year.

**Note 4 - Prepayments and other current assets**

Prepayments and other current assets as at December 31 consist of:

	2019	2018
Prepaid income taxes	20,017,206	18,562,902
Prepayments	2,840,029	2,548,725
Input value added tax	4,738,239	2,842,737
	<b>27,595,474</b>	<b>23,954,364</b>

Prepaid income taxes pertain to the amounts withheld by the Parent Company’s counterparties in relation to management fees. As at December 31, 2019 and 2018, Management has determined that these are recoverable and can be applied against future income taxes.

Prepayments include advance rental and deposits amounting to P2.6 million as at December 31, 2019 (2018 - P2.3 million), related to the transfer of the Parent Company’s lease of office space and rental of residential properties for the Group’s officers (Note 8).

**Note 5 - Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) as at December 31, 2019 and 2018 are presented below.

	Note	Amount
Preferred equity securities	6	79,287,230
Club shares		225,000
		<b>79,512,230</b>

*(a) Preferred equity securities*

Preferred equity securities pertain to investments in redeemable preferred shares of OVI and OKEP which were acquired in 2012 at ten pesos (P10) per share. These investments are classified as financial assets at FVOCI as the characteristics of the investment do not give the Group significant influence over OVI and OKEP (Note 6). These investments are carried at cost less impairment which is the best estimate for fair value as they do not have a quoted market price in an active market and the Group has performed assessment to determine that cost represents the best estimate of fair value (Note 19.2).

The features and conditions of the redeemable preferred shares are as follows:

- Non-voting, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines.
- Entitled to preference in the distribution of dividends. After payment of such preferred dividends, the holders of such preferred shares shall be entitled to participate pro rata with holders of common shares in the remaining profits.
- Redeemable at the option of the issuer, in full or in part, within a period of ten (10) years from date of issuance, at a price to be determined by the BOD.
- If not redeemed within the period of ten (10) years, the holder shall have the option to:
  - (a) Convert the preferred shares to participating preferred shares; or
  - (b) Hold the redeemable preferred shares for another five (5) years, after which the holder can choose to convert to either common shares or participating preferred shares.

(b) Club shares

The original cost in investment in the Club Filipino Inc. de Cebu shares amounted to P225,000 as at December 31, 2019 and 2018. No movement in the fair value gains on financial assets at FVOCI was recognized by the Parent Company for the years ended December 31, 2019 and 2018.

**Note 6 - Investments in associates and a joint venture**

Details of investments in associates and a joint venture as at December 31 are as follows:

	Note	2019	2018	2017
			(As restated)	(As restated)
Cost				
At January 1		683,243,174	683,243,174	806,321,443
Disposal		(29,253,731)	-	-
Return of investments	11	-	-	(123,078,269)
At December 31		653,989,443	683,243,174	683,243,174
Accumulated share in results of associated companies presented in profit or loss				
At January 1		1,589,692,826	1,486,210,059	545,524,227
Share in results of associated companies				
Current year/as previously presented		(67,781,977)	(57,083,088)	13,743,107
Effect of change in accounting policy of a joint venture	21	77,704,574	160,565,855	926,942,725
		9,922,597	103,482,767	940,685,832
Disposal		(1,245,117)	-	-
At December 31		1,598,370,306	1,589,692,826	1,486,210,059
Presented in other comprehensive income				
At January 1		330,431	119,211	324,422
Share in other comprehensive income (loss)		(278,920)	211,220	(205,211)
At December 31		51,511	330,431	119,211
		2,252,411,260	2,273,266,431	2,169,572,444

The carrying values of the Group's investments in associates and a joint venture and the related percentages of ownership are shown below:

	Percentage of ownership		2019	Carrying amount	
	2019	2018		2018	2017
Associates				(As restated)	(As restated)
BHSI	-	40%	-	33,092,817	33,655,724
OKEP	40%	40%	171,633,059	174,819,876	168,672,458
OVI	40%	40%	71,329,972	73,318,603	69,673,454
ORDC	40%	40%	44,283,495	45,565,822	43,430,353
Joint venture					
SMKL	40%	40%	1,965,164,734	1,946,469,313	1,854,140,455
			2,252,411,260	2,273,266,431	2,169,572,444



The reconciliation of the associates' and joint venture's net assets multiplied by the ownership interest and the carrying amount of each investments is shown in the table below:

	Note	BHSI	OKEP	OVI	ORDC	SMKL
<i>December 31, 2019</i>						
Net assets		-	486,500,438	117,729,473	13,805,205	4,544,350,428
Ownership interest		-	40%	40%	40%	40%
		-	194,600,175	47,091,789	5,522,082	1,817,740,171
Investments in redeemable preferred shares	5	-	(31,287,230)	(48,000,000)	-	-
Fair value adjustments		-	8,320,114	72,238,183	38,761,413	147,424,563
		-	171,633,059	71,329,972	44,283,495	1,965,164,734
<i>December 31, 2018 (as restated)</i>						
Net assets		83,666,359	486,058,240	117,920,823	14,014,988	4,497,611,880
Ownership interest		40%	40%	40%	40%	40%
		33,466,544	194,423,296	47,168,329	5,605,995	1,799,044,752
Investments in redeemable preferred shares	5	-	(31,287,230)	(48,000,000)	-	-
Fair value adjustments		(373,727)	11,683,810	74,150,274	39,959,827	147,424,561
		33,092,817	174,819,876	73,318,603	45,565,822	1,946,469,313
<i>December 31, 2017 (as restated)</i>						
Net assets		85,073,628	462,782,823	118,029,079	14,173,831	4,266,789,736
Ownership interest		40%	40%	40%	40%	40%
		34,029,451	185,113,129	47,211,632	5,669,532	1,706,715,894
Investments in redeemable preferred shares		-	(31,287,230)	(48,000,000)	-	-
Fair value adjustments		(373,727)	14,846,559	70,461,822	37,760,821	147,424,561
		33,655,724	168,672,458	69,673,454	43,430,353	1,854,140,455

The associates and joint venture were accounted for using the equity method. For the years ended December 31, 2019, 2018 and 2017, there were no dividends received from the associates and joint venture. As at December 31, 2019, 2018 and 2017, there were no quoted prices for these investments.

The associates and joint venture were all incorporated and have their principal place of business in the Philippines.

(a) Associates

(i) BHSI

BHSI is involved in the construction of a residential condominium project which has been completed in 2003. BHSI's primary activity in 2019 and 2018 involved the sale of these condominium units. On October 11, 2019, the Group entered into a Memorandum of Agreement with Jetson Realty Development Corporation (JRDC) for the sale, transfer and conveyance of the Group's ownership in BHSI. At the date of sale, the Group hold 40% direct ownership or 29,253,731 shares held by BHI with a carrying amount of P30.5 million and was sold for a total consideration of P26.8 million payable immediately upon execution of the agreement. The Group recognized a loss amounting to P3.7 million related to the sale of BHSI shares (Note 13). As a consequence of the sale, BHSI ceases to be an associate of the Group.

(ii) ORDC

ORDC is 40%-owned by the Parent Company and 60%-owned by Keppel Philippines Marine Retirement Fund (KPMRF). Majority of the BOD members of ORDC represent KPMRF who are independent of the Parent Company and act in the interest of KPMRF. As such, the Parent Company has determined that it does not have control over ORDC.

(iii) OVI

OVI is 40%-owned by the Parent Company and 60%-owned by ORDC. As with ORDC, the Parent Company has determined that it does not have control over OVI in its operating and financing policies and capital decisions.

(iv) OKEP

OKEP is 40%-owned by the Parent Company and 60%-owned by OVI. As with ORDC above, the Parent Company has determined that it does not have control over OKEP in its operating and financing policies and capital decisions.

The primary purpose of ORDC, OVI and OKEP is to acquire by purchase, lease, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds.

Significant financial information of the associates follows:

<i>(In millions)</i>	OKEP	ORDC	OVI
<i>December 31, 2019</i>			
Current assets	76.9	4.8	0.3
Non-current assets	454.5	82.0	119.8
Total assets	531.4	86.8	120.1
Current liabilities	44.9	73.0	2.4
Non-current liabilities	-	-	-
Total liabilities	44.9	73.0	2.4
Net assets	486.5	13.8	117.7
Gross revenue	3.9	-	-
Net income (loss) for the year	0.5	(0.2)	(0.2)
Other comprehensive loss	(0.1)	-	-
Total comprehensive income (loss) for the year	0.4	(0.2)	(0.2)

<i>(In millions)</i>	BHSI	OKEP	ORDC	OVI
<i>December 31, 2018</i>		(As restated)		
Current assets	144.9	84.2	4.9	0.3
Non-current assets, as previously reported	1.1	244.9	81.9	119.8
Effect of change in accounting policy	-	227.3	-	-
Non-current assets, as restated	1.1	472.2	81.9	119.8
Total assets	146.0	556.4	86.8	120.1
Current liabilities	62.0	70.4	72.8	2.2
Non-current liabilities	0.3	-	-	-
Total liabilities	62.3	70.4	72.8	2.2
Net assets, as previously reported	83.7	258.7	14.0	117.9
Effect of change in accounting policy	-	227.4	-	-
Net assets, as restated	83.7	486.1	14.0	117.9
Gross revenue (loss), as previously reported	4.0	(10.9)	-	-
Effect of change in accounting policy	-	34.4	-	-
Gross revenue, as restated	4.0	23.5	-	-
Net loss for the year, as previously reported	(1.6)	(10.4)	(0.1)	(0.1)
Effect of change in accounting policy	-	33.6	-	-
Net income (loss) for the year	(1.6)	23.2	(0.1)	(0.1)
Other comprehensive income	0.2	0.1	-	-
Total comprehensive income (loss) for the year	(1.4)	23.3	(0.1)	(0.1)

(b) Joint Venture - SMKL

SMKL's primary business activity is to operate and maintain office and shopping center spaces for rent, carpark operations and cinema ticket sales. SMKL is involved in a mixed-use development comprising of retail spaces in "The Podium Mall" and office spaces in "The Podium West Tower" that is located in Ortigas Center, Mandaluyong City. The Podium Mall consist of a five-level retail mall with an approximate net leasable area of 46,600 sqm. The construction of The Podium West Tower, with an approximate net leasable area of 89,300 sqm, started in 2015 and was completed in September 2019.

Until December 31, 2018, SMKL, joint venture partner of KPPI and an associate of OKEP, used cost method of accounting in the subsequent measurement of its investment properties. Effective January 1, 2019, SMKL changed its accounting policy to adopt the fair value method of accounting for its investment properties thus, the restatement of its financial statement as at January 1, 2018, which is the earliest period presented. The impact of the change in accounting policy of SMKL as at December 31, 2018 in OKEP is summarized above.

The impact of the change in accounting policy and significant financial information of SMKL as at and for the years ended December 31, 2019 and 2018 is summarized in the table below.

(in millions)	SMKL			
	2019	As previously reported	2018	
			Change in accounting policy adjustments	As restated
Current assets	1,872.0	1,860.7	-	1,860.7
Cash and cash equivalents	593.2	590.8	-	590.8
Non-current assets	13,561.0	8,738.8	3,196.2	11,935.0
Investment properties	13,500.0	8,656.7	3,247.5	11,904.2
Current liabilities	2,273.4	2,511.6	-	2,511.6
Non-current liabilities	8,615.2	5,863.6	922.9	6,786.5
Net assets	4,544.4	2,224.3	2,273.3	4,497.6
Gross revenue	654.1	328.3	366.9	695.2
Interest income	2.2	0.8	-	0.8
Depreciation and amortization	(10.6)	(118.6)	112.6	(6.0)
Interest expense	(235.5)	(102.5)	-	(102.5)
Income tax expense (benefit)	(19.9)	45.4	(143.8)	(98.4)
Net income (loss) for the year	47.3	(105.1)	335.7	230.6
Other comprehensive income (loss)	(0.6)	0.2	-	0.2
Total comprehensive income (loss) for the year	46.7	(104.9)	335.7	230.8

## **Note 7 - Property and equipment, net**

Details of property and equipment, net as at and for the years ended December 31 are as follows:

	Notes	Office equipment	Furniture and fixtures	Leasehold Improvements	Total
<b>Cost</b>					
At January 1, 2018		2,962,121	2,479,885	-	5,442,006
Additions		116,071	-	-	116,071
At December 31, 2018		3,078,192	2,479,885	-	5,558,077
Additions		626,363	1,284,698	11,542,143	13,453,204
Disposals		(12,946)	(2,293,965)	-	(2,306,911)
At December 31, 2019		3,691,609	1,470,618	11,542,143	16,704,370
<b>Accumulated depreciation</b>					
At January 1, 2018		1,798,124	2,432,676	-	4,230,800
Depreciation	12	330,521	20,584	-	351,105
At December 31, 2018		2,128,645	2,453,260	-	4,581,905
Depreciation	12	369,855	302,024	2,564,921	3,236,800
Disposals		(12,945)	(2,293,950)	-	(2,306,895)
At December 31, 2019		2,485,555	461,334	2,564,921	5,511,810
<b>Net carrying amount</b>					
At December 31, 2018		949,547	26,625	-	976,172
At December 31, 2019		1,206,054	1,009,284	8,977,222	11,192,560

The cost of fully depreciated property and equipment still used in operations amounted to P1.7 million as of December 31, 2019 (2018 - P4.0 million).

Gains and losses from disposal of property and equipment are disclosed in Note 13.

The total amount of unpaid additions to property and equipment as at December 31, 2019 amounted to P1.0 million (2018 - nil).

As at December 31, 2019 and 2018, the Group's management has assessed that there is no objective evidence that indicators of impairment exist.

## **Note 8 - Right-of-use asset, net and lease liability**

The Group adopted PFRS 16, "Leases" beginning January 1, 2019. The lease accounting for lessee changed upon adoption of PFRS 16, "Leases".

### **From January 1, 2019 (PFRS 16)**

The Group has the following operating lease contracts:

#### ***(a) Long-term lease agreements***

The Group entered into an operating lease agreement for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to terms and conditions to be mutually agreed upon by both parties (Note 8). The monthly base rental will be subject to an increase by five percent (5%) per annum on the first annual anniversary of the commencement date and every annual anniversary thereof.

As at December 31, 2019, the required security deposit amounted to P1.4 million, (2018 - nil). This is presented under non-current asset "Refundable deposits" in the consolidated statements of financial position.

(b) *Short-term lease agreements*

The Parent Company entered into an operating lease contract for its office space related to the transfer of the Parent Company's office to a temporary address due to the reconstruction by the lessor of the Parent Company's principal office. The lease agreement has expired on February 28, 2019. Total rent expense charged to operations amounted to P0.8 million in 2019 (2018 - P2.4 million; 2017 - P2.1 million). This rent expense is presented as part of "Rentals" in the "General and administrative expenses" (Note 12).

As of December 31, 2019 and 2018, the required advance rentals and security deposit amounted to P1.4 million and P1.8 million, respectively. These are included under "Prepayments and other current assets" in the consolidated statement of financial position (Note 4).

The Group also entered into operating lease contracts for its officers' housing. These agreements will expire on various dates in 2020. Total rent expense charged to operations amounted to P3.9 million in 2019 (2018 - P2.7 million; 2017 - P3.5 million). This rent expense is presented as part of "Salaries, wages and employee benefits" in the "General and administrative expenses" (Note 12).

As of December 31, 2019, the required advance rentals and deposits amounted to P1.2 million (2018 - P0.5 million). These are included under "Prepayments and other current assets" in the consolidated statement of financial position (Note 4).

These lease agreements were considered as short-term and low value lease under PFRS 16, "Leases" because the lease term is less than 12 months.

Contracts for office space contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(i) Amounts recognized in the consolidated statements of financial position

From 2019, leased assets and liabilities for the office space are presented as a separate line item in the consolidated statement of financial position. As at December 31, 2019, the carrying amount of right-of-use asset related to the lease agreements above is shown below:

	Note	Amount
Cost		
Adoption of PFRS 16 at January 1, 2019		-
Additions		14,649,459
December 31, 2019		14,649,459
Accumulated amortization		
Adoption of PFRS 16 at January 1, 2019		-
Amortization	12	3,191,597
December 31, 2019		3,191,597
Net carrying amount		
Adoption of PFRS 16 at January 1, 2019		-
December 31, 2019		11,457,862

Movements in the lease liabilities for the year ended December 31, 2019 follow:

	Amount
Lease liabilities	
Adoption of PFRS 16 at January 1, 2019	-
Additions	14,649,459
Principal payments	(2,739,750)
Advance payments	(1,415,973)
Interest payments	(685,110)
Interest expense	685,110
Lease liabilities - December 31, 2019	10,493,736
Lease liabilities	
Current	4,716,660
Non-current	5,777,076
	10,493,736

(ii) Amounts recognized in the consolidated statements of total comprehensive income

The consolidated statement of total comprehensive income shows the following amounts relating to leases:

	December 31, 2019
Amortization expense (included in general and administrative expenses)	3,191,597
Interest expense (included in other income (expense), net)	685,110
Expense relating to short-term leases (included in general and administrative expenses)	1,360,624
	5,237,331

The total cash outflow for leases for the year ended December 31, 2019 is P5.2 million.

(iii) Discount rate

The lease payments for office space lease are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions is at 7.8% in 2019.

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

(iv) Extension and termination options

The extension and termination options are not included in the lease term of office space and officers' housing. These options are exercisable only upon mutual agreement of the Parent Company and the lessor.

(v) Reconciliation of operating lease commitments and lease liability

The reconciliation between the operating lease commitments disclosed in applying PAS 17 at December 31, 2018 discounted using the Group's incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	5,757,928
Less: Short-term leases recognized on a straight-line basis as expense	(5,757,928)
Lease liability, January 1, 2019	-

Prior to January 1, 2019 (PAS 17, "Leases")

In 2018, the Group only recognized lease assets and liabilities in relation to leases that were classified as finance leases under PAS 17, Leases.

As at December 31, 2018, the future minimum lease payments under the above leases for not later than one (1) year amounts to P5,757,928.

**Note 9 - Accounts payable and other current liabilities**

Accounts payable and other current liabilities as at December 31 consist of:

	2019	2018
Accrued expenses	16,169,116	12,609,047
Taxes payable	13,683,331	9,754,695
Accounts payable	791,789	161,699
Dividends payable	553,981	553,981
	31,198,217	23,079,422

Accrued expenses mainly pertain to accruals on salaries and other employee benefits and professional fees which are to be settled within 30 to 60 days.

In 2019 and 2018, portion of the bonus and other employee benefits accrued in prior years amounting to P2.9 and P0.2 million, respectively, were reversed. These amounts pertain to the excess of the long-outstanding accrual made over the actual amount paid to settle the liabilities. The gain arising from this reversal is included in "Other income (expense), net" (Note 13) in the consolidated statements of total comprehensive income.

Taxes payable pertains to the amount withheld for transactions subject to withholding tax which are to be remitted the following month after the reporting date.

Accounts payable represents payables to suppliers and are normally settled within 30-60 days.

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. and which as at December 31, 2019 and 2018, have not been claimed by the respective shareholders.

## **Note 10 - Equity**

### *(a) Share capital and treasury shares*

Share capital as at December 31, 2019 and 2018 consist of:

	Number of shares	Amount
Common shares - P1 par value		
Authorized	375,000,000	
Issued	296,629,900	296,629,900
Preferred shares - P1 par value		
Authorized	135,700,000	
Issued	59,474,100	59,474,100
		356,104,000
Treasury shares	2,801,000	(2,667,645)
		353,436,355

The Parent Company has one thousand thirty-nine (1,039) shareholders, each owning one hundred (100) or more shares as at December 31, 2019 (2018 - 1,040).

Preferred shares, which were issued on November 11, 2003 at a price of P10 per share, are redeemable in full or in part at the option of the Parent Company, within a call period of seven (7) years from May 31, 2011, the date of approval of the SEC. On April 5, 2018 and May 17, 2018, the extension of the call period of the preferred shares for a period of five (5) years from May 31, 2018 was approved by the Parent Company's BOD and stockholders, respectively. On April 5, 2019, the SEC approved the extension of the redemption period for another five (5) years. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. The fairness of the annual premium must be confirmed by an independent financial advisor. No preferred shares have been redeemed in 2019 and 2018.

Preferred shareholders have preference over common shareholders with respect to the distribution of assets upon dissolution but not with respect to the payment of dividends.

Preferred shareholders are not entitled to dividends. Moreover, no voting right is vested on the preferred shareholders, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines.

### *(b) Share premium*

The details of share premium presented in the consolidated statements of financial position and consolidated statements of changes in equity as at December 31, 2019 and 2018 are as follows:

Common shares	67,618,617
Preferred shares	535,266,900
	602,885,517

### *(c) Retained earnings*

Under the Corporation Code of the Philippines (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the Code. In addition, pursuant to Bureau of Internal Revenue (BIR) Regulations No. 2-2001 (RR 2-2001), a tax equal to 10% of any improperly accumulated taxable income of corporations is imposed, except when a Corporation falls under any of the exempt corporations specified in RR 2-2001, such as publicly-held corporation or companies registered under special economic zones which enjoys special tax rates.



The portion of retained earnings corresponding to the undistributed share in results of associated companies amounted to P1,598.4 million as at December 31, 2019 (2018 - P1,589.7 million; 2017 - P1,486.2 million). These amounts are not available for distribution as dividends until declared by the associates and joint venture (Note 6). Retained earnings are further restricted to the extent of P2.7 million representing the cost of shares held in treasury as at December 31, 2019, 2018.

(d) *Other reserves*

Other reserves pertain to items of other comprehensive income that will not be reclassified to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to P0.4 million as at December 31, 2019 (2018 - P0.7 million; 2017 - P0.2 million) and share in actuarial gain of an associate and a joint venture amounting to P0.1 million as at December 31, 2019 (2018 - P0.3 million; 2017 - P0.1 million) (Note 6).

(e) *Track record of registration of securities*

In accordance with SRC Rule 68, as amended in 2019, Annex 68-K, below is a summary of the Parent Company's track record of registration of securities.

	Number of shares registered	Issue/ offer price	Date of approval	Number of holders of securities as at December 31	
				2019	2018
Common	293,828,900	P1	September 11, 1989	1,242	1,242

**Note 11 - Related party disclosures**

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*. The significant related party transactions and outstanding balances as at and for the years ended December 31 are as follows:

Related party	2019		2018		Terms and conditions
	Transaction amount	Outstanding receivable (payable)	Transaction amount	Outstanding receivable (payable)	
<b>Parent company</b>					
KLL					
Operating advances (d)	99,600	99,600	-	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
<b>Shareholder</b>					
MPL					
Operating advances (e)	-	-	148,195	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
<b>Associates</b>					
OKEP					
Operating advances (a)	25,589,541	44,742,806	113,918	70,332,347	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI					
Operating advances (a)	121,461	2,318,111	115,239	2,196,650	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC					
Operating advances (a)	148,116	869,766	140,466	721,650	Non-interest-bearing, unsecured, collectible in cash upon demand
BHSI					
Operating advances (a)	(76,320)	-	434,540	401,900	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Return of investment (c)	24,569,605	-	265,554	24,569,605	Non-interest-bearing, unsecured, collectible in cash upon demand

Related party	2019		2018		Terms and conditions
	Transaction amount	Outstanding receivable (payable)	Transaction amount	Outstanding receivable (payable)	
Joint venture					
SMKL					
Operating advances (a)	18,784,255	2,727,446	11,951,386	1,376,642	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Management fee (b)	11,762,273	-	6,894,284	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Franchise fee (b)	4,704,909	-	2,757,714	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Entity under common control					
WIML					
Reimbursable expenses (f)	-	-	-	242,457	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		50,757,729		99,841,251	
Associates					
OKEP					
Advances (c)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable in cash on demand
Entities under common control					
SMPM					
Management fee (h)	16,757,412	(21,509,249)	24,799,889	(17,690,695)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KLIL					
Operating advances (g)	-	-	1,802	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(RI)					
Operating advances (g)	6,343,438	(4,910,604)	615,181	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(RE)					
Operating advances (g)	4,852	-	-	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(IM)					
Operating advances (g)	201,148	-	248,337	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		(66,718,360)		(57,989,202)	
Joint Venture					
SMKL					
Rentals (i)	3,424,860	11,622,437	-	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		11,622,437		-	

- (a) The Group made operating advances for expenses incurred by associates and joint venture in 2019 and 2018. These operating advances represent expenses incurred in the normal operations paid on behalf of the Group's associates and joint venture. These are recharged at cost.
- (b) The Group provides management, advisory and consultancy services to SMKL. The amount of management fee charged by the Group to SMKL amounted to P11.8 million in 2019 (2018 - 6.9 million; 2017 - P3.9 million). Franchise fee charged amounted to P4.7 million in 2019 (2018 - P2.8 million; 2017 - P1.5 million). Management fee is charged at 2.5% of annual net revenues of SMKL while franchise fee is charged at 1.0% of net revenues of SMKL. There were no outstanding receivables from SMKL for management and franchise fees as at December 31, 2019 and 2018.
- The Group's outstanding accrued income which pertains to accruals for management and franchise fee revenue as at December 31, 2019 amounted to P2.0 million (2018 - P0.9 million) (Note 3).
- (c) On December 22, 2011, the BOD of BHSI approved BHSI's plan to decrease its authorized share capital. In relation to this and pending the SEC's approval of such plan, BHSI made partial advance returns of the investments to its shareholders which include BHI and OKEP of P59.7 million and P40.3 million, respectively. The P40.3 million was received by the Group in behalf of OKEP. In 2014, the Group received additional advances of P24.0 million from BHSI, thereby increasing the Group's liabilities to BHSI to P83.7 million as at December 31, 2016.

On September 15, 2017, the SEC approved the amendments of BHSI's Articles of Incorporation and By-laws which include the decrease in its authorized, and issued and outstanding share capital. These were approved by SEC on September 15, 2017, thereby decreasing BHSI's share capital. As a result, the Group's investment in BHSI decreased by P123,078,269 (Note 6). The settlement of return of investment is consisted of offsetting of prior year advances from BHSI amounting to P83.7 million, as discussed above, and cash proceeds of P14.5 million resulting to unpaid balance amounting to P24.8 million presented as due from related parties in the statement of financial position as at December 31, 2017.

The offsetting of prior year advances to return of investment is presented as non-cash transaction in the statement of cash flows for the year ended December 31, 2017.

The Group collected P0.3 million from BHSI in 2018, thereby decreasing the outstanding balance to P24.6 million as at December 31, 2018. The outstanding balance was subsequently collected in October 2019.

On October 11, 2019, the Group entered into a Memorandum of Agreement with Jetson Realty Development Corporation (JRDC) for the sale, transfer and conveyance of the Group's effective ownership in BHSI. At the date of sale, the Group hold 40% direct ownership or 29,253,731 shares held by BHI with a carrying amount of P30.5 million and was sold for a total consideration of P26.8 million payable immediately upon execution of the agreement.

- (d) In 2019, the Group charged KLL, its immediate parent company, for the amount paid on behalf of KLL for legal fees amounting to P0.1 million.
- (e) In 2018, the Group charged Molten Pte Ltd (MPL) for the advances made for professional fees amounting to P0.1 million related to the transfer of the Group's shares from a retired management personnel to MPL. These were fully collected in 2018.
- (f) In 2017, the Group charged Wiseland Investment Myanmar Ltd (WIML), an entity under common control, an amount representing the employee benefits for the period in service to WIML prior to the transfer of a management personnel to the Group during the year. This receivable is fully collected in 2019.
- (g) Keppel Land International Limited (KLIL), Keppel Land (Regional Investments), Pte. Ltd. (KL(RI)), Keppel Land Real Estate Services Pte. Ltd. (KL(RE)) and Keppel Land International (Management), Pte. Ltd. (KL(IM)), entities under common control, provide support services to the Group. Operating advances for the expenses incurred by the Group from these entities amounted to P6.5 million for the year ended December 31, 2019 (2018 - P0.9 million). These are recharged at cost.
- (h) Straits Mansfield Property Marketing Pte Ltd (SMPM), an entity under common control, provides consultancy, advisory and support services to the Group and SMKL. Consultancy fees charged by SMPM, which is based on the time spent by SMPM personnel in rendering services to the Group, amounted to P16.8 million in 2019, (2018 - P24.8 million; 2017 - P12.2 million). Outstanding payables to SMPM amounted to P21.5 million as at December 31, 2019 (2018 - P17.7 million).
- (i) In 2019, the Parent Company entered into an operating lease agreement with SMKL for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to terms and conditions to be mutually agreed upon by both parties. Total payments related to this lease agreement amounted to P3.4 million as at December 31, 2019 (Note 8).

(j) Transactions and balances related to key management personnel of the Group as at and for the years ended December 31 are as follows:

	2019	2018	2017
Salaries and other short-term employee benefits	22,257,022	18,036,919	19,615,557
Bonuses and allowances	11,685,156	6,398,325	8,724,235
Retirement benefit expense	157,888	437,805	312,697
	34,100,066	24,873,049	28,652,489

There were neither stock options nor other long-term benefits given to key management personnel as at and for the years ended December 31, 2019, 2018 and 2017. There were no outstanding balances with key management personnel as at December 31, 2019 and 2018.

Transactions with the retirement fund pertain to contributions amounting to P0.1 million (2018 - P0.4 million) and benefits paid amounting to P0.4 million (2018 - nil) (Note 16).

Details of related party transactions and balances eliminated during consolidation are as follows:

Subsidiary	2019		2018		Terms and conditions
	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	
Due from subsidiaries					
BHI	113,398	-	113,851	284,520	Non-interest-bearing, unsecured, collectible in cash upon demand
CSRI	100,116	406,467	98,939	306,351	Non-interest-bearing, unsecured, collectible in cash upon demand
		406,467		590,871	
Due to a subsidiary					
BHI	-	59,701,493	-	59,701,493	Non-interest-bearing, unsecured, payable on demand

The Group shall at all times observe and adhere with the related party transactions policy and all other relevant laws, rules and regulations, as may be applicable, in the review, approval and disclosure of related party transactions. The members of the BOD, substantial stockholders and management shall disclose to the BOD all material facts related to the material related party transactions, whether potential or actual conflict of interest, including their direct and indirect interest in any transaction or matter that may affect or is affecting the Group. Materiality threshold of the Group is ten percent (10%) of the Group's total consolidated assets based on the latest audited financial statements.

The material related party transactions shall be approved by two-thirds vote of the BOD with at least majority of the independent directors voting to approve. In the case that the majority of the independent directors' vote is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock of the Parent Company.

**Note 12 - General and administrative expenses**

General and administrative expenses for the years ended December 31 are as follows:

	Notes	2019	2018	2017
Salaries, wages and employee benefits		40,572,911	30,421,536	32,498,979
Management consultancy fee	11	16,757,412	24,799,889	12,155,273
Depreciation and amortization	7, 8	6,428,397	351,105	317,416
Professional fees		3,725,976	5,154,626	3,025,992
Transportation and travel		1,662,377	4,648,577	3,115,296
Rental		1,360,624	2,928,667	2,753,956
Taxes and licenses		1,167,140	233,048	1,303,739
Membership and dues		986,839	687,722	620,927
Insurance		654,835	967,499	402,491
Repairs and maintenance		607,593	386,248	181,590
Utilities		596,576	776,822	538,986
Postage, printing and advertising		402,340	370,543	352,499
Staff recreation and others		402,292	478,532	210,863
Supplies		226,978	155,216	188,066
Retirement benefit expense	16	177,543	521,220	328,438
Bank and other charges		104,608	75,275	50,179
Others		1,800,824	1,278,890	771,074
		77,635,265	74,235,415	58,815,764

Other expenses pertain to various expenses such as storage costs, photocopy charges, notarial fee and out-of-pocket expenses for professional services.

**Note 13 - Other income (expense), net**

Other income (expense), net for the years ended December 31 consist of:

	Notes	2019	2018	2017
Gain on reversal of liabilities	9	2,886,760	162,849	446,198
Gain on sale of property and equipment		7,143	-	140,000
Loss on sale of shares in an associate	6	(3,725,169)	-	-
Interest expense on lease liability	8	(685,110)	-	-
Foreign exchange gains (losses), net	18.1a	(73,814)	75,859	33,329
Provision for doubtful accounts		-	-	(2,666,664)
Others		1,770,916	-	156,002
		180,726	238,708	(1,891,135)

Others primarily pertains to the reimbursable costs from SMKL for the use of office space in 2019 and forfeited rent deposit in 2017.

**Note 14 - Income taxes**

The details of the income tax expense (benefit) for the years ended December 31 are as follows:

	2019	2018	2017
Current	2,060,322	1,510,322	1,005,324
Deferred	(451,212)	(538,733)	(1,499,731)
	1,609,110	971,589	(494,407)

The reconciliation between the statutory income tax benefit and the effective income tax expense is as follows:

	2019	2018	2017
Statutory income tax expense (benefit)	(13,956,143)	(As restated) 13,002,174	(As restated) 266,579,813
Add (deduct) tax effects of:			
Change in unrecognized deferred income tax assets on NOLCO and MCIT	18,181,480	16,896,764	15,202,741
Non-deductible expenses	2,595,347	2,874,074	543,669
Income subjected to final tax	(1,363,603)	(716,016)	(501,547)
Non-taxable income	(871,192)	(40,577)	(113,334)
Share in results of associated companies	(2,976,779)	(31,044,830)	(282,205,749)
Effective income tax expense (benefit)	1,609,110	971,589	(494,407)

(a) Current income tax

The details of the current income tax expense for the years ended December 31 are as follows:

	2019	2018	2017
Final tax	1,784,474	1,369,932	919,375
Minimum Corporate Income Tax (MCIT)	275,848	140,390	85,949
	2,060,322	1,510,322	1,005,324

(b) Deferred income tax

The components of deferred income tax assets, net as at December 31 are as follows:

	2019	2018
Deferred income tax assets		
Accrued expenses	2,374,629	1,901,985
Right-of-use asset and lease liability	135,554	-
	2,510,183	1,901,985
Deferred income tax liabilities		
Retirement benefit asset	(108,010)	(71,427)
Unrealized foreign exchange gain, net	(21,191)	-
	(129,201)	(71,427)
	2,380,982	1,830,558

Deferred income tax assets (liabilities) as at December 31 are expected to be realized (settled) as follows:

	2019	2018
Deferred income tax assets:		
Expected to be realized within 12 months	2,510,183	1,901,985
Deferred income tax liabilities:		
Expected to be settled within 12 months	(21,191)	-
Expected to be settled after 12 months	(108,010)	(71,427)
	(129,201)	(71,427)
	2,380,982	1,830,558

Movements in net deferred income tax assets for the years ended December 31 are as follows:

	Note	2019	2018
At January 1		1,830,558	1,481,979
Credited to profit or loss		451,212	538,733
Credited to other comprehensive income	16	99,212	(190,154)
At December 31		2,380,982	1,830,558

Deferred income tax assets for net operating loss carry-over (NOLCO) and excess MCIT were not recognized since Management believes that future taxable profit will not be available within the NOLCO and MCIT period against which these carry-forward benefits can be applied. Details of unrecognized deferred income tax assets as at December 31 are as follows:

	2019	2018
NOLCO	165,929,327	144,328,937
Tax rate	30%	30%
MCIT	49,778,798	43,298,681
	502,187	307,403
	50,280,985	43,606,084

The movements in NOLCO and MCIT as at December 31 are as follows:

	2019	2018
NOLCO		
At January 1	144,328,937	120,309,202
Additions	59,685,439	55,854,581
Expirations	(38,085,049)	(31,834,846)
At December 31	165,929,327	144,328,937
MCIT		
At January 1	307,403	241,060
Additions	275,848	140,390
Expirations	(81,064)	(74,047)
At December 31	502,187	307,403

Details of NOLCO at December 31, which could be carried over as deduction from taxable income for three consecutive years following the year of incurrence, follow:

Year incurred	Year of Expiry	2019	2018
2016	2019	-	38,085,049
2017	2020	50,389,307	50,389,307
2018	2021	55,854,581	55,854,581
2019	2022	59,685,439	-
		165,929,327	144,328,937

The Group is subject to MCIT equivalent to 2% of gross income, as defined in the tax regulations. The details of the Group's excess MCIT over normal income tax are as follows:

Year incurred	Year of Expiry	2019	2018
2016	2019	-	81,064
2017	2020	85,949	85,949
2018	2021	140,390	140,390
2019	2022	275,848	-
		502,187	307,403

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

Earnings (loss) per share for the years ended December 31 was determined as follows:

	2019	2018	2017
		(As restated)	(As restated)
Net (loss) income	(48,129,588)	42,368,990	889,093,785
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900	293,828,900
Basic and diluted (loss) income per share	(0.16)	0.14	3.03

The Group has no potential shares that will have a dilutive effect on loss per share.

The weighted average number of shares outstanding as at December 31, 2019, 2018 and 2017 is computed as follows:

Issued shares	296,629,900
Less: Treasury shares	2,801,000
Weighted average number of shares outstanding	293,828,900

**Note 16 - Retirement benefits**

The Group has a funded, non-contributory defined benefit retirement plan, administered by BDO Unibank, Inc.-Trust and Investment Group (Trustee), covering its regular employees. The Group is under the KPPI Multi-employer Retirement Plan. The Parent Company, together with the companies under the plan, contributes to the trust fund amounts as may be required as estimated by an independent actuary, on the basic accepted actuarial principles, to maintain the plan in a sound condition. The companies also reserve the right, whenever economic conditions may warrant, to discontinue or suspend its contributions to the trust fund. Further, the Parent Company is not liable to the plan for other companies' obligations under the terms and conditions of the multi-employer plan. In case of termination of the plan, the liability of the companies to make contributions shall cease and the trust fund shall be allocated pro-rata to the employees.

Republic Act 7641, The New Retirement Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan. The latest actuarial valuation date of the Group's retirement plan is as at December 31, 2019.

The net retirement benefit asset recognized in the consolidated statement of financial position as at December 31 is determined as follows:

	2019	2018
Fair value of plan assets	2,411,323	2,240,514
Present value of defined benefit obligation	(2,051,291)	(2,002,423)
	360,032	238,091

The Group's net retirement benefit asset reflected in the consolidated financial statements represents the Parent Company's retirement plan.



Changes in the net retirement benefit asset recognized in the consolidated statements of financial position for the years ended December 31 are as follows:

	2019	2018
At January 1	238,091	58,823
Retirement expense recognized in profit or loss	(177,543)	(521,220)
Transfer of employees to (from) an associate	182,629	(375,670)
Equity transfer	392,883	-
Remeasurements recognized in other comprehensive income (loss)		
Changes in financial assumptions	(283,419)	265,067
Deviations of experience from assumptions	27,371	490,564
Loss on plan assets	(74,657)	(121,783)
Contributions to the retirement fund	54,677	442,310
At December 31	360,032	238,091

The components of retirement benefit expense and net interest expense (income) recognized in profit or loss for the years ended December 31 are as follows:

	2019	2018	2017
Current service cost presented as retirement expense	205,688	504,142	350,622
Net interest expense (income)	(28,145)	17,078	(22,184)
	177,543	521,220	328,438

The remeasurements recognized in other comprehensive income (loss) for the years ended December 31 are determined as follows:

	Note	2019	2018	2017
Remeasurements on defined benefit obligation		(256,048)	755,631	(49,589)
Remeasurements on plan assets		(74,657)	(121,783)	(122,600)
Remeasurement gain (loss)		(330,705)	633,848	(172,189)
Deferred income tax benefit (expense)	14	99,212	(190,154)	51,657
Remeasurement gain (loss), net of tax		(231,493)	443,694	(120,532)

(a) *Defined benefit obligation*

Changes in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2019	2018
At January 1	2,002,423	1,762,969
Current service cost included in retirement expense	205,688	504,142
Interest cost included in retirement expense	171,933	115,273
Transfer of employees from (to) an associate	(182,629)	375,670
Remeasurements in other comprehensive income:		
Actuarial loss (gain) on obligation resulting from:		
Changes in demographic assumptions	-	-
Changes in financial assumptions	283,419	(265,067)
Deviations of experience from assumptions	(27,371)	(490,564)
Benefits paid from the retirement fund	(402,172)	-
At December 31	2,051,291	2,002,423

As at December 31, 2019, the average duration of the defined benefit obligation is 21 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2019	2018
Less than 10 years	1,294,374	1,303,486
More than 10 years to 15 years	5,193,128	1,023,143
More than 15 years to 20 years	471,080	6,756,334
More than 20 years	29,816,657	36,977,046
	36,775,239	46,060,009

(b) Plan assets

The major categories of plan assets as at December 31 are as follows:

	2019	2018
Cash	49,122	976,265
Government securities	1,472,364	1,237,213
Investment in unit investments in trust funds (UITF)	475,910	17,804
Investment in other securities and debt instruments	405,633	-
Receivables	11,096	11,510
Trust fee payable	(2,802)	(2,278)
	2,411,323	2,240,514

The funds are administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the trustee. These funds are subject to the investment objectives and guidelines established by the trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The trustee is responsible for the investment strategy of the plan.

Investments in government securities, UITF and investment in other securities and debt instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

The asset allocation of the plan is set and reviewed from time to time by the BOT taking into account the membership profile and liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset durations.

Changes in the fair value of plan assets for the years ended December 31 are as follows:

	2019	2018
At January 1	2,240,514	1,821,792
Interest income presented as net on retirement expense	200,078	98,195
Equity transfer	392,883	-
Remeasurements in other comprehensive income:		
Loss on plan assets	(74,657)	(121,783)
Contributions to the retirement fund	54,677	442,310
Benefits paid from the retirement fund	(402,172)	-
At December 31	2,411,323	2,240,514

There are no plan assets invested in any entity within the Group as at and for the years ended December 31, 2019 and 2018. The Group's transactions with the retirement fund for the years are limited to contributions. The fair value of the plan assets approximates their carrying amount as at December 31, 2019 and 2018.

The Group's annual contribution to the fund consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group expects to contribute Po.1 million to the retirement fund in 2020.

There was no plan amendment, curtailment, or settlement for the years ended December 31, 2019 and 2018.

#### *Actuarial assumptions*

The principal assumptions used in determining the Group's retirement obligation as at December 31 are shown below:

	2019	2018
Discount rate	5.29%	8.93%
Future salary increase rate	5.00%	5.00%

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the retirement obligation as at December 31:

	Rates		Increase (Decrease)	
	2019	2018	2019	2018
Discount rate	+1.0%	+1.0%	(104,608)	(40,316)
	-1.0%	-1.0%	135,044	51,081
Salary increase rate	+1.0%	+1.0%	130,103	51,567
	-1.0%	-1.0%	(103,251)	(41,310)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit asset recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

## **Note 17 - Segment information**

The Group has only one segment as it derives its revenues primarily from management consultancy services rendered to its associates.

Significant information on the reportable segment is as follows:

	2019	2018
		(As restated)
Operating assets	2,597,931,411	2,619,145,552
Operating liabilities	102,755,492	81,106,708
Revenue and income	30,934,061	117,337,286
Other income, net	180,726	238,708
General and administrative expenses	(77,635,265)	(74,235,415)
Segment net income (loss)	(48,129,588)	42,368,990

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no revenues derived from a single external customer above 10% of total revenue.

There is no need to present reconciliation since the Group's operating assets, operating liabilities, revenue, other income (expense), cost and expenses and segment net income (loss) pertains to a single operating segment.

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

### **18.1 Financial risk management**

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, financial assets at fair value through other comprehensive income (FVOCI), amounts due to and from related parties and refundable deposits. The Group has various other financial assets and financial liabilities such as receivables and payables and other current liabilities, which arise from its operations.

The main risks arising from the Group's financial instruments are market risk (mainly foreign currency risk), credit risk, and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

#### *(a) Foreign currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency arises from Singapore dollar (SGD) denominated cash on hand and consultancy fees due to SMPM.

The Group's foreign currency-denominated monetary assets and liabilities as at December 31 are as follow:

	2019	2018
	(In SGD)	
Cash and cash equivalents	-	500
Due to related parties	(475,465)	(456,704)
Accrued consultancy fees	(103,134)	-
Net liabilities	(578,599)	(456,204)
Year-end exchange rate	37.46	38.47
PHP equivalent	(21,674,319)	(17,550,168)

Net foreign exchange gains (losses) for the years ended December 31 are as follows:

	Note	2019	2018	2017
Unrealized		70,640	-	1,247
Realized		(144,454)	75,859	32,082
	13	(73,814)	75,859	33,329

The Group manages its foreign currency exposure risk by matching receipts and payments in each individual currency. Foreign currency is converted into relevant domestic currency as and when the management deems necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before tax. There is no impact on the Group's equity other than those already affecting the net income.

	Currency	Change in variable	Effect on income before tax increase (decrease)
December 31, 2019	SGD	+2.63%	(570,035)
		-2.63%	570,035
December 31, 2018	SGD	+3.08%	(540,545)
		-3.08%	540,545

In 2019 and 2018, the Group used the average change in closing rates for the year in determining the reasonable possible change in foreign exchange rates.

*(b) Credit risk*

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties and refundable deposits. As at December 31, 2019 and 2018, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

There are no financial assets and liabilities that are offset and reported as net amount in the consolidated statement of financial position. There were no amounts subject to an enforceable master netting arrangement or similar agreement as at December 31, 2019 and 2018.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. The Group's due from related parties are approximately ninety-six percent (96%) of total receivables as at December 31, 2019 (2018 - 99%).

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days or when they fall due.

Below is the Group's financial assets classified under three categories which reflect their credit risk as at December 31:

		Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
<b>2019</b>					
Cash and cash equivalents*	(i)	158,526,955	-	-	158,526,955
Receivables	(ii)	2,222,053	-	2,666,664	4,888,717
Due from related parties	(ii)	50,757,729	-	-	50,757,729
Refundable deposits		1,439,274	-	-	1,439,274
		212,946,011	-	2,666,664	215,612,675
<b>2018</b>					
Cash and cash equivalents*	(i)	137,966,967	-	-	137,966,967
Receivables	(ii)	1,394,693	-	2,666,664	4,061,357
Due from related parties	(ii)	99,841,251	-	-	99,841,251
Refundable deposits		72,300	-	-	72,300
		239,275,211	-	2,666,664	241,941,875

\*Cash and cash equivalents exclude cash on hand.

The above assets were classified by the Group based on changes in credit quality under three-stage model for impairment. Stage 1 pertains to assets of the Company that is not credit-impaired on initial recognition. Stage 2 pertains to assets of the Company with significant increase in credit risk but not yet deemed to be credit-impaired. Financial assets that are credit-impaired are classified under to Stage 3.

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at December 31, 2019 and 2018.

The Group applies PFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables presented under receivables and due from related parties. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance as at December 31 was determined as follows:

	Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
<b>2019</b>				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	2,222,053	-	2,666,664	4,888,717
Loss allowance	-	-	2,666,664	2,666,664
<b>2018</b>				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	1,394,693	-	2,666,664	4,061,357
Loss allowance	-	-	2,666,664	2,666,664

The Group's receivable amounting to P2.7 million as at December 31, 2019 is determined to be impaired and was provided with allowance for doubtful accounts in 2017 (Note 3).

(i) Cash in bank

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at December 31, 2019 and 2018.

The remaining cash in the consolidated statement of financial position pertains to cash on hand which is not subject to credit risk.

(ii) Receivables

Receivables from related parties

Credit exposure of the Group on receivables from related parties is considered to be low as these parties have no history of default and have a strong credit history. Additionally, credit risk is minimized since the related parties are paying on normal credit terms based on contracts.

The maximum credit risk exposure is equal to the carrying amount as at December 31, 2019 and 2018.

Receivables from third parties

The credit quality of receivables that are neither past due nor impaired and impaired can be assessed by reference to historical information about counterparty default rates.

None of the financial assets that are fully performing has been renegotiated in the last year.

(iii) Refundable deposits

Refundable deposits consist primarily of amounts related to the Group's lease agreements. Refundable deposits are reported at their carrying amounts which are assumed to approximate their fair values. There is no significant credit exposure on refundable deposits since these are recoverable at the end of the lease term (Note 8).

(c) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments:

	On demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
<i>December 31, 2019</i>					
Accounts payable and other current liabilities*	553,981	16,960,905	-	-	17,514,886
Due to related parties	63,438,793	3,279,567	-	-	66,718,360
Lease liability**	-	1,284,323	4,024,211	6,045,974	11,354,508
	63,992,774	21,524,795	4,024,211	6,045,974	95,587,754
<i>December 31, 2018</i>					
Accounts payable and other current liabilities*	553,981	12,770,746	-	-	13,324,727
Due to related parties	52,234,206	5,754,996	-	-	57,989,202
	52,788,187	18,525,742	-	-	71,313,929

\*Accounts payable and other current liabilities exclude taxes payable.

\*\*Lease liability includes future interest payments.

## 18.2 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using percentage of debt to equity, which is total liabilities divided by total equity net of treasury shares. The Group's policy is to maintain the percentage of debt to equity ratio below 100%. The Group includes, within total debt, accounts payable and other current liabilities, amounts due to related parties and lease liability.

The Group's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Group, including default or acceleration of an obligation.

There are no changes in the Group's objectives, policies and processes for managing capital from the previous period.

The percentages of debt to equity as at December 31, 2019 and 2018 are as follows:

	2019	2018
Liabilities	108,532,568	(As restated) 81,106,708
Equity	2,489,398,843	2,538,038,844
Percentage of debt to equity	4.36%	3.20%

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

## 18.3 Fair value estimation

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at December 31, 2019 and 2018, except for financial assets at fair value through other comprehensive income (FVOCI).



The financial assets pertaining to investment in preferred equity shares and unquoted club shares are valued at FVOCI. The management has assessed that the cost less any impairment, if any, is the best estimate for fair value because these do not have a quoted market price in an active market and the Group has performed assessment to determine that cost represents the best estimate of fair value.

An increase in the net asset values of the investees will result to increase in the fair value of the investment in preferred shares. Any fair value gain or loss on these investments is not material to the consolidated financial statements.

#### Fair value hierarchy

The valuation of the financial assets at fair value through other comprehensive income is categorized as Level 3 measurement.

During the reporting period ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

#### **Note 19 - Critical accounting estimates, assumptions and judgments**

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimates, assumptions, and judgments used in the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. These 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. Actual results could differ from such estimates.

The estimates, assumptions, and judgments that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **19.1 Critical accounting estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

###### *(a) Impairment of receivables and due from related parties*

The Group applies the PFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables presented under receivables and due from related parties.

The allowance for doubtful accounts related to its trade receivables presented under receivables and due from related parties is based on assumptions about risk of default and expected loss rates. The Group uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. To measure the expected credit losses, financial assets have been grouped based on shared credit risk characteristics and the days past due.

For trade receivables presented under receivables and due from related parties, the expected loss rates are based on the payment profiles of revenue over a period of 36 months before December 31, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that the Philippine annual inflation and gross domestic product rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts on receivables and due from related parties would increase the Group's recorded expenses and decrease current assets.

Trade receivables presented under receivables amounted to P2.0 million as at December 31, 2019 (2018 - P0.9 million). Due from related parties amounted to P50.8 million as at December 31, 2019 (2018 - P99.8 million). Allowance for impairment loss provided for the Group's receivable from a third party amounted to P2.7 million as at December 31, 2019 and 2018 (Note 3).

*(b) Useful lives of property and equipment, and right-of-use asset*

The useful lives of each item of the Group's property and equipment, and right-of-use asset are estimated based on the period over which the asset is expected to be available for use. For right-of-use asset, the estimated useful life is based on lower of the useful life or the lease-term. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment, and right-of-use asset would increase the recorded operating expenses and decrease non-current assets.

There were no changes in the estimated useful lives of property and equipment. As at December 31, 2019, property and equipment have a carrying value of P11.2 million (2018 - P1.0 million) (Note 7). As at December 31, 2019, right-of-use asset has a carrying value of P11.5 million (Note 8).

*(c) Determining incremental borrowing rate of leases*

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset. The discount rate applied by the Group is disclosed in Note 8.

If the incremental borrowing rate increases or decreases by 1%, income before tax for the year ended December 31, 2019, would have been higher or lower by P104,937.

## **19.2 Critical judgments**

In the process of applying the Group'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 consolidated financial statements:

*(a) Assessment of control, joint control and significant influence*

The Group has determined that it has no control over its investments in associates as it has no power over these investees or it is not exposed or does not have rights to variable returns from its involvement with these investees and it does not have the ability to effect the amount of these variable returns. However, the Group determined that it has significant influence over these investments, thus these investments are classified as associates and is continuously accounted for by the Group using the equity method in its consolidated financial statements. Moreover, the Group is a part owner of an investment in a joint venture where the Group has determined that it does not have sole control over the investee and the ownership is shared with the other owner. The Group and the other owner have joint control and rights over the net assets of the investment.

The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement) classified its interest as joint ventures, thus the Group account for its investment in associates and joint venture using the equity method.

*(b) Classification and fair value measurement of financial assets not quoted in an active market*

The Group has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under PFRS 9, Financial Instruments.

The investments in preferred shares within the Group are not held for trading, thus, the Group elected to classify these investments under "Financial assets at fair value through other comprehensive income" with gains and losses remaining in the other comprehensive income, i.e. without recycling to profit or loss upon derecognition (Note 5). However, dividends from investments should be recognized in profit or loss when the right to receive payment is probable and can be measured reliably.

The Group has assessed that cost is an appropriate estimate of fair value. Cost less impairment, if any, is the best estimate of fair value as these are unquoted preferred shares of related parties and there is insufficient recent information available to determine fair value.

The Group has assessed that indicators below, at investees point of view, are not existent, thus, concluded that cost less impairment, if any, is the best estimate of fair value.

- a significant change in the performance of the investee compared with budgets, plans or milestones
- changes in expectation that the investee's technical product milestones will be achieved
- a significant change in the market for the investee's equity or its products or potential products; and
- a significant change in the global economy or the economic environment in which the investee operates.

The valuation of the financial assets at fair value through other comprehensive income is categorized as Level 3 measurement as it utilized adjusted inputs for valuation that were, for the major part, unobservable as at the date of valuation. The main inputs used by the Group are net asset values of the investees. These investees are dormant companies with cash, receivables and investments in other entities on their statements of financial position.

*(c) Assessment of impairment of investment in associates and joint venture*

The Group assesses impairment on its investments in associates and joint venture whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

The Group measures its interest in associates and joint ventures identifiable net assets. For its joint venture, the determination of value in use of its assets requires certain assumptions and inputs for the mall and office leasing operations, as cash generating units, specifically:

- the rental, escalation and vacancy rates for cash inflows;
- capital expenditures and non-recoverable expenses for cash outflows; and
- discount and terminal capitalization rates.

As at December 31, 2019 and 2018, the Group did not recognize any impairment loss on its investment in associates and joint venture since there are no impairment indicators identified in 2019 and 2018. The carrying value of investments in associates and joint venture as at December 31, 2019 amounted to P2,252.4 million (2018 - P2,273.3 million) (Note 6).

*(d) Recognition of deferred income tax assets*

Deferred income tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the tax losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As at December 31, 2019, recognized deferred income tax assets, net amounted to P2.4 million (2018 - P1.8 million). The amount of unrecognized deferred income tax assets amounted to P50.3 million as of December 31, 2019 (2018 - P43.6 million) (Note 14).

*(e) Lease commitments - the Group as lessee*

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

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

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, there is no revision of lease terms to reflect the effect of exercising extension and termination of contracts (Note 8).

*(e) Recoverability of prepaid income taxes and input VAT*

The Group assesses impairment on prepaid income taxes and input VAT whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Based on management's assessment, the prepaid income taxes and input VAT will be fully utilized in the future by applying it to applicable taxes.

## **Note 20 - Summary of significant accounting policies**

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

### **20.1 Basis of preparation**

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

These consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through OCI and plan assets of defined benefit pension plan measured at fair value.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 19.

### **Changes in accounting policy and disclosures**

#### *(a) Amendments and improvements to existing standards and interpretations adopted by the Group*

The Group has applied the following standards for the first time for their annual reporting period commencing January 1, 2019:

- PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has applied the simplified transition approach and did not restate the comparative amounts for the prior year to first adoption.

On adoption of PFRS 16, the Group recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

In applying PFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under PAS 17, Leases, and IFRIC 4, 'Determining whether an arrangement contains a Lease', the Group has reassessed if such contracts contain leases under PFRS 16; and
- ii) On a lease-by-lease basis, the Group accounted operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

The effects of adoption of PFRS 16 on the Group's consolidated financial statements as at January 1, 2019 is as disclosed in Note 8.

- Philippine Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments (effective January 1, 2019). The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:
  - i) how to determine the appropriate unit of account;
  - ii) that an entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
  - iii) that an entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
  - iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
  - v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Based on the Group's assessment, the interpretation did not result to significant changes on its current recognition and measurement of deferred and current income tax assets and liabilities.

- Plan Amendment, Curtailment or Settlement - Amendments to PAS 19 Employee benefits (effective January 1, 2019). The amendments to PAS 19 clarified that if a plan amendment, curtailment or settlement occurs, the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement must be calculated using the updated assumptions from the date of the change. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group has no plan amendment, curtailment or settlement during the years ended December 31, 2019.
- Amendments to PAS 28, Investment in associates (effective January 1, 2019). The amendments clarified that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for using PFRS 9. This includes the impairment requirements in PFRS 9. The Group's long-term investment in preferred shares classified as financial assets at fair value through other comprehensive income under PFRS 9 is consistent with the application of these amendments to PAS 28 (Note 5).
- Annual improvements 2015-2017 cycle (effective January 1, 2019)

Amendments to PFRS 3, Business combinations, clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value at the acquisition date.

Amendments to PFRS 11, Joint arrangements, clarify that the party obtaining joint control of a business that is a joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

Amendments to PAS 12, Income taxes, clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognized in profit or loss, or in equity.

None of these annual improvements have resulted to significant impact on the Group's consolidated financial statements.

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

A number of new standards, amendments to existing standards and interpretations are effective for annual periods after January 1, 2019 and have not been applied in preparing these consolidated financial statements.

None of these standards are expected to have a significant impact on the consolidated financial statements of the Group.

## **20.2 Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at December 31, 2019 and 2018 and January 1, 2018 and for each of the three years in the period ended December 31, 2019. Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company since the subsidiaries are wholly-owned by the Parent Company. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

### *Assessment of control*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from involvement with the investee; and
- The ability to use power over the investee to affect the amount of the investor's returns

The Group re-assesses whether or not it controls the investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### 20.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognizes a financial instrument in the consolidated statement of financial position, when, and only when, it becomes a party to the contractual provisions of the instrument.

#### Financial assets

##### *(a) Classification*

The Group classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) and amortized cost. The Group did not hold financial assets under the category financial assets at FVPL as at December 31, 2019 and 2018.

##### *(i) Amortized cost*

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group's financial assets measured at amortized cost comprise cash and cash equivalents (Note 20.5), receivables (Note 20.6), due from related parties (Note 20.6) and refundable deposits in the consolidated statement of financial position.

##### *(ii) Fair value through other comprehensive income*

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group's financial assets measured at FVOCI represent unquoted preferred shares of related parties and unquoted investments in club shares. These are classified as "Financial assets at fair value through other comprehensive income" in the consolidated statement of financial position (Note 5).

##### *(b) Recognition and measurement*

##### *(i) Initial recognition and measurement*

The measurement at initial recognition did not change on adoption of PFRS 9.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

##### *(ii) Subsequent measurement*

##### *Amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of total comprehensive income.



### *Equity investments*

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

#### *(c) Impairment*

On January 1, 2018, the Group applied the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of receivables and due from related parties. Impairment testing of receivables and due from related parties is described in Note 20.6.

### *Equity investments*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments, a significant or prolonged decline in the fair value of security below its cost is also evidence that the assets are impaired.

If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through profit or loss.

#### *(d) Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Financial liabilities

#### *(a) Classification*

The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2019 and 2018.

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. The Group's financial liabilities are limited to other financial liabilities at amortized cost.

Financial liabilities at amortized cost pertains to issued financial instruments that are not classified as at fair value through profit or loss and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. These are included in current liabilities, except for maturities greater than twelve (12) months after the reporting period which are classified as non-current liabilities.

The Group's trade and other payables (excluding payable to government agencies) (Note 20.12), and due to related parties are classified under other financial liabilities at amortized cost.

*(b) Recognition and derecognition*

Financial liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

*(c) Measurement*

Other financial liabilities are carried at amortized cost using the effective interest method.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. As at December 31, 2019 and 2018, there were no offsetting of financial assets and liabilities.

Accounting policies applied until December 31, 2017

*(a) Classification and measurement*

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 costs.

Financial assets

Financial assets are classified in four categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. As at December 31, 2017, the Group only holds financial assets classified as loans and receivable and available for sale.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Loans and receivables are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as non-current assets.

This accounting policy relates to the Group's "Cash and cash equivalents", "Receivables", "Due from related parties" and "Refundable deposits".

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported in OCI until the investment is derecognized or the investment is determined to be impaired. Assets under this category are classified as current assets if maturity is within twelve months from the end of the reporting date and as non-current assets if maturity date is more than a year from the end of the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss. Classified under this category are the Group's investments in club shares and redeemable preferred shares carried at cost.

(a) *Day 1 profit*

Where the transaction price 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 Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where no observable data is used, the difference between the transaction price and model values is recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at FVPL and other financial liabilities. As at December 31, 2017, the Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities pertains to financial liabilities that are not held-for-trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or loans and borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's "Accounts payable and other current liabilities", "Due to related parties" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

(b) *Recognition*

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

(c) *Impairment of financial assets*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of impairment loss is recognized in profit or loss.

(ii) AFS financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

(d) Derecognition

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 rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement 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.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Group could be required to repay.

#### Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 profit or loss.

#### **20.4 Determination of fair value of financial and non-financial assets**

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

##### *(a) Financial assets and liabilities*

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

##### *(b) Non-financial assets*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as financial assets at fair value through other comprehensive income, and for non-recurring fair value measurement. At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group 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.

### **20.5 Cash and cash equivalents**

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value. Cash and cash equivalents are recognized and carried at nominal amounts.

### **20.6 Receivables and due from related parties**

Trade receivables presented under receivables and due from related parties arising from rendering of services with average credit term of 30 to 60 days are measured at the original invoice amount which approximates fair value (as the effect of discounting is immaterial), less any provision for impairment. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables presented under receivables and due from related parties. To measure the expected credit losses, receivables and due from related parties have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within general and administrative expenses in the consolidated statement of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables and due from related parties. Subsequent recoveries of amounts previously written-off are credited against general and administrative expenses in the consolidated statement of total comprehensive income.

The expected loss rates are based on the profiles of revenue over a period of 36 months before December 31, 2019 and 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and due from related parties. The Group has identified that the Philippine annual inflation and growth domestic product rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

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

### *(a) Prepayments*

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

### *(b) Prepaid income taxes*

Prepaid income taxes represent amounts withheld by the Group's counterparties in relation to revenue earned. These amounts are derecognized when applied against the income tax payable.

## **20.8 Investments in associates and a joint venture**

Associates are entities in which the Group has significant influence, and which are neither subsidiaries nor joint ventures of the Group. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and joint venture are accounted for using the equity method of accounting from the date from which the entity becomes an associate and a joint venture. The difference between the cost of the investments and the Group's share of the net fair value of the investee's identifiable assets and liabilities is treated as a "Fair value adjustment" and included in the carrying amount of the investment.

Under the equity method, the investments in associates and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. The interest in an associate and joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associates and joint venture. The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the associates. This is included in the "Share of results of associated companies" account in the consolidated statement of comprehensive income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates, joint venture and the Group are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Unrealized gains arising from intercompany transactions with its associates and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Upon loss of significant influence over the associates, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates and joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

### **20.9 Current versus non-current classification**

The Group presents assets and liabilities in consolidated statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

### **20.10 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Office equipment	1-4
Furniture and fixtures	1-4
Leasehold improvements	3 or over the lease term, whichever is shorter



The useful lives, residual value and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

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

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in OCI. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *Investments in associates and a joint venture*

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or jointly controlled entities are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the Group's share in the fair value and the carrying value of the net assets of the investee company and recognizes the difference in profit or loss.

#### **20.12 Accounts payable and other current liabilities**

Accounts payable and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at invoice amount, which approximates fair value, and subsequently measured at amortized cost using the effective interest method which is normally equal to its nominal amount.

Accounts payable and other current liabilities are derecognized when the obligation is discharged, cancelled or expired.

### **20.13 Provisions and contingencies**

Provisions are recognized when the Group 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. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

### **20.14 Revenue recognition**

The Group has adopted PFRS 15 effective January 1, 2018.

#### *(a) Management consultancy fees and franchise fees*

The Parent Company has entered into an agreement with its related party to provide management, advisory and consultancy services. Management consultancy fees and franchise fees related to this agreement are recognized by reference to the monthly completion of the services. Under this method, revenue is recognized in the accounting periods in which the services are rendered. The related party, as the customer, simultaneously receives and consumes the benefits provided by the Parent Company as the latter performs the service. Therefore, the Parent Company transfers control of service and recognizes revenue over time. The Parent Company submits invoice on a monthly basis to its customer.

Management fee is charged at 2.5% of annual net revenues of the customer and franchise fee is charged at 1.0% of net revenues of the customer. The Parent Company determined that there's no disaggregation of revenue from this single contract with customer into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

#### *(b) Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

#### *(c) Other income*

Other income is recognized when earned.

#### Accounting policies applied until December 31, 2017

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

*(a) Management consultancy fees and franchise fees*

Management consultancy fees and franchise fees are recognized when earned on an accrual basis in accordance with the terms and conditions of the agreement.

**20.15 General and administrative expenses**

General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. General and administrative expenses are recognized in profit or loss in the period these are incurred.

**20.16 Equity**

*(a) Share capital*

Share capital is measured at par value for all shares issued.

*(b) Share premium*

Share premium represents capital contribution in excess of par value of the share capital.

*(c) Other reserves*

Reserves pertaining to other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS. Other comprehensive income includes remeasurement gains or losses on the Group's retirement benefits and the share of the Group on actuarial gain of its associates and joint venture.

*(d) Retained earnings*

Retained earnings represent the cumulative balance of net income or loss of the Group, net of any dividend declaration.

*(e) Treasury shares*

Treasury shares are recorded at cost and presented as a deduction from equity. When the shares are retired, the share capital account is reduced by its par value and the excess of cost over par value upon retirement is deducted from share premium to the extent of the specific or average share premium when the shares were issued and from retained earnings for the remaining balance.

**20.17 Leases**

Until December 31, 2018, leases of the office space, staff house and vehicles were classified as either finance leases or operating leases. From January 1, 2019, the Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

From January 1, 2019 (PFRS 16)

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

*(a) Measurement of lease liabilities*

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

*(c) Extension and termination options*

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

*(d) Residual value guarantees*

The Group provides residual value guarantees for some lease contracts. The Group initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

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

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

Prior to January 1, 2019 (PAS 17)

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to operating expenses in the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

(ii) Finance lease

Leases of assets, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**20.18 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*(b) Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period they are realized.

## 20.19 Employee benefits

### (a) Short-term employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

### (b) Retirement benefits

The Group has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. The net retirement liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement benefit costs comprise the following:

- (a) Service costs
- (b) Net interest on the net defined benefit liability or asset
- (c) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on the risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net defined benefit liability. Net interest on the net defined benefit liability or asset is recognized as interest expense or interest income in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Actuarial gain on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

## **20.20 Current and deferred income tax**

### *(a) Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Current income tax relating to items directly in equity is recognized in equity and not in the consolidated statement of income.

### *(b) Deferred income tax*

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Deferred income tax assets and liabilities are derecognized when the related bases are realized/settled or when they are no longer realizable.

### *(c) Value-Added Tax (VAT)*

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 tax 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 tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

## **20.21 Related party relationships and transactions**

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

## **20.22 Basic/diluted earnings per share (EPS)**

EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

## **20.23 Operating segments**

The Group'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 markets. Financial information on business segments is presented in Note 17.

## **20.24 Events after the reporting period**

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

## **Note 21 - Restatement of prior years' consolidated financial statements**

In 2019, SMKL decided to change its accounting policy for the subsequent measurement basis of its investment properties from historical cost to fair value model. SMKL used other acceptable valuation techniques such as sales comparison approach and cost approach in estimating the fair values of investment properties in 2018 and prior years. In 2019, all investment properties have been fully completed and became fully operational which prompted the local management to change its accounting policy to provide more relevant information to the users of the financial statements on the valuation of the investment properties. Under the new policy, valuation of the investment property will reflect rental income from current leases and other assumptions that are reflective of current market conditions being considered by market participants.

Furthermore, the adoption of the new accounting policy of SMKL will align its accounting for investment properties with those of Keppel Corporation Limited (KCL), ultimate parent company, and the other subsidiaries under KCL. Investment properties stated at fair value determined based on independent external valuation is the widely recognized and prevalent practice among Keppel companies located in China, Singapore, Indonesia and Vietnam.

The change in measurement basis for subsequent measurement of investment properties from historical cost to fair value model should be accounted for as a change in accounting policy, and accordingly, must be accounted for retrospectively in accordance with PAS 8. In accordance with PAS 1, an entity is required to present a third statement of financial position as at the beginning of the preceding period if (a) it applies the retrospective application and (b) the retrospective application has a material effect on the information in the statement of financial position at the beginning of the preceding period.



The fair value adjustments to the investment properties due to the change in accounting policy have resulted to restatement of the Group's share in results of SMKL in prior years. The impact of restatement is summarized below:

Consolidated Statements of Financial Position	Note	December 31, 2019	December 31, 2019 Adjustments	December 31, 2019 (As presented)	December 31, 2018	December 31, 2018 Adjustments	December 31, 2018 (As restated)	December 31, 2017	December 31, 2017 Adjustments	January 1, 2018 (As restated)
Non-current assets										
Investments in associate and joint ventures	6	1,087,198,106	1,165,213,154	2,252,411,260	1,185,757,851	1,087,508,580	2,273,266,431	1,242,629,719	926,942,725	2,169,572,444
Equity										
Retained earnings		367,365,649	1,165,213,154	1,532,578,803	493,199,811	1,087,508,580	1,580,708,391	611,396,676	926,942,725	1,538,339,401
Consolidated Statements of Total Comprehensive Income	Note	December 31, 2019	December 31, 2019 Adjustments	December 31, 2019 (As presented)	December 31, 2018	December 31, 2018 Adjustments	December 31, 2018 (As restated)	December 31, 2017	December 31, 2017 Adjustments	December 31, 2017 (As restated)
Revenue and income										
Share in results of associated companies	6	(67,781,977)	77,704,574	9,922,597	(57,083,088)	160,565,855	103,482,767	13,743,107	926,942,725	940,685,832
Income (loss) before income tax		(124,225,052)	77,704,574	(46,520,478)	(117,225,276)	160,565,855	43,340,579	(38,343,347)	926,942,725	888,599,378
Net income (loss) for the year		(125,834,162)	77,704,574	(48,129,588)	(118,196,865)	160,565,855	42,368,990	(37,848,940)	926,942,725	889,093,785
Consolidated Statements of Cash Flows	Note	December 31, 2019	December 31, 2019 Adjustments	December 31, 2019 (As presented)	December 31, 2018	December 31, 2018 Adjustments	December 31, 2018 (As restated)	December 31, 2017	December 31, 2017 Adjustments	December 31, 2017 (As restated)
Cash flows from operating activities										
Income (loss) before income tax		(124,225,052)	77,704,574	(46,520,478)	(117,225,276)	160,565,855	43,340,579	(38,343,347)	926,942,725	888,599,378
Adjustments for:										
Share in net results of associated companies	6	67,781,977	(77,704,574)	(9,922,597)	57,083,088	(160,565,855)	(103,482,767)	(13,743,107)	(926,942,725)	(940,685,832)

The impact of the restatement on the consolidated statement of changes in equity has been presented in the consolidated statement of changes in equity.

## **Note 22 - Subsequent events**

### *COVID-19 (Corona virus)*

The spread of COVID-19 during the first quarter of 2020 has significant impact on the operations of the Group. The President of the Philippines imposed an “Enhanced Community Quarantine (ECQ)” in Metro Manila which restricts the movement of people and the operations of businesses. The mall operations of SMKL was suspended during the ECQ period. However, establishments in the mall offering basic necessities such as groceries, supermarket, pharmacies, health clinics and food stalls are allowed to open.

The Group has observed the government mandate and directives. Consequently, Management foresees an inevitable slowdown in operations and decreased growth during the ECQ. Nonetheless, Management continues to look for measures to mitigate and reduce any negative impact to its profitability or economic impact on its businesses brought about by the ECQ. Management will continue to address the issues that directly affect its business operations. Management is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Group’s financials.

It is currently uncertain what the magnitude of the impact will be and the effect on the December 31, 2020 financial statements (among others valuation of assets and allowance for doubtful accounts). This will depend, among others, on the development of the spread of the virus and how long the restrictive measures taken by the governments will last. The Group has taken measures to preserve the health and safety of its employees and stakeholders as well as the business operations.

The Group believes that liquidity risk is low and have therefore no reason to assume that the situation at the level of the Parent Company and its subsidiaries warrants disclosure of a specific material going concern uncertainty for the Group in preparing the December 31, 2019 financial statements.



**Independent Auditor's Report on  
Components of Financial Soundness Indicators**

To the Board of Directors and Shareholders of  
**Keppel Philippines Properties, Inc. and Subsidiaries**  
18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue  
Ortigas Center, Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Keppel Philippines Properties, Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and January 1, 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated May 29, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of the operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basis consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and January 1, 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner  
CPA Cert. No. 0110097  
P.T.R. No. 0011422; issued on January 7, 2020 at Makati City  
SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020  
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021  
T.I.N. 211-726-564  
BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020  
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City  
May 29, 2020

## Keppel Philippines Properties Inc. and Subsidiaries

### Financial Ratios December 31, 2019

Financial ratio	Calculation	2019	2018 (As restated)	2017 (As restated)
Liquidity/current ratio	Total current assets divided by total current liabilities  Total current assets 239,177,211 Divided by: Total current liabilities 102,755,492 Liquidity/current ratio 2.33	2.33:1	3.25:1	5.10:1
Acid test ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities  Total current assets 239,177,211 Less: Prepayments and other current assets (27,595,474) 211,581,737 Divided by: Total current liabilities 102,755,492 2.06	2.06:1	2.95:1	4.72:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities  Net loss after tax (48,129,588) Add: Depreciation and amortization 6,428,397 (41,701,191) Divided by: Total liabilities 108,532,568 (0.38)	(0.38):1	0.53:1	15:1
Debt-to-equity ratio	Total liabilities divided by total equity  Total liabilities 108,532,568 Divided by: Total equity 2,489,398,843 0.04	0.04:1	0.03:1	0.02:1
Asset-to-equity ratio	Total assets divided by total equity  Total assets 2,597,931,411 Divided by: Total equity 2,489,398,843 1.04	1.04:1	1.03:1	1.02:1
Return on equity	Net income (loss) after tax divided by total equity  Net loss after tax (48,129,588) Divided by: Total equity 2,489,398,843 (1.93%)	(1.93%)	1.67%	35.63%
Return on assets	Net income (loss) after tax divided by total assets at beginning  Net loss after tax (48,129,588) Divided by: Total assets, beginning 2,619,145,552 (1.84%)	(1.84%)	1.66%	51.18%
Net profit margin	Net income after tax divided by total revenue and income  Net loss after tax (48,129,588) Divided by: Total revenue and income 30,934,061 (156%)	(156%)	36%	94%
Earnings (loss) per share	Net income (loss) divided by number of common stock outstanding  Net loss after tax (48,129,588) Divided by: Number of common stock outstanding 293,828,900 (0.16)	(P0.16)	P0.14	P3.03



Isla Lipana & Co.

Statements Required by Rule 68  
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of  
**Keppel Philippines Properties, Inc. and Subsidiaries**  
18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue  
Ortigas Center, Mandaluyong City

We have audited the consolidated financial statements of Keppel Philippines Properties, Inc. and its subsidiaries as at and for the year ended December 31, 2019, on which we have rendered the attached report dated May 29, 2020. The supplementary information shown in the Reconciliation of Retained Earnings for Dividend Declaration and Map of the Group of Companies within which the Reporting Entity Belongs as required by Part I, Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F, and G as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

**Isla Lipana & Co.**

Catherine H. Santos

Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020

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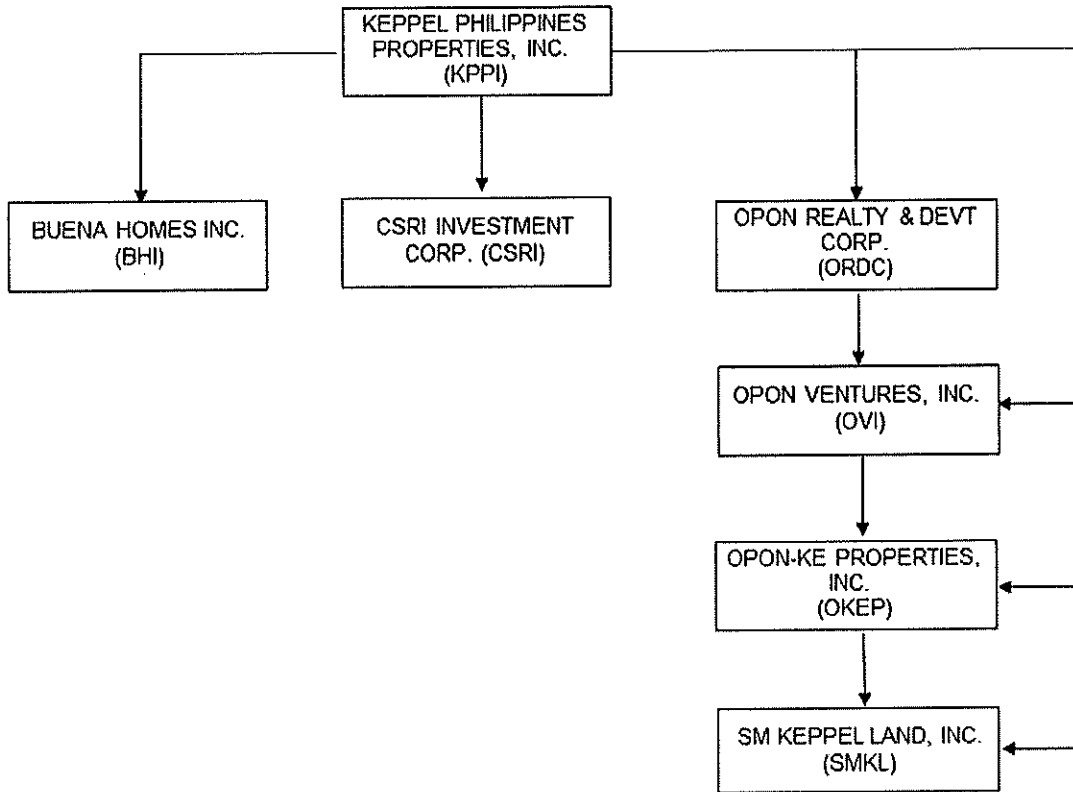
Makati City

May 29, 2020

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**KEPPEL PHILIPPINES PROPERTIES, INC.**  
**SUBSIDIARIES AND ASSOCIATES**  
AS AT DECEMBER 31, 2019



<u>Subsidiaries</u>	<u>Percentage of Ownership</u>	<u>Nature of Business</u>
Buena Homes, Inc. (BHI)	100%	Investment holding
CSRI Investment Corporation (CSRI)	100%	Investment holding

<u>Associates</u>	<u>Percentage of Ownership</u>	<u>Nature of Business</u>
Opon Realty and Development Corp. (ORDC)	40%	Property holding and development
Opon-KE Properties, Inc. (OKEP)	40%	Property holding and development
SM-Keppel Land, Inc. (SMKL)	40%	Property holding and development
Opon Ventures, Inc.(OVI)	40%	Property holding and development

**Keppel Philippines Properties, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration  
As at December 31, 2019  
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, as <i>adjusted to available for dividend distribution, beginning of the year</i>	42,580,918
<b>Add: Net income actually earned/realized during the period</b>	
Net income (loss) during the period closed to retained earnings	(56,141,721)
<b>Less: Non-actual/realized income net of tax:</b>	
Equity in net income of an associate/joint venture	-
Unrealized foreign exchange gain (after tax) except those attributable to cash and cash equivalents	(49,448)
Unrealized actuarial gain	-
Fair value adjustment (mark-to-market gains)	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS – gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
Sub-total	(56,191,169)
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS – loss	-
Loss on fair value adjustment of investment property (after tax)	-
Subtotal	-
<b>Net income (loss) actually earned during the year</b>	<b>(56,191,169)</b>
<b>Add (Less):</b>	
Dividend declarations during the year	-
Appropriations of retained earnings during the year	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
Subtotal	-
<b>Total retained earnings available, end of the year available for dividend (deficit)</b>	<b>(13,610,251)</b>

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule A  
 Financial Assets  
 As at December 31, 2019  
 (All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Income received and accrued
Financial assets at fair value through other comprehensive income			
Opon Ventures, Inc.	4,800,000	48,000,000	-
Opon-KE Properties, Inc.	3,128,722	31,287,230	-
Club Filipino Inc. de Cebu	12	225,000	-
Total financial assets at fair value through other comprehensive income		79,512,230	-
Cash and cash equivalents		158,601,955	4,544,282
Trade and other receivables		2,222,053	-
Due from related parties		50,757,729	-
Refundable deposits		1,439,274	-
<b>Total financial assets</b>		<b>292,533,241</b>	<b>4,544,282</b>



**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule B  
 Amounts Receivable from Directors, Officers, Employees,  
 Related Parties and Principal Stockholders (Other than Related Parties)  
 As at December 31, 2019  
 (All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected, liquidated or reclassified	Amounts written off	Current	Non-current	Balance at end of year
Keppel Land Limited	-	99,600	-	-	99,600	-	99,600
Molten Pte Ltd	-	-	-	-	-	-	-
Opon-KE Properties, Inc.	70,332,347	118,801	(25,708,342)	-	44,742,806	-	44,742,806
Opon Ventures, Inc.	2,196,650	121,461	-	-	2,318,111	-	2,318,111
Opon Realty and Development Corporation	721,650	148,116	-	-	869,766	-	869,766
Buena Homes (Sandoval), Inc.	24,971,505	325,581	(25,297,086)	-	-	-	-
SM Keppel Land, Inc.	1,376,642	35,251,437	(33,900,633)	-	2,727,446	-	2,727,446
Wiseland Investment Myanmar, Ltd.	242,457	-	(242,457)	-	-	-	-
Employees	58,203	1,310,058	(1,250,389)	-	117,872	-	117,872

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule C  
Amounts Receivable from Related Parties which are Eliminated  
During the Consolidation of Financial Statements  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts provided for/ written off	Current	Not current	Balance at end of year
Buena Homes, Inc.	284,520	112,810	(397,330)	-	-	-	-
CSRI Investment Corporation	306,351	100,116	-	-	406,467	-	406,467
<b>Total</b>	<b>590,871</b>	<b>212,926</b>	<b>(397,330)</b>	<b>-</b>	<b>406,467</b>	<b>-</b>	<b>406,467</b>

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule D  
Long Term Debt  
As at December 31, 2019  
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
<b>Not Applicable</b>			

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule E  
Indebtedness to Related Parties  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Opon-KE Properties, Inc.	40,298,507	40,298,507
Straits Mansfield Property Marketing Pte Ltd	17,690,695	21,509,249
Keppel Land (Regional Investments), Pte. Ltd.	-	4,910,604

Straits Mansfield Property Marketing Pte Ltd, an entity under common control, provides consultancy, advisory and support services to the Group and SMK. Consultancy fees charged by SMPM, which is based on the time spent by SMPM personnel in rendering services to the Group, amounted to P16.8 million in 2019, (2018 - P24.8 million). The increase in outstanding balance in 2019 is due to the timing of settlement of the obligation.

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule F  
Guarantees of Securities of Other Issuers  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
<b>Not Applicable</b>				

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule G  
Capital Stock  
As at December 31, 2019

The details of authorized and paid-up capital stock are as follows:

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares of stock	375,000,000	296,629,900	-	-	-	-
Treasury stock		(2,801,000)	-	-	-	-
Outstanding common stock		293,828,900	-	255,133,693	10,008	38,685,199
Preferred stock	135,700,000	59,474,100	-	59,474,100	-	-
<b>Total</b>		<b>353,303,000</b>	<b>-</b>	<b>314,607,793</b>	<b>10,008</b>	<b>38,685,199</b>

**KEPPEL PHILIPPINES PROPERTIES, INC.**  
**INDEX TO EXHIBITS**  
**SEC FORM 17-A**

No.		Page No.
(1)	Publication of Notice re: Filing	NA
(2)	Underwriting Agreement	NA
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	NA
(4)	Articles of Incorporation and By-Laws	NA
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	NA
(6)	Opinion Re: Legality	NA
(7)	Opinion Re: Agreement	NA
(8)	Voting Trust Agreement	NA
(9)	Material Contracts	NA
(10)	Annual Report to Security Holders, Form 11- Q or Quarterly Report to Security Holders	NA
(11)	Material Foreign Patents	NA
(12)	Letter Re: Unaudited Interim Financial Information	NA
(13)	Letter Re: Change in Certifying Accountant	NA
(14)	Letter Re: Director Resignation	NA
(15)	Letter Re: Change in Accounting Principles	NA
(16)	Report Furnished to Security Holders	NA
(17)	Other Documents Or Statements to Security Holders	NA
(18)	Subsidiaries of the Registrant	104
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
(20)	Consents of Experts and Independent Counsel	NA
(21)	Power of Attorney	NA
(22)	Statements of Eligibility of Trustee	NA
(23)	Exhibits to be Filed with Bonds Issues	NA
(24)	Exhibits to be Filed with Stocks Options Issues	NA
(25)	Exhibits to be Filed by Investment Companies	NA
(26)	Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	NA
(27)	Copy of Board of Investment Certificate in the case of Board of Investment Registered Companies	NA
(28)	Authorization to Commission to Access Registrant's Bank Accounts	NA
(29)	Additional Exhibits	NA

**EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT**

Name	Country of Incorporation	Business	Percentage of Ownership
CSRI Investment Corporation	Philippines	Investment in securities and condominium units	100%
Buena Homes Inc.	Philippines	Property holding and development	100%



# Keppel Philippines Properties, Inc.

## Contextual Information

Company Details	
Name of Organization	Keppel Philippines Properties, Inc.
Location of Headquarters	Units 1802B-1803 The Podium West Tower 12 ADB Avenue, Ortigas Center, Brgy. Wack-Wack-Greenhills East, 1550 Mandaluyong City, Metro Manila, Philippines
Location of Operations	Mandaluyong City, Philippines – The Podium Complex
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report includes information from the following: Keppel Philippines Properties, Inc. (KPPI) The report covers the activities of The Podium Complex, which comprises the Podium West Tower and The Podium Mall. The Podium Complex is the sole property included within the boundary of this report.
Business Model, including Primary Activities, Brands, Products, and Services	Real estate development and property management.
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Mr. Oh Lock Soon

## Materiality Process

### Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

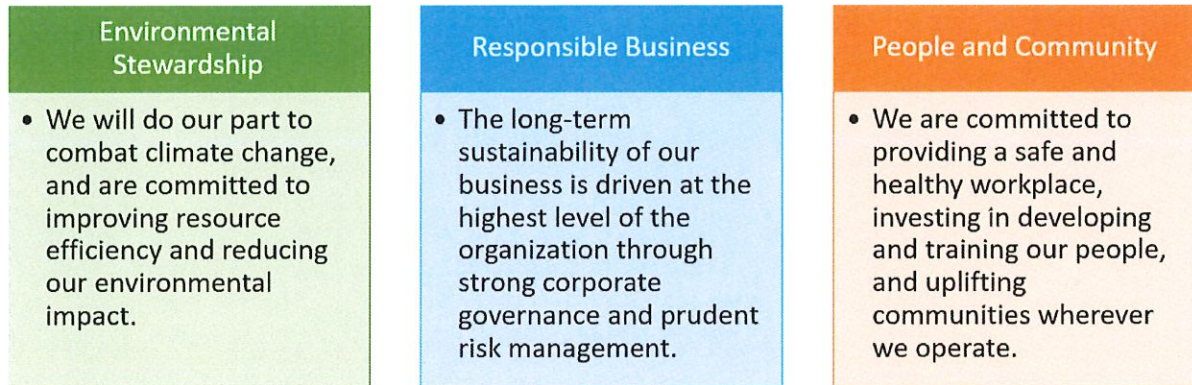
Material topics were identified through the AA1000 Standard’s five-part Materiality Test comprising: (a) issues that have direct short-term impact, (b) issues where the company has policy statements of a strategic nature, (c) issues that comparable organizations consider material, (d) issues important to stakeholders, and (e) issues that are considered to be social norms.

These topics were further filtered and compared with the topics in the SEC reporting template which we consider as issues that are important to the government as a regulator/stakeholder and also common issues faced by the real estate industry.

In doing so, topics in the SEC reporting template were also reorganized in alignment with a sustainability framework adopted by the Keppel Group.

## KPPI Sustainability Framework

### Key Pillars



**Note:** To make the disclosures on management approaches less repetitive and more focused, the discussions on some impacts, risks, and opportunities are made per main topic, instead of per subtopic (e.g. Anti-corruption). The discussion on Procurement Practices are subsumed under Economic Performance and in Supply Chain Management, since suppliers are also considered stakeholders who receive economic value from the Company.

# ENVIRONMENTAL STEWARDSHIP

## CLIMATE ACTION

### Climate-related risks and opportunities

KPPI abides by a set of Responsible Design Values developed by Keppel Land. These guidelines are based on the four principles of liveability, quality, aesthetics, and sustainability. With sustainability in mind, Keppel Land designs and develops its buildings with three topics in mind, namely, design for climate change responsiveness, resource efficiency and ecological conservation. As such, climate change is material in KPPI's operations. When buildings are designed, asset enhancement initiatives (AEI) are placed as necessitated by project specifications. For example, since The Podium West Tower is designed to be of green building standards, equipment and other features that are more water and energy efficient are put in (please see energy and water sections of this report for more details). Both water efficiency and energy efficiency are measures to address climate change risks. In doing so, KPPI can attract tenants who are looking for a commercial development that has been built and is operated in an environmentally friendly manner.

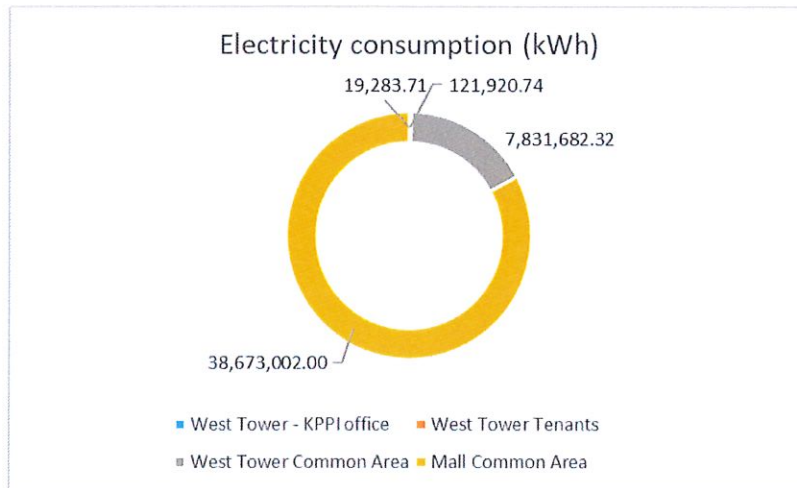
As part of its risk management framework, KPPI is currently looking at the extent of risks and opportunities related to climate change. The management approach, strategies and framework used to measure and manage climate change risks and opportunities at all levels (from the Board to the operational level) will be developed using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a guide in succeeding reporting cycles.

## ENVIRONMENTAL MANAGEMENT

### Resource Management

#### Energy consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)	N/A	GJ
Energy consumption (electricity)		kWh
West Tower - KPPI office	19,283.71	kWh
West Tower Common Area	7,831,682.32	kWh
West Tower Tenants	121,920.74	kWh
Mall Common Area	38,673,002.00	kWh



### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

### Impact & Risks

Stakeholders: Employees, tenants

The Podium Complex’s tenants, as well as KPPI’s office, consume energy. More energy consumption, especially of electricity, will lead to higher operational expenses. The Podium was designed to adhere to the BCA Green Mark Gold Standard and the LEED Gold standard and our operations enjoy savings in electricity consumption compared with other buildings in Metro Manila, thus translating to cost savings. The Company has yet to compute its reduction in energy consumption as this year will be a baseline for future performance.

If KPPI does not maintain this relatively low rate of electricity consumption, it could lose its green building marks leading to lost opportunity to attract tenants that are committed to sustainability, not to mention higher operating expenses.

Since The Podium Complex is already in operation, energy consumption is mainly attributable to electricity.

### Management Approach to Identified Impacts and Risks

The building was designed in line with the BCA Green Mark Gold Standard and the LEED Gold standard. As such, its average energy consumption is at least 14% less than that of a standard building. Fixtures such as a double-glazed façade to minimize solar heat gain, a green roof to reduce cooling energy load, skylights above the atrium that allow natural light into the building, LED lights, variable refrigerant volume air-conditioning equipment, high efficiency chiller units, dynamic power metering, air supply fans equipped with variable speed drives have been incorporated. Periodic monitoring and maintenance of equipment help to ensure that these features function optimally.

## Opportunities

Stakeholders: Employees, tenants

More opportunities to improving energy efficiency in succeeding reporting cycles may be seen when data trends from monitoring activities are analyzed.

## Management Approach to Identified Opportunities

Monitoring and periodic maintenance of equipment will be continued to ensure that these are running optimally and are in compliance with green building requirements.

## Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0.00	Cubic meters
Water consumption	433,637.00	Cubic meters
Water recycled and reused	233,156.65	Cubic meters
Water intensity	3.10	Cubic meters / GLA

## Impacts & Risks

Stakeholders: Employees, tenants

The Podium Complex's tenants, as well as KPPI office, consume water. More water consumption will lead to higher operational expenses. If a relatively low water consumption is not maintained, the green building marks could be lost which could lead to lost opportunity to attract tenants that are committed to sustainability. Moreover, since Manila is also at risk of water shortages, as experienced in 2019, the Company and tenants could also be adversely affected by it.

## Management Approach to Identified Impacts and Risks

The Property was designed to adhere to the BCA Green Mark Gold Standard and the LEED Gold standard. Water-efficient fittings are incorporated in the development, which allow for at least 30% water savings. Water-efficient fixtures are placed in toilets with a centralized sewage treatment plant; rainwater is harvested and grey water is also treated to be reused. Regular monitoring and preventive maintenance of water facilities are also conducted to detect such problems as leaks and busted pipes.

## Opportunities

Stakeholders: Employees, tenants

More opportunities to improve water efficiency in succeeding reporting cycles may be seen when data trends from monitoring activities are analyzed.

### Management Approach to Identified Opportunities

Periodic monitoring of facilities will be vital such that the buildings' water efficiency can be maintained.

### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
● Renewable	0	Kg
● Non-renewable*	252,000	Kg
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

\* Includes PVC pipes, wood and metal

### Impacts & Risks

Stakeholders: Suppliers, employees

Various materials were used during the construction phase of The Podium West Tower and the renovation of The Podium Mall. Tenants also used materials for their customized fixtures. Materials that are not used are either returned to the supplier or, if customized, stored for future use when needed.

Using materials that are not to the Company's specifications could compromise the integrity of the building, pose health and safety hazards, and could have high environmental impact. There is also a risk of not complying with the green building and regulatory requirements.

### Management Approach to Identified Impacts and Risks

Sustainable construction practices were employed, which include the use of durable and regionally sourced materials. Project technical specifications required the use of non-hazardous and low environmental impact materials. KPPI also ensured that the materials used complied with green building requirements and are in line with government standards.

### Opportunities

Stakeholders: Suppliers, employees

Since the construction phase for the Podium West Tower is already completed, no opportunities for materials use have been identified for this reporting period.

KPPI will continue to either return unused materials to the supplier or store for future use.

### Management Approach to Identified Opportunities

KPPI will continue to use certified environmentally-safe, durable, and regionally sourced materials that meet its technical specifications in contracts with future suppliers.

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

This topic is considered not material to KPPI since we do not have operations in or adjacent to protected areas or areas of high biodiversity value.

## Environmental impact management

### Air Emissions

#### Green House Gas (GHG)

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions*	33,134.37	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

*\*Includes values from electricity consumption of West Tower – KPPI office, West Tower Common Area, and Mall Common Area; Grid Emission Factor used was 0.7122 kgCO<sub>2</sub>e/kWh*

### Impact & Risks

Stakeholders: Employees, tenants

The Podium Complex's tenants, including the KPPI office, consume energy which result in emissions of GHG. More energy consumption, especially of electricity, will lead to higher operational expenses and GHG emissions. If a relatively low rate of electricity consumption is not maintained, the green building status may be lost which could lead to lost opportunity to attract tenants that are committed to sustainability.

Since The Podium Complex is already in operation, material energy consumption comes from electricity, therefore resulting in only Scope 2 emissions. Moreover, equipment with potential ODS are still new and have no leakages that will result to fugitive emissions.

### Management Approach to Identified Impacts and Risks

The Podium Complex was designed according to the BCA Green Mark Gold Standard and the LEED Gold standard. Because of this, it consumes a minimum of 14% less energy than a standard building. Fixtures such as a double-gazed façade to minimize solar heat gain, a green roof to reduce cooling energy load, skylights above the atrium that enables light to reach the ground floor, LED lights, Variable Refrigerant Volume air conditioning equipment, high efficiency chiller units, dynamic power metering, air supply fans equipped with variable speed drives, were placed. Periodic monitoring and maintenance of equipment are done to keep them functioning optimally.

### Opportunities

Stakeholders: Employees, tenants

More opportunities to improve energy efficiency (and hence, lower GHG emissions) in succeeding reporting cycles may be seen when data trends from monitoring activities are analyzed.

## Management Approach to Identified Opportunities

Monitoring and periodic maintenance of equipment will be continued to ensure that these are running optimally as well as are in compliance with green building requirements. These are regularly inspected by green building representatives after construction.

### Air pollutants \*

Disclosure	Quantity	Units
NO <sub>x</sub>	N/A	kg
SO <sub>x</sub>	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

\* The Company is unable to disclose the quantities as the information is not available and cannot be obtained as these items may have been measured by a third-party contractor during the construction phase of the project.

## Impacts & Risks

Stakeholders: Employees, contractors, customers, regulators

Some air pollutants were produced during the construction phase of the building. During operation, KPPI has in place systems to monitor indoor air pollution levels, especially in our parking area where these result from vehicular emissions.

Air pollutants can cause respiratory ailments while other pollutants, if left unchecked, can also cause adverse health effects. Air emissions going beyond regulations could lead to penalties.

## Management Approach to Identified Impacts and Risks

Measures were undertaken to minimize air pollution and keep it within regulatory limits and in compliance with green building standards. During construction, the site was sealed off to prevent dust from escaping and affecting pedestrians. Workers in the site wore masks as part of the personal protective gear.

In the current operating phase, each atrium and all kitchens have exhaust fans. Fans and blowers have been installed in the parking area to expel air pollution.

## Opportunities

Stakeholders: Employees, contractors, customers, regulators

More opportunities to implement systems to monitor air pollution may be put in place.

## Management Approach to Identified Opportunities

Monitoring indoor air pollution levels forms part of the standard operating procedure of the facilities' management to ensure the health and safety of people within the premises.



## **Solid and Hazardous Wastes**

### **Solid Waste**

Disclosure	Quantity	Units
Total solid waste generated	360,000	kg
Reusable	72,000	kg
Recyclable	108,000	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	180,000	kg

### **Impacts & Risks**

Stakeholders: Employees, tenants, regulators

KPPI, as well as office and mall tenants, especially restaurants, produce solid waste in their day-to-day operations. Improper solid waste management could have regulatory ramifications. Moreover, if biodegradable waste is not properly disposed, it will produce unpleasant odors that could affect stakeholder comfort and lower hygiene levels.

### **Management Approach to Identified Impacts and Risks**

The Podium Complex has its own materials recovery facilities and solid waste is segregated. These are then hauled by the Department of Environment and Natural Resources (DENR)-accredited transporters for disposal. The Pollution Control Officer (PCO) ensures that the process is in compliance with government requirements.

### **Opportunities**

Stakeholders: Employees, tenants, regulators

In mall operations, especially in restaurants, steps to promote the use of recyclable or reusable containers and further reduce the amount of residual waste generated are being explored.

### **Management Approach to Identified Opportunities**

KPPI encourages the use of recyclables and reusables, and strives to raise awareness among its stakeholders to adopt an eco-lifestyle.

### **Hazardous Waste**

Disclosure	Quantity	Units
Total weight of hazardous waste generated	1,085	kg
Total weight of hazardous waste transported*	0	kg

\* Transportation is scheduled for 2020 and any hazardous waste generated is stored properly prior to transport following DENR regulations

## Impacts & Risk

Stakeholders: Employees, tenants, regulators

Over the course of daily operations, it is inevitable that waste, of which some are hazardous in nature, is produced. Improper hazardous waste management could have penalties. Moreover, spillage and mishandling of hazardous waste pose serious threats to ecological and human health.

## Management Approach to Identified Impacts and Risks

The building management team ensures the strict adherence of regulations in handling hazardous waste. It is regulated that DENR-accredited transporters are to be employed for proper disposal of hazardous waste. The PCO ensures that we are in compliance with government requirements. Prior to transportation, hazardous waste is stored properly in compliance with DENR requirements.

Tenants are in charge of disposing of their own hazardous waste in accordance to guidelines given by the property manager during tenant orientation.

## Opportunities

Stakeholders: Employees, tenants, regulators

KPPI exerts diligent effort to comply with hazardous waste management and expects to take on more opportunities to improving its performance in hazardous waste management in the succeeding reporting cycles when we analyze historical trends.

## Management Approach to Identified Opportunities

There will be continued monitoring of performance in this topic and assurance of compliance in handling and disposing hazardous waste.

## Effluents

Disclosure	Quantity	Units
Total volume of water discharges	41,145.29	Cubic meters
Percent of wastewater recycled	85	%

## Impacts & Risk

Stakeholders: Employees, tenants, regulators

The Podium Complex's tenants, as well as KPPI office, consume water, resulting in effluents. Disposing untreated effluents could harm our aquatic ecosystems. It is also a violation of the Clean Water Act which poses regulatory risks.

## Management Approach to Identified Impacts and Risks

The building was designed to adhere to the BCA Green Mark Gold Standard and the LEED Gold standard. Because of this, it consumes at least 30% less water than a standard building. Water-efficient fixtures were placed in toilets with a centralized sewage treatment plant; rainwater is harvested, and grey water is treated for reusing. All these lead to less production of effluents. Moreover, the buildings have their own sewage treatment plant. The PCO ensures continued regulatory compliance with DENR requirements.

## Opportunities

Stakeholders: Employees, tenants, regulators

As the amount of effluents that are produced are linked to water consumption, more opportunities to improve effluent minimization may be seen in succeeding reporting cycles when data trends from monitoring activities are analyzed.

### Management Approach to Identified Opportunities

Periodic monitoring of facilities will be vital such that the development's water efficiency and sewage treatment could be maintained.

## Environmental compliance

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

## Impacts & Risk

Stakeholders: Employees, tenants, contractors, regulators

KPPI complies with all relevant environmental laws in all stages of the development's life cycle - from construction to operations. Non-compliance could lead to penalties such as fines and restraining orders.

### Management Approach to Identified Impacts and Risks

KPPI and the building management office ensure that the development, from construction to operations, comply with all environmental laws. They also ensure that contractors are compliant. PCOs are employed. There is also constant monitoring of fixtures such that these perform optimally, and the buildings continue to perform well above regulations and comply with BCA Green Mark standards.

## Opportunities

Stakeholders: Employees, tenants, contractors, regulators

Regular monitoring and periodic maintaining of facilities to ensure compliance with all environmental laws will be continued.

### Management Approach to Identified Opportunities

KPPI and the project management office will continue to ensure that the buildings comply with all environmental laws. They will also ensure that contractors are also compliant. There will also be constant monitoring of fixtures such that these perform optimally, and the buildings continue to perform well above regulations and maintain the green mark standards.

## RESPONSIBLE BUSINESS

### ECONOMIC SUSTAINABILITY

#### Capital Allocation and Asset Management

#### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	₱9,651,998.00	PhP
Direct economic value distributed:		
a. Operating costs	₱49,863,334.56	PhP
b. Employee wages and benefits	₱30,863,846.00	PhP
c. Payments to suppliers, other operating costs	Included as part of operating costs	PhP
d. Dividends given to stockholders and interest payments to loan providers	₱0.00	PhP
e. Taxes given to government	₱1,729,603.00	PhP
f. Investments to community (e.g. donations, CSR)	₱0.00	PhP

#### Impacts & Risk

Stakeholders: Employees, the government, suppliers, providers of capital (stockholders, investors, lenders), the community

The economic value generated for the reporting period is less than the one distributed. Most of the economic value that was distributed goes to suppliers and employees, and the remainder to the government regulators through taxes and application fees. Because of the distribution of economic value, the Company is able to keep economic flows moving and also contribute to its stakeholders' ability to generate and distribute economic value.

This ability to generate value is contingent upon the cyclical nature of the Philippine real estate industry. It may be sensitive to changes in general economic conditions. Property values are also affected by the general supply and demand of real estate in the country.

Corruption is also a risk that could affect the economic flow from the Company to their rightful recipients – its stakeholders. KPPI has zero tolerance for corruption and any illegal activities. Employees must, under no circumstances, offer, promise, give or authorize the giving, directly, indirectly or through third parties, of any bribe, kickback, illicit payment, benefit in kind or any other advantage to a Government Official or Government Entity, private sector customer, supplier, contractor, or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity.

#### Management Approach to Identified Impacts and Risks

The ability to generate economic value hinges upon KPPI's capability to attract and retain locators and tenants in its properties, including the mall and office tower. In this regard, KPPI benchmarks itself against best practices in property development and management and assures that its direct customers receive the best value proposition. KPPI practices financial discipline to earn best risk-adjusted returns. Further, the Company seeks to establish its business in gateway cities, the Company ensures that everyone in its ranks, from the Board to the employees, are aware of and are compliant with related national regulations and

also by stipulations in its Corporate Governance Manual and the Code of Business Conduct found on this link: <http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>. Please see section on Anti-corruption for more details.

### Opportunities

Stakeholders: Employees, the government, suppliers, providers of capital (stockholders, investors, lenders), the community

As the generated economic value increases in the future, more opportunities to increase the economic value to be distributed to stakeholders are foreseen, especially to the community and to providers of capital.

### Management Approach to Identified Opportunities

The Company will continue implementing the management approaches highlighted above to further enhance its ability to realize the opportunities identified.

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

### Anti-corruption

#### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption Training	100	%

#### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

## Impacts & Risks

Stakeholders: Employees, partners, regulators, investors

Anti-corruption protocols and procedures are in place throughout the Company – from the Board to the employee ranks. Corruption cases would have serious negative impact on the KPPI brand, goodwill, and reputation.

## Management Approach to Identified Impacts and Risks

KPPI's Code of Business Conduct states that: Employees must, under no circumstances, offer, promise, give or authorize the giving, directly, indirectly or through third parties, of any bribe, kickback, illicit payment, benefit in kind or any other advantage to a Government Official or Government Entity, private sector customer, supplier, contractor, or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity. Facilitation payments could also create bribery risks. Accordingly, employees should not make any facilitation payments on any Group company's behalf. Similarly, employees must not under any circumstances solicit or accept, directly or indirectly, any bribe, kickback, illicit payment, benefit in kind or any other advantage from any Government Official or Government Entity, customer, supplier, contractor, or any other person or entity that is intended to induce or reward an improper performance or non-performance of a function or activity.

Employees should avoid giving or receiving gifts or hospitality (including entertainment, meals, business travel, tickets to social, entertainment or sports events etc) which is excessive in value, given too often, or leaves the employee or (as the case may be) the other person in a position of obligation or possible perceived obligation. Gifts or hospitality in the form of cash or cash equivalent should be avoided.

Donations, sponsorships and contributions made on behalf of a Group Company must not be used as a subterfuge for bribery.

More details on the Code of Business Conduct can be found in this link:

<http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>

The Company's Corporate Governance Manual also stipulates directors' training on corporate governance (Section VI) where any person found with any case of corruption is disqualified from assuming the post (Section II). Furthermore, it highlights that the Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and its governance. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement. More details on the Corporate Governance Manual can be found in this link:

<http://www.keppelland.com.ph/pdf/2017-NewManualonCorporateGovernance.pdf>

## Opportunities

Stakeholders: Employees, partners, regulators, investors

KPPI values integrity and enjoins all stakeholders, especially its employees and partners to act with ethics and integrity. There were no reported incidences of corruption for this reporting period. The Company will continue in its vigilance and increase efforts against corruption through policies and training as well as other means to avoid such occurrences in the Company's operations.

### Management Approach to Identified Opportunities

The Company shall take steps in evaluating the effectiveness of policies and measures against corruption and further formulate and implement management approaches to battle such occurrences.

## CYBER SECURITY AND DATA PROTECTION

### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	0	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

### Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

### Impacts & Risk

There were no cases of breaches of data privacy among the Company's tenants and its employees. The Company could be liable if there are breaches in data privacy. These could lead to cases of breach of contract which will have regulatory and reputational implications.

### Management Approach to Identified Impacts and Risks

KPPI takes its tenants and employees' privacy very seriously and it strictly complies with the Data Privacy Act. As stated above as an example, the tenants' privacy is also included in the Company's contract with them and as such, tenants' names are not displayed in the building lobby for their protection and are released only on a need-to-know basis. In the same way, employees' personal records are also safely guarded and will be released only upon the employees' approval, unless otherwise compelled by government authority.

## Opportunities

As with customer privacy, the Company will continue to be vigilant in safeguarding the data of its employees and its operations.

## Management Approach to Identified Opportunities

To the best of its knowledge, there were no breaches of data. As such, the Company continues in its current policies and practices to safeguard data privacy.

## SUPPLY CHAIN AND RESPONSIBLE PROCUREMENT

### Supply Chain Management

*Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:*

To integrate the Keppel Group's sustainability principles across the supply chain, KPPI requires its suppliers to sign a Supplier Code of Conduct. The Company expects its suppliers to abide by this code and it reserves the sole right to discontinue business with any supplier who violates its requirements on business conduct, human rights, safety and health, and environmental management.

*Do you consider the following sustainability topics when accrediting suppliers?*

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Included in construction specifications
Forced labor	Y	KPPI complies with all government requirements wherever it operates; these are mentioned in bidding Terms of Reference
Child labor	Y	KPPI complies with all government requirements wherever they operate; these are mentioned in bidding Terms of Reference
Human rights	Y	KPPI complies with all government requirements wherever they operate; these are mentioned in bidding Terms of Reference
Bribery and corruption	Y	A provision in the supplier contract.



## Procurement Practices

### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers*	~ 100	%

*\*Only includes raw materials used for construction*

### Impacts & Risks

Adhering to global standards for sustainable buildings, KPPI's development should comply with several criteria in resource management. This means that from the planning and design stage, there are already identified fixtures and equipment that will enable its buildings to operate at a more efficient level compared to buildings with standard designs.

During construction, the Company sourced suppliers that met its standards in fixtures and equipment. Its contractors also met standards in safety and quality and, by working closely with them, the project was finished on time.

Risks in the supply chain could involve awarding contracts to suppliers that do not meet its standards or are not compliant. Violations to these laws by suppliers would negatively impact the Company's brand and reputation. Moreover, these would cause project delays and would also result to higher construction costs.

### Management Approach to Identified Impacts and Risks

Although there is not an explicit policy on all points, the Company's Code of Business Conduct states that: "Keppel's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. In conducting our business, integrity must underlie all relationships, including those with customers, suppliers, communities and employees." It also expects its suppliers to do the same.

In choosing its suppliers and contractors, the Company could source from local suppliers as much as practicable as long as they follow KPPI's standard of checks and balances incorporated and followed by the Keppel Group globally and that they comply with all government mandates and go through the competitive bidding process. During competitive bidding, KPPI checks their credentials while also looking at the best value proposition.

Every step in procurement requires management approval (from pre-qualification to award and to payment). For example, it is company practice to check its contractors' compliance (e.g. giving mandatory benefits to employees) before payments are released to them. Furthermore, suppliers are required to sign the Supplier Code of Conduct which requires suppliers to perform well in the environmental, social, and governance aspects of their businesses.

### Opportunities

The Company will continue evaluating its suppliers using set criteria.

## Management Approach to Identified Opportunities

The Company will continue placing administrative controls regarding this topic in its operations.

## PRODUCT QUALITY AND SAFETY

### Customer Management

#### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No customer satisfaction survey conducted yet	N/A

## Impacts & Risk

The Company provides prime commercial space for tenants and locators to do their business. The risk of unsatisfied customers could lead to tenant attrition which could lead to loss of revenues, as well as a negative impact to reputation.

## Management Approach to Identified Impacts and Risks

In its Code of Business conduct, it is stated that "Keppel's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. In conducting our business, integrity must underlie all relationships, including those with customers, suppliers, communities and employees.' More details on the Code of Business Conduct can be found in this link: <http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>

Customer feedback can be received right after the tenants have started operations in the building. Feedback can be provided to the Property Management Group/Colliers teams and are generally operational in nature.

The Company's transaction with clients is guided by its Leasing Process Flow which requires it to be acknowledged and signed by prospective tenants as soon as they reserve the units. Their expectations are managed based on this guideline.

## Opportunities

There are opportunities to conduct customer surveys in succeeding reporting cycles to provide insights into the level of customer satisfaction. It is the Company's intention to continually improve customer experience levels and enable customers to grow their businesses as they operate within the premises.

## Management Approach to Identified Opportunities

Based on customer engagement initiatives, the Company could further enhance its standard operating procedures and other mechanisms to improve customer satisfaction.

## Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	N/A	#

## Impact & Risk

The Company is committed to providing a safe and healthy work environment for its tenants and other building occupants.

In the Company's operations, occupational health and safety cover the physical condition of workers and their actions as well as workplace and health aspects during the construction, turn over/ delivery, and operation/ utilization of the building. KPPI is 100% committed in pursuing and promoting a Zero Accident workplace as adopted by the Keppel Group.

## Management Approach to Identified Impacts and Risks

As much as KPPI prioritizes the health and safety of its employees, it also places importance in the health and safety of its tenants and assesses potential health and safety issues from site selection to the operation of its buildings. It subscribes to and implements the "Zero Fatality Strategy" adopted by the Keppel Group. These principles include:

- \* Build a high-performance safety culture
- \* Adopt a proactive approach to safety management
- \* Leverage technology to mitigate safety risks
- \* Harmonize global safety practices and competency
- \* Streamline learning from incidents

In addition, the Company also undertakes the following initiatives:

- \* Conduct of safety workshops and campaigns.
- \* Conduct of safety town hall meetings.
- \* Continuous development of Innovative Solution
- \* Safety leadership
- \* Visibility to execute Zero Fatality Program

To further manage the risks that were identified, a nine-point system is performed regularly. This includes:

1. Deliberation and review of work methodology and risk assessment
2. Permit system
3. Regular daily monitoring
4. Inspection
5. Safety briefing and induction

6. Medical clearances and annual medical examination
7. Training and drills
8. Stop Work Orders and Safety Time-Outs
9. Close involvement of frontline personnel or supervisor on actual safe work.

### Opportunities

The Company places a high standard on health and safety, and extends the standards and practices to its tenants and customers as well.

### Management Approach to Identified Opportunities

To realize these opportunities with its tenants and customers, the Company is researching and developing programs that promote its Five Key Safety Principles, as well as sharing best practices that are applicable to tenants' businesses.

### Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and Labelling	0	#
No. of complaints addressed	N/A	#

### Impacts & Risks

In order to get more clients, the Company markets and advertises its buildings to potential tenants. Mislabeling or miscommunicating the features of its products (e.g. green features, terms and conditions) could lead to dissatisfaction and may have regulatory repercussions. It could also tarnish KPPI's brand and reputation.

### Management Approach to Identified Impacts and Risks

Tenant expectations are managed before they sign a contract. Tenants tour the space beforehand, and policies safeguarding the interests of the tenants and the landlord are communicated to them. The standards of a green building and expectations of the landlord are also explained to the tenants. If there are complaints during their lease, tenants are free to get in touch with the property management team.

### Opportunities

The Company will continue to ensure that its marketing and communications collaterals reflect with integrity the spaces and services that it offers.

### Management Approach to Identified Opportunities

The Company will continue placing administrative controls to ensure that its marketing materials accurately capture its offerings and what customers could expect.

## PEOPLE AND COMMUNITY

### OCCUPATIONAL SAFETY AND HEALTH

#### Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours*	2,333,572	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	12	#

\*These are construction man-hours recorded by the Company

#### Impact & Risk

In KPPI's operations, occupational health and safety cover the physical condition of workers and their actions as well as workplace and health aspects during the construction, turn over/ delivery, and operation/ utilization of the building. KPPI is 100% committed in pursuing and promoting a Zero Fatality Strategy, which outlines actionable measures to prevent workplace fatalities such as building a high-performance safety culture, adopting a proactive approach to safety management, leveraging technology to mitigate safety risks, harmonizing global safety practices and competency, as well as streamlining learning from incidents as adopted by the Keppel Group.

During construction, the Company has identified several high-risk activities. These include: Work-at-heights, Hot-works, Electrical works, working in a confined space, vehicle operations, lifting, and Incompatible works. These could result in injury, health conditions, or death. These could also lead to loss of trust from stakeholders, especially from clients.

#### Management Approach to Identified Impacts and Risks

KPPI subscribes to and implements the "Zero Fatality Strategy" as adopted by the Keppel Group. All officers of each business unit and all parties, contractors, and suppliers involved are asked to observe vigilance and the utmost diligence in implementing the aforementioned strategy and ensure its implementation. These principles include:

- \* Build a high-performance safety culture
- \* Adopt a proactive approach to safety management
- \* Leverage technology to mitigate safety risks
- \* Harmonize global safety practices and competency
- \* Streamline learning from incidents

In addition, the Company also undertakes the following initiatives:

- \* Conduct of safety workshops and campaigns.
- \* Conduct of safety town hall meetings.
- \* Continuous development of innovative solutions
- \* Safety leadership
- \* Implementation of the Keppel Zero Fatality Strategy

To further manage the risks that were identified, a nine-point system is performed regularly. This

includes:

1. Deliberation and review of work methodology and risk assessment
2. Permit system
3. Regular daily monitoring
4. Inspection
5. Safety briefing and induction
6. Medical clearances and annual medical examination
7. Training and drills
8. Stop Work Orders and Safety Time-Outs
9. Close involvement of frontline personnel or supervisor on actual safe work.

## Opportunities

At Keppel, safety is a core value. The Company has recognized the following opportunities for continuous improvement:

1. Continuing to build high performance safety culture
2. Leveraging the knowledge and skills of workers to mitigate risk
3. Increasing the individual's value as a skilled and disciplined worker

## Management Approach to Identified Opportunities

To further strengthen and enhance the opportunities that were identified, the Company plans to implement the following:

1. Promotion, Commendation, and Recognition systems
2. Safety Milestone recognition
3. Future work endorsements for high performing individuals

## LABOUR PRACTICES, TALENT MANAGEMENT, AND HUMAN RIGHTS

### Employee Management

#### Employee Hiring and Benefits

##### *Employee data*

Disclosure	Quantity	Units
Total number of employees <sup>18</sup>	38	#
a. Number of female employees	21	#
b. Number of male employees	17	#
Attrition rate <sup>19</sup>	22%	rate
Ratio of lowest paid employee against minimum wage	1.67:1.00	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the Year	% of male employees who availed for the Year
SSS*	Y	100%	100%
PhilHealth*	Y	100%	100%
Pag-IBIG*	Y	100%	100%
Parental leave			
• Maternity leave	Y	100%	100%
• Paternity leave	Y	100%	100%
• Solo parent leave	Y	100%	
Vacation leave	Y	100%	100%
Sick leave	Y	100%	100%
Medical benefits (aside from PhilHealth)**	Y	100%	100.00%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	Y	1%	2%
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)***	Y	100%	100%

\* Excluded from count: expats

\*\* Includes HMO, Group life & Accident Insurance. Probationary not covered by HMO until they are regularized. Expats have separate coverage.

\*\*\* Includes: Rice allowance, medical and reimbursement (Excluded from count: expats and probationary employees)

**Impacts & Risk**

KPPI provides quality and fair employment and benefits.

**Management Approach to Identified Impacts and Risks**

Regular performance evaluations are carried out by supervisors for their direct reports. If there are issues, the Human Resources Department or supervisors communicate directly with the affected staff. Programs on improvements are carried out to enhance employee performance. Employee satisfaction surveys are also conducted annually.

**Opportunities**

The Company will continue to benchmark itself in the industry. Trends in employee relations and engagement can be looked into to improve performance in this aspect in succeeding reporting cycles.

### Management Approach to Identified Opportunities

Policies and mechanisms that may support the identified opportunities will be further studied in the coming reporting cycles.

### Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	104	hours
a. Female employees	40	hours
b. Male employees	64	hours
Average training hours provided to employees	2.74	hours/employee
a. Female employees	1.90	hours/employee
b. Male employees	3.76	hours/employee

### Impacts & Risk

The Company provides training opportunities for its employees to improve their competency and support them in their career progression. Well-trained employees also enhance the productivity of the Company.

### Management Approach to Identified Impacts and Risks

Employees are given opportunities to be trained in areas identified as capability gaps.

### Opportunities

There is an opportunity to benchmark in the industry and look at where KPPI is when it comes to providing training to its employees. These could be provided in classroom/formalized settings or through online classes and other emerging methods such as mentorship.

### Management Approach to Identified Opportunities

In succeeding reporting cycles, training quality and quantity may be improved as a result of benchmarking and gaps analysis in skills and capabilities.



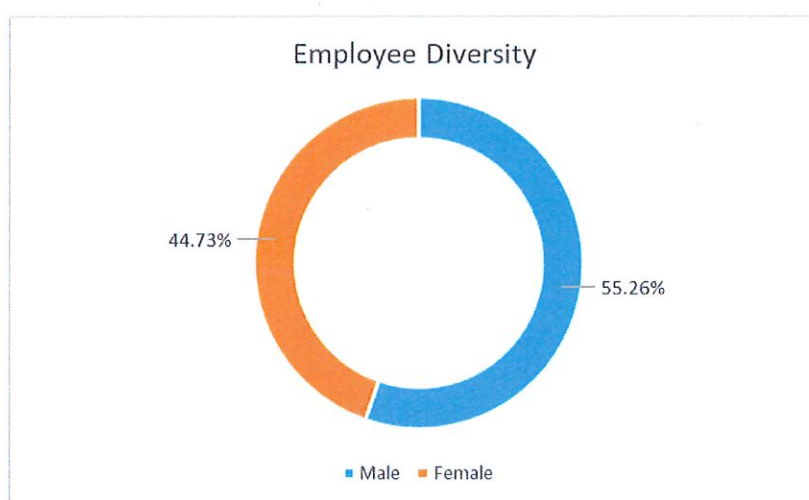
## Labor-Management Relations

This topic is considered not material as there are no employees in KPPI that are covered by CBA.

## Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	55.26%	%
% of male workers in the workforce	44.73%	%
Number of employees from indigenous communities and/or vulnerable sector*	3	#

\* Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).



### Impacts & Risk

KPPI gives equal opportunity to all during the hiring process, regardless of background, gender or race.

### Management Approach to Identified Impacts and Risks

KPPI does not tolerate unethical labor practices in any of its operations and supports the elimination of exploitative work conditions as provided for in the Labor Code of the Philippines.

It is also supported by Keppel Corporation's Employee Code of Conduct which KPPI also follows. The entire Keppel Group is against discrimination on any basis such as ethnicity, sex, religious beliefs, nationality, age, or any physical disability.

The Keppel Group's Corporate Statement on Human Rights can be found in this link:

<https://www.keppcorp.com/en/file/sustainability/our-focus-areas/keppel-group-corporate-statement-on-human-rights.pdf>

## Opportunities

As the male to female ratio is fairly even among our employees, the Company aims to continue this trend in its hiring.

## Management Approach to Identified Opportunities

The Company will continue to review its anti-discrimination practices and provide equal opportunity in its hiring processes based solely on the merits of the applicants and how they fit to the job description.

## Workplace Conditions, Labor Standards, and Human Rights

### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

*Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?*

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

## Impacts & Risks

There are no cases of forced or child labor, or human rights violations in the Company and in the workplace. KPPI continues to provide a conducive workplace for its employees as well as those of its contractors.

Aside from the obvious ethical and moral violations, any form of labor and human rights violations in Company operations could have regulatory or legal ramifications. These could also lead to negative impact to its brand and reputation.

## Management Approach to Identified Impacts and Risks

The Company has zero tolerance for forced labor and child labor, and supports human rights. The Code of Business Conduct indicates that we are to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. In conducting KPPI's business, integrity must underlie all relationships, including those with customers, suppliers, communities and employees. In his connection, employees are required to have the strength to do what they believe to be right in difficult situations.

As such, the Company strictly enforces its Code of Business Conduct in all facets of operations to mitigate or even prevent cases of forced or child labor, or human rights violations. The Code of Business Conduct can be found in this link: <http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>

Moreover, KPPI does not tolerate unethical labor practices in any of its operations and supports the elimination of these exploitative work conditions.

The Keppel Group’s Corporate Statement on Human Rights can be found in this link:

<https://www.keppcorp.com/en/file/sustainability/our-focus-areas/keppel-group-corporate-statement-on-human-rights.pdf>

### Opportunities

The Company will continue in its vigilance and increase awareness against all forms of labor and human rights misconduct in all facets of its operations.

### Management Approach to Identified Opportunities

The Company will continue placing administrative controls regarding this topic in its operations.

## COMMUNITY DEVELOPMENT

### Relationship with Community

#### Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community
West Tower operations	Ortigas Center, Pasig City	PWDs	N	None
Podium Mall	Ortigas Center, Pasig City	PWDs	N	None

#### Mitigating measures:

There were no displaced communities due to the construction of buildings as the site was previously for an old building which had been demolished.

The West Tower and Podium Mall have provided jobs for people in the Pasig and Mandaluyong area as well as the rest of the East Zone. The mall attracts high-end restaurants and shops while the West Tower hosts multinational companies.

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: N/A

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

### Impacts & Risks

If the Company did not secure the proper permits or have been branded with ill repute in the community, it would not have the license to operate in the area.

### Management Approach to Identified Impacts and Risks

In its Code of Business conduct, it is stated that Keppel’s policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. In conducting our business, integrity must underlie all relationships, including those with customers, suppliers, communities and employees. More details on the Code of business Conduct can be found in this link: <http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>

Its Corporate Governance Manual (Section XI) also states that "The Corporation shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development." More details on the Company’s Corporate Governance Manual can be found in this link:

<http://www.keppelland.com.ph/pdf/2017-NewManualonCorporateGovernance.pdf>

### Opportunities

For this reporting period, there were no identified negative impact to local communities. The Company will continue to implement the policy safeguards that it has in place.




### Management Approach to Identified Opportunities


The Company will continue implementing administrative controls to avoid any potential negative impacts to communities.


# Product or Service Contribution to UN Sustainable Development Goals


Key products and services and its contribution to sustainable development.

These eight SDGs are integrated into KPPI’s business and serve as the supporting framework to guide the Company’s sustainability strategy. These apply to The Podium West Tower and The Podium Mall.

Strategic Pillars	Material Issues	SDGs	Approach	Highlights and Contribution to the UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Environmental Stewardship	Climate Action Environmental Management	  	<p>KPPI is focused on creating properties that harmonise with and enhance the environment.</p> <p>The Company is committed to minimising our environmental impact and are focused on sustainable management and efficient use of natural resources.</p> <p>KPPI aims to reduce wastages through resource efficiency, reuse of natural resources, and recycling.</p>	<p>To support the climate change agenda, KPPI is committed to develop green properties, optimise resource efficiency, as well as tap on renewables.</p> <p>In line with its sustainability strategy, the Company targets to reduce our carbon emissions intensity, as well as energy and water consumption intensity.</p> <p>An eco-icon, The Podium West Tower, was built to the BCA Green Mark Gold Standard and the LEED Gold standard. The development consumes minimally 14% less energy and 30% less water than standard building designs.</p>	<p>If the building followed standard designs, it would consume more energy and water, leading to more GHG emissions and effluents.</p>	<p>To decrease resource consumption, the Podium West Tower has fixtures such as a double-glazed glass façade to minimize solar heat gain, a green roof to reduce cooling energy load, LED lighting, variable refrigerant volume air conditioning equipment, high efficiency chiller units, and dynamic power metering. Water-efficient fixtures are also used in toilets with a centralized sewage treatment plant; rainwater is harvested and grey water is treated for reusing.</p>

<p><b>Responsible Business</b></p>	<p>Economic Sustainability Corporate Governance Risk Management</p>	 	<p>The Company regards sustainable urbanisation both as a corporate responsibility and a source of business opportunities. KPPI is committed to apply knowledge and skills to drive innovation and support economic development and the well-being of its community.</p> <p>KPPI conducts its business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. The Company's stance on regulatory compliance is clear and consistently reiterated from the top of the organisation. The Company has zero tolerance for fraud, bribery, corruption and violation of laws and regulations.</p>	<p>KPPI's business operations generate employment, opportunities for suppliers and tax revenues for governments.</p>	<p>There may be risks of corruption in the operations.</p>	<p>KPPI continues to be firm in its zero tolerance stance against corruption and will implement safeguards against it.</p>
<p>Supply Chain &amp; Responsible Procurement</p>	<p>Supply Chain &amp; Responsible Procurement</p>		<p>KPPI works closely with our suppliers to make a positive impact on their sustainability performance.</p>	<p>All suppliers of KPPI are required to sign a Supplier Code of Conduct which requires them to perform well in the environmental, social,</p>	<p>Suppliers could have negative impacts on the environment and to society.</p>	<p>KPPI will continue to implement its zero tolerance stance against labor practices and also ensure that suppliers follow</p>

	<p>Product Quality &amp; Safety</p>		<p>KPPI exercises due care and diligence in the design, construction and operation of its products and services to ensure that they do not pose hazards to customers.</p>	<p>KPPI adopts a set of Responsible Design Values, including Design for Quality and Design for Safety, to ensure quality and safety principles are incorporated into designs right from the start.</p>	<p>The product design may not meet the standards of Responsible Design Values which could compromise product quality.</p>	<p>KPPI will continue its due diligence from design and construction to operations to ensure that its products meet all design specifications.</p>
<p><b>People and Community</b></p>	<p>Occupational Safety &amp; Health Labour Practices, Talent Management &amp; Human Rights</p>		<p>Providing a safe and healthy working environment for all stakeholders is fundamental to the Company's commitment to conduct business responsibly. KPPI's business sparks economic growth, productivity and jobs. The Company's hiring policies</p>	<p>KPPI achieved zero fatalities in 2019. The Company is committed to maintain an incident and injury-free work environment.  KPPI adheres to the Keppel Group's stance on human rights. The Company also believes in the importance of promoting an inclusive and</p>	<p>Poor building design could put workers and customers' health and safety at risk.</p>	<p>KPPI adheres to strict building design standards and follows all health and safety regulations.</p>

	Community Development		<p>ensure equal employment opportunities for all.</p> <p>Through collaboration with stakeholders, KPPI shares knowledge best practices, as well as financial and human resources to support the achievement of the SDGs.</p>	<p>harmonious workplace, and gives equal opportunity to all during the hiring process, regardless of background, gender or race.</p> <p>The Company is committed to continue its efforts in collaborating with partners and stakeholders, so as to create value for its stakeholders and the wider community.</p>	<p>If the site is not properly selected, it could result in displacement of residential communities.</p>	<p>The location is built on a site of a former building and not on a residential area, such that no displacement and relocation occurred during the course of The Podium West Tower's construction. Moreover, stringent measures were put in place to ensure that the building meets green building standards.</p>
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