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)

U N I T S   2 2 0 3   A N D   2 2 0 4 ,   R A F F L E S
C O R P O R A T E   C E N T E R ,   F .   O R T I G A S
J R .   R O A D ,   O R T I G A S   C E N T E R ,   P A S I
G   C I T Y

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
keppel.prop@kepland.com.ph	(632) 584-6170	0917-8719371

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,250	06/08	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Lee Foo Tuck	leeft@kepland.com.ph	(632) 584-6170	0917-8719371

Contact Person's Address

Units 2203/2204, Raffles Corporate Center, F. Ortigas Jr. Road, Ortigas Center, Pasig City

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

Securities and Exchange Commission
Electronic Records Management Division
APR 11 2017
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

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

1. For the fiscal year ended December 31, 2016

2. SEC Identification Number PW305

3. BIR Tax Identification No. 000-067-618 VAT

KEPPEL PHILIPPINES PROPERTIES, INC.
4. Exact name of registrant as specified in its charter

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

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

12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 (business office temporarily moved to Units 2203-2204 Raffles Corporate Center F. Ortigas Jr. Avenue (formerly Emerald Ave.) OrtigasCenter, PasigCity)
7. Address of registrant's principal office Postal Code

(632) 584-6170 to 71
8. Registrant's telephone number, including area code

N/A
9. 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

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock – ₱ 1.00 Par Value	296,629,900 (Inclusive of Treasury Shares)
Debt Outstanding	Nil

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

Yes [/] No [ ]

12. Check whether the registrant:

(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 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 90 days.

Yes [/] No [ ]

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

₱237,520,071

DOCUMENTS INCORPORATED BY REFERENCE

14. 2016 Audited Consolidated Financial Statements (incorporated as reference to item 7 of SEC Form 17-A)

KEPPEL PHILIPPINES PROPERTIES, INC.
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PART I- BUSINESS AND GENERAL INFORMATION

1. BUSINESS

The Company

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

The Parent Company was registered with the Philippines Securities and Exchange Commission (SEC) on February 7, 1918. Its corporate life was extended for another fifty (50) years starting February 7, 1968.

The Parent Company is 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 (SGX).

Subsidiaries

CSRI Investment Corporation ("CSRI") was incorporated in Philippines on 25 October 1990. CSRI, a wholly owned subsidiary of KPP, is a holding company with investments in stocks, shares, securities and other investment instruments similar or related in nature. CSRI's source of income is solely from investment in securities.

Buena Homes, Inc. ("BHI") was incorporated in Philippines on 25 May 2000. BHI, a wholly owned subsidiary of KPP, is engaged in property holding and development. It is presently developing Palmdale Heights, a residential condominium project in Pasig City through Buena Homes (Sandoval) Inc. ("BHSI"), 40% owned by BHI.

Associates

The Parent Company is not directly involved in property development. The associated companies completed projects are as follows:

Associates	Ownership	Project
SMKL	40%	The Podium Mall
BHSI	40% owned through BHI	Palmdale Heights Residential Condominium

Business

The Parent Company and its subsidiary, BHI, hold investments in associates involved in property holding and development, and renders property management consultancy services to these associates.

At the same time, the Parent Company, through its associated companies, is engaged in real estate development of suitable land sites for residential, office and commercial uses.

i) Residential

Palmdale Heights

The project is a suburban middle-income residential development located on a 23,924 sqm site in Sandoval Avenue, Brgy. Pinagbuhatan, Pasig City, Metro Manila. The project comprises six residential blocks (with a total of 828 units at 138 units per block), two-storey clubhouse, swimming pools, parks, playgrounds and parking areas for sale with a total of 232 parking slots. Each residential unit has a floor area of 40 to 50 square meters ("sqm").

As at December 31 2016, 99% (823 units) of the 828 launched units and 63% (147 units) of the 232 parking lots have been sold.

ii) Office/Retail

The Podium

The Podium is the first phase of the retail component in the mixed-use development. It is located in the central business district of Ortigas, Mandaluyong City, Manila. Within the five-storey mall, it offers a first-class shopping experience with a mix of 156 specialty stores featuring well known international and local labels. It has a wide selection of fine restaurants, service outlets and two cinemas.

The total leasable area is 16,995 sqm with occupancy rate of 90% as of December 31, 2016.The operation of the mall is handled by Shopping Center Management Corporation.

Competition

As a property developer, KPP considers the following property developers as the industry's key players in terms of end products:

	Comprehensive Income YTD 3Q2016 In Php Billions
SM Prime Holdings, Inc.	17.9
Ayala Land Inc.	17.4
Robinson's Land Corporation	4.9

Source: Published corporate disclosures.

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

In the residential sector, BHSI faces stiff competition from other developers who have set their targets on the middle income, a market segment that has also been the focus of BHSI. With its track record as a developer of quality housing projects, BHSI will remain competitive in this sector.

In the retail sector, the market is expected to remain competitive as more developers venture into, or expand in this sector. The Podium has established its presence since its launch in August 2002. With its unique design and spacious ambiance, The Podium has become the preferred meeting place for young professionals and also the venue of choice for gala events.

Transactions With and/or Dependence on Related Parties

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

a. The Parent Company has a Consultancy Agreement with Straits Mansfield Property Marketing (SMPM) effective January 2016 based on agreed rates.

b. The Parent Company provides management advisory and consultancy services to SMKL. Management consultancy fees are computed based on agreed rates.

c. The Parent Company grants advances to certain associated companies.

Need For Any Governmental Approval Of Principal Products Or Services

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 up to mortgage financing/refinancing to pre-selling.

The Company, through its associated companies, has complied with the application and approval process required by the Government, which are described below:

After the developer has identified and finalized the project development plan, an application is made for a development permit. The developer is required to submit as part of each application for a development permit an Environmental Impact Statement (EIS) prepared by a qualified environmental consultant. Where a project or property is classified as "environmentally critical" the developer is required to obtain an Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR). As a requirement for the issuance of ECC, an Environmental Geological and Geo hazard Assessment Report (EGGAR) should be submitted.

After a development permit is obtained, an application is made for a license to sell the individual subdivision units from Housing and Land Use Regulatory Board. Approval may also be required from the Land Management Bureau (for industrial use land) or the Land Registration Authority (for residential use land) for the relevant subdivision plan.

The Company, through its associated companies, has complied with all applicable Philippine governmental and environmental laws and regulations.

Employees

The Company had 11 employees as at December 31, 2016. No significant hiring or recruitment is expected in 2017.

	No. of Employees
Senior Management	2
Human Resources	3
Finance and Administration	5
Information Technology	1
Total	11

Risks

The Parent Company's business activities are conducted in the Philippines and its revenues and operating profits are derive from its investments and the activities of its associates, SMKL and BHSI, in the Philippines which exposes the Parent Company 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 in ensuring that business processes are clearly defined, in compliance with the Parent's Company's policies and procedures, and are performed effectively and efficiently in satisfying stakeholders' needs.

Moreover, BHSI and SMKL obtain updates on markets/prices and current economic and political developments. An assessment is then made of the financial viability of proposed projects in the light of current economic, political and industry indicators.

Projects Under Development

SMKL Phase 2 Mixed Use Development

The project site is a 12,540 sqm plot beside The Podium (Podium). It is the site of the former Benguet Centre Building which was demolished in May 2010. When completed, the development will have an expanded and integrated 6-level basement carpark with estimated gross floor area of 77,520 sqm and 5-storey retail mall with estimated gross floor area of 34,000 sqm linked to the existing Podium mall. A 42-storey Grade A, LEED Gold certified office tower with estimated gross floor area of 112,500 sqm will be constructed on top of the expanded retail mall.

Excavation works started in January 2014 and was completed in November 2014. Main contract works were awarded in January 2015. The mall is planned to be operational by September 2017. Construction of the office tower is planned to begin after completion of the mall in 2017.

Consultants and main contractor appointed for this project include the following:

Type of Works	Consultants
Concept Architect	Arquitectonica
Design Architect	FSL & Associate Co.
Construction and Cost Manager	Design Coordinates, Inc.
Structural Engineer	Eccruz Corporation
Quantity Surveyor	Langdon & Seah Philippines
Main Contractor	DDT Kontract, Inc.

2. PROPERTIES

As of December 31, 2016, the associated companies' investments in real estate properties are as follows:

	Type Of Property	Location	Description	Remarks
a.	Land & Buildings	ADB Avenue, Ortigas Center, Mandaluyong City	20,000 sq. m site on which stands The Podium Mall	40% owned by the Company through its associate, SMKL. SMKL Phase 2 land area of 12,932 sq. m is mortgaged to BDO Unibank, Inc.
b.	Land	Sandoval Avenue, Pasig City.	Land consisting of five (5) contiguous lots containing an aggregate of 17,830 sq. m, the undeveloped site of Palmdale Heights	40% owned by the Company through its associate, BHSI. Not mortgaged.

3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not parties to any lawsuit.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no other matters submitted to a vote of security holders during the fourth quarter of the year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

The common equity of the Company is traded in the Philippine Stock Exchange. There is no restriction for any cash dividends declaration. However, no cash dividends were declared from 2003 to 2016.

STOCK PRICES	2017		2016		2015	
	High	Low	High	Low	High	Low
First Quarter	₱4.21	₱4.02	₱6.75	₱3.50	₱4.32	₱3.81
Second Quarter	-	-	6.70	4.01	7.37	3.68
Third Quarter	-	-	5.49	4.22	5.75	3.20
Fourth Quarter	-	-	5.60	4.01	4.79	3.72

The Company has no acquisition, business combination, or other reorganization planned in the near future which involves issuance of securities.

There were no recent sales of unregistered or exempt securities.

The Company's common shares were last traded on March 30, 2017 (the latest practicable trading date) at ₱4.05 per share.

As of December 31, 2016, the number of shareholders on record totaled 1,250 and the total common shares outstanding was 293,828,900. Following is the table of the Company's top 20 stockholders as of December 31, 2016:

	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.	PCD Nominee Corporation - Filipino	30,773,768	10.47
5.	PCD Nominee Corporation – Foreign	4,442,336	1.51
6.	International Container Terminal Services Inc.	4,265,171	1.45
7.	George S. Dee, Jr.	3,442,891	1.17
8.	PNOC Shipping and Transport Corporation	2,227,511	0.76
9.	Visayan Surety & Insurance Corporation	1,671,664	0.57
10.	Lee Foo Tuck	1,455,708	0.50
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.	Diosdado Rafanan and/or Antonio	181,453	0.06

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

A. Results of Operations

The Company holds investment in associates involved in properties holding and development. It derives its revenue from rendering management consultancy services to associates.

Year Ended 31 December 2016 Compared To 2015

The Company generated total gross revenues of ₱14.2 million, a decrease of ₱4.4 million or 24% from ₱18.6 million in 2015. The 24% decrease was due to lower equity in net earnings of associates which was partially offset by a light increase in management consultancy, franchise fees, and interest income.

- Equity in net earnings of associates and a joint venture decreased by ₱5.8 million (46%) from ₱12.6 million in 2015 to ₱6.8 million in 2016. This account represents Keppel Philippine Properties' share in the net income/loss of its associated companies. Changes in share in net earnings from period to period are dependent upon the results of the operations of the associated companies. The decrease is due to net loss incurred by BHSI in 2016 as compared to net income earned in 2015. This was brought about by lower sales resulting in overheads exceeding gross profit. On the other hand, SMKL showed a gradual increase in net income resulting from higher occupancy rate in 2016 as compared to 2015.

- Management and franchise fees increased by ₱0.4 million, from ₱5.1 million in 2015 to ₱5.5 million in 2016. This is due to higher revenue of SMKL in 2016, on which these fees are based, as compared to 2015.

- Interest income increased by ₱0.9 million, from ₱1.0 million in 2015 to ₱1.9 million in 2016 due to higher interest rate on bank time deposits.

General and administrative expenses increased by ₱8.7 million (24%) from ₱36.3 in 2015 to ₱45.0 in 2016 due to increase in staff cost resulting from additional hires during the year.

Net loss for the year amounted to ₱30.2 million, an increase of ₱16.1 million from the ₱14.1 million loss in 2015.

Year Ended 31 December 2015 Compared To 2014

The Company generated total gross revenues of ₱18.6 million, a decrease of ₱9.1 million or 33% from ₱27.7 million in 2014. This is due to the combined effects of the following:

- Equity in net earnings of associates and a joint venture decreased by ₱7.7 million (38%) from ₱20.3 million in 2014 to ₱12.6 million in 2015. This account represents KPP' share in the net income/loss of its associated companies. Changes in share in net earnings from period to period are dependent upon the results of the operations of the associated companies. The decrease is due to the combined effects of BHSI loss on disposal of its land coupled with SMKL's lower net income caused by Podium's decline in occupancy and rental rate. Podium's mall operation was affected by the on-going major renovation in its retail spaces.

- Management and franchise fees went down by ₱1.6 million, from ₱6.7 million in 2014 to ₱5.1 million in 2015 due to the decrease in the Podium's rental income on which these fees from SMKL are based.

- Interest income increased by ₱0.4 million, from ₱0.6 million in 2014 to ₱1.0 million in 2015 due to higher level of cash and cash equivalents.

General and administrative expenses increased by ₱10.8 million (42%) from ₱25.5 in 2014 to ₱36.3million in 2015 which is due to increase in salaries and professional fees.

Net loss for the year amounted to ₱14.1 million, a complete reversed from net income of ₱2.3 million in 2014.

<u>Year Ended 31 December 2014 Compared To 2013</u>

The Company generated total gross revenues of ₱27.7 million, a decrease of ₱10.1 million or 27% from ₱37.8 million in 2013. This is due to the effects of the following:

- Equity in net earnings of associates and a joint venture decreased by ₱5.9 million (23%) from ₱26.2 million in 2013 to ₱20.3 million in 2014. The decrease in SMKL's net income was due to the Podium's lower occupancy and rental rate caused by the on-going major renovation in its retail spaces. Podium management implemented a temporary mall-wide rental discount ranging from 30% to 40% to compensate the tenants for the inconvenience of the on-going construction works.

- Management and franchise fees went down by ₱2.5 million, from ₱9.2 million in 2013 to ₱6.7 million in 2014, due to the decrease in the Podium's rental income on which these from SMKL are based.

- Interest income dropped by ₱1.9 million to ₱0.6 million from ₱2.5 million in 2013 due to the decline in bank deposits interest rate in 2014.

General and administrative expenses increased by ₱2.1 million, due to increase in salaries and professional fees.

Net income for 2014 amounted to ₱2.3 million, a decrease of ₱14.3 million from ₱16.6 million in 2013.

KEY PERFORMANCE INDICATORS

For The Years Ended	December 2016	December 2015	% Change
Return On Assets	(1.71%)	(0.79%)	116%
Loss Per Share	₱0.10	₱0.05	100%
Operating Expense Ratio	317.47%	195.33%	63%
Net Tangible Asset Value Per Share	₱3.44	₱3.55	3%
Working Capital Ratio	2.3:1	2.6:1	(12%)

a. Return On Assets – It indicates how effectively the assets of the Company are utilized in generating profit. Net loss after tax amounted to ₱30.2 million in 2016 which increased by ₱16.1 million from ₱14.1 million in 2015. The higher losses is due to a significant increase in general and administrative expenses combined with a drop in equity in net earnings of associates and a joint venture.

	2016	2015
Net Loss After Tax (a)	₱30,174,609	₱14,061,329
Total Assets At Beginning (b)	1,767,973,179	1,782,211,889
Return On Assets (a/b)	(1.71%)	(0.79%)

b. Loss Per Share – It represents the equivalent apportionment of net loss to each share of common stock outstanding. This unfavorable performance is due to higher net loss incurred in 2016 as compared to 2015.

	2016	2015
Net Loss After Tax (a)	₱30,174,609	₱14,061,329
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	₱0.10	₱0.05

c. Operating Expense Ratio – It measures operating expenses as a percentage of revenues. The operating expense ratio increased by 63% due to the 24% decrease in revenues coupled with a 24% increase in operating expenses.

	2016	2015
Operating Expenses (a)	₱44,996,312	₱36,322,415
Revenues (b)	14,173,488	18,595,456
Operating Expense Ratio (a/b)	317.47%	195.33%

d. Net Tangible Asset Value Per Share – It measures the equivalent entitlement of each share of common stock outstanding in the total tangible assets. The tangible assets value per share decrease by 0.3% compared to the previous year due to the decrease in retained earnings resulting from loss incurred during the current 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.

	2016	2015
Net Tangible Assets	₱1,606,246,898	₱1,636,677,155
Less : Preferred Stock	594,741,000	594,741,000
Net Tangible Assets Attributable To Common Stock	1,011,505,898	1,041,936,155
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱3.44	₱3.55

e. Working Capital Ratio – The Company's ability to meet current obligations is measured by determining current assets over current obligations. The Working Capital ratio decreased by 12%.

	2016	2015
Current Assets (a)	₱304,021,399	₱342,026,296
Current Liabilities (b)	130,939,028	131,000,212
Working Capital Ratio (a/b)	2.3:1	2.6:1

B. Financial Position

Year Ended 31 December 2016 Compared To 2015

Total assets decreased by ₱30.7 million to ₱1,737.3 million in 2016 as compared with the prior year's figure of ₱1,768.0 million.

The significant causes of material changes in financial position from period to period are as follows:

1. Cash and cash equivalents declined by ₱3.0 million due to net cash used in operating activities, partly offset by collection of intercompany advances.

2. Receivables decreased by ₱2.5 million resulting from collection.

3. Due from related parties decreased by ₱35.0 million due to collection from associates.

4. Other current assets increased by ₱2.6 million on account from prepaid rent.

5. Investments in associates and a joint venture increased by ₱6.6 million due to the equity in net earnings of associates in 2016.

Year Ended 31 December 2015 Compared To 2014

Total assets decreased by ₱14.2 million to ₱1,768.0 million in 2015 as compared with the prior year's figure of ₱1,782.2 million.

The significant causes of material changes in financial position from period to period are as follows:

1. Cash and cash equivalents increased by ₱55.4 million from ₱151.5 million in 2014 to ₱206.9 million in 2015. The increase is due to collection of reimbursable charges and receipt of payment for loan advances from associates amounting to ₱71.5 million, which was partly offset by cash used in operations.

2. Receivables increased by ₱1.5 million from ₱5.2 million in 2014 to ₱6.7 million in 2015. The increase resulted from additional advances to employees.

3. Due from related parties decreased by ₱84.2 million from ₱192.9 million in 2014 to ₱108.7 million in 2015. The decrease is primarily due to collection of reimbursable charges and receipt of payment for loan advances from associates.

4. Investments in associates and a joint venture increased by ₱12.7 million to ₱1,345.6 million from ₱1,332.9 million due to the increase in equity in net earnings of associates.

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

a) As of December 31, 2016,

- 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 Company's continuing operations.
- o There are no seasonal aspects that had a material impact on the results of operations of the Company.

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 the Company.

c) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company 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 values in the Philippines are affected by the general supply and demand of real estate.

8. INFORMATION ON EXTERNAL AUDITORS

Audit fees and other audit related fees paid by the Group to the External Auditors amounted to ₱400,000 in 2016 and ₱565,070 in 2015. There were no other fees paid.

The Audit Committee's approval 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 then determining whether the fee charged is commensurate with the work carried out.

9. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page24) are filed as part of this Form 17-A (pages 25 to 85).

10. CHANGES IN AND DISAGREEMENTS WITH EXTERNAL AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in and/or disagreements with the Company'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) Mr. Ng Ooi Hooi, 57

Mr. Ng Ooi Hooi, 57, Singaporean, was elected Chairman and Director of the Company in January 2016. Mr. Ng joined Keppel Land Group in 2007 and is currently President, Regional Investments, overseeing the Group's businesses in India, Middle East, Thailand, Myanmar, Malaysia and Sri Lanka. 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.

Mr. Ng is a Director of a number of subsidiaries and associates in 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) Ramon J. Abejuela, 67

Mr. Ramon J. Abejuela, 67 years old, Filipino, has been an Independent Director of the Company from November 1999 to June 2008. Then, he was re-elected in June 2009 and is currently the Chairman of the Audit Committee of the Company.

Mr. Abejuela serves as Director of Philippine Nutrifoods Corporation and NCP Publishing Corporation.

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

(3) Celso P. Vivas, 70

Mr. Celso P. Vivas, 70, Filipino, has been an Independent Director of Keppel Philippines Properties, Inc. since November 2004 and is a member of the Company's Audit Committee.

Mr. Vivas has over 48 years of experience in audit, finance, enterprise risk management and corporate governance.

Mr. Vivas is a Certified Public Accountant and is currently a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. He is also an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc., as well as an Independent Director and a member of the Audit Committee of Keppel Philippines Holdings, Inc. He was 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 the Australian Institute of Company Directors (ICD Scholar).

(4) Stefan Tong Wai Mun, 44

Mr. Stefan Tong Wai Mun, 44, Malaysian, was elected as a Director of the Company in June 2007. He is currently the President and Director of Keppel Philippines Holdings, Inc. He is also the Executive Vice President and Director of Keppel Philippines Marine, Inc. and Director of Keppel Subic Shipyard, Inc. He is also a Director of various Keppel companies in the Philippines.

Mr. Tong holds a Bachelor of Commerce (Honours) Degree from University of Western Australia. He is also a Member of the Institute of Chartered Accountants in Australia.

(5) Mr. Lee Foo Tuck, 61

Mr. Lee Foo Tuck, 61, Singaporean, was elected as a Director of the Company in May 2008. He was Vice President (Finance and Administration) and Treasurer of the Company from April 2004 to June 2008. He was Senior Vice President of the Company from July 2008 to June 2011 when he was appointed as President of the Company.

Mr. Lee has more than 31 years of extensive experience in accounting and finance. Prior to joining the Company he has held managerial positions in several multinational companies from various industries.

(6) Lim Kei Hin, 59

Mr. Lim Kei Hin, 59, Singaporean, was elected a Director of the Company in June 2011. Mr. Lim joined the Keppel Land Group as Chief Financial Officer in July 2007.

Prior to joining the Keppel Land Group, he was with Singapore Airlines Limited and has more than 20 years of diverse experience having served in different financial and general management roles in Singapore, the Philippines, Australia and the United States. His last appointment was Chief Financial Officer of Singapore Airport Terminal Services Limited.

Mr Lim is a Director of Keppel REIT Management Limited and a number of subsidiaries and associated companies of the Keppel Land Group.

Mr. Lim holds a Bachelor of Science (Economics) Degree in Accounting & Finance (Honours) from London School of Economics & Political Science, UK.

(7) Tan Siew Ngok, 60

Ms. Tan Siew Ngok, 60, Singaporean, was elected as a Director of the Company in March 2015. Ms. Tan is the General Manager (Finance and Administration) of Keppel Land International Limited from 2011 to present. She is also a Director of subsidiaries and associated companies of the Keppel Land Group.

Ms. Tan holds a Bachelor in Commerce (Accountancy) Degree from Nanyang University, Singapore. She is a Fellow of CPA, Australia and a Fellow of Institute of Singapore Chartered Accountants.

Key Officers

Mr. Lee Foo Tuck, 61, Singaporean, was appointed President in June 2011. He has been with the Company since April 2004. He held the position of Vice President (Finance and Administration) and Treasurer from April 2004 to June 2008, when he was appointed Senior Vice President of the Company. Mr. Lee is a Certified Accountant and is a Fellow of the Association of Chartered Certified Accountants (U.K.). He has more than 30 years of experience in accounting and finance. He has held various managerial positions in several organizations prior to joining the Company.

Almira A. Añonuevo,42, Filipino, was appointed Treasurer of the Company on 14 June 2012. She joined the Company on 25 July 2011 as Manager, Finance & Accounting. She is a Certified Public Accountant and has received various International Standard Certifications for her competencies in Understanding the Requirements of Quality Management Systems, Management Systems Auditing Techniques and Leading Management Systems Audit. She started her professional accounting stint as an Experienced Auditor at SGV & Co., while in the Keppel Group, as Finance Manager for Keppel Communications Philippines, Inc.

Atty. Ma. Melva E. Valdez, 57, Filipino, has been the Corporate Secretary of the Company since 1999. She also served as Director of the Company from 24 June 2008 to 11 June 2009. She was elected director of Keppel Philippines Holdings (KPH) in 2001. Atty. Valdez is also the Corporate Secretary of KPH since 1998. She is a Senior Partner and Chairman of the law firm of Jimenez Gonzales Bello Valdez Caluya & Fernandez (JGLaw). She is also the Corporate Secretary of Keppel Philippines Marine, Inc. (KPMI), Mabuhay Vinyl Corporation (listed corporations), Subic Shipyard & Engineering Works, Inc. and Asian Institute of Management. She is also a member of the Board of Directors of Leighton Contractors (Philippines), Inc., Servier Philippines, Inc., Buena Homes (Sandoval), Inc. and Asia Contractors Holdings, Inc. She holds directorship positions in the following companies: Logwin Air + Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-Ke Properties, Inc., KP Capital, Inc., Bridex Electric Philippines, Inc., Asia ControlSystems Philippines, Inc., Kepwealth Property Philippines, Inc., Trisilco Folec Philippines, Inc. and Norfolk International, 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 24 years of working experience in her field of profession as a lawyer.

Atty. Myla Gloria A. Amboy, 46, Filipino, was elected as the Company's Assistant Corporate Secretary on 31 March 2007. She is a Senior Associate of the law firm of Jimenez Gonzales Bello Valdez Caluya & Fernandez (JG Law). She is also the Assistant Corporate Secretary of SM Keppel Land, Inc., CSRI Investment Corporation, and Opon Ventures Inc. and the Corporate Secretary of Opon Realty Development Corporation, Opon-KE Properties, Inc. and Servier International Philippines, Inc.

The members of the Board of Directors of the Company 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 the Company's directors and officers covers the past five years.

Significant Employees

No other employees other than the officers mentioned above, are expected to make significant contributions to the business.

Directorships in Other Reporting Companies

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

Celso P. Vivas

Name of Corporation **Position**

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

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

Stefan Tong Wai Mun

Name of Corporation **Position**

Keppel Philippines Holdings, Inc. ....Director and President

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

Family Relationship

There are no family relationship among the directors and officers listed above.

Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or control person of the Company:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

12. EXECUTIVE COMPENSATION

The Company has four (4) executive officers as of 31 December2016.

Name	Principal Position
Lee Foo Tuck	President
Almira A. Anoñuevo	Manager – Finance & Administration
Michelle G. Curiano	Manager – Human Resources
Cyril Q. Mating	Asst. Manager – Finance & Administration

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

A

Top four executive officers as a group unnamed	Salary	Bonus	Others	Total
	In Php Millions			
2017 (Estimate)	6.52	0.22	0.00	6.74
2016	6.21	0.21	0.00	6.42
2015	4.40	0.01	0.20	4.61

B

Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
	In Php Millions			
2017 (Estimate)	1.30	0.00	0.00	1.30
2016	1.18	0.00	0.00	1.18
2015	1.36	0.00	0.00	1.36

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

With respect to directors' remuneration, the directors are being paid directors' fees amounting to ₱80,000 each per annum. Each director also receives an amount of ₱10,000 per diem for attendance at every Board Meeting.

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the last completed year and the ensuing year.

13. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

As of 31 December 2016, the Company has no knowledge of any individual or any party who beneficially owns Keppel Philippines Properties, Inc. stock in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and relationship with The Company	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Shares of Stock	Keppel Land Limited [1] 230 Victoria Street, #15-05 Bugis Junction Towers, Singapore 188024 (Stockholder)	Same as Record Owner	Singaporean	148,365,050	50.49%
Common Shares of Stock	Kepwealth, Inc. [2] 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 [3] 1 HarbourFront Avenue #18-01 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	35,783,741	12.18%
Common Shares of Stock	PD Nominee Corp. – Filipino [4] 37/F Enterprise Bldg. Ayala Avenue, Makati City 1226	Various [5]	Filipino	30,773,768	10.47%

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 in the Company.
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 KCL in the Company.
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 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 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 The Insular Life Assurance Company, Ltd. is the beneficial owner of the following shares of the Company as of December 31, 2016:

	No. of shares held	% of class
The Insular Life Assurance Company, Ltd.	18,496,016	6.29%

(a) Security Ownership of Management:

As of 31 December 2016, the shareholdings of all Directors of Keppel Philippines Properties, Inc. are set forth in the table below:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Lim Kei Hin	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Tan Siew Ngok	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1 Director's Qualifying Share	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1 Director's Qualifying Share	Filipino	0.00%
Common Shares of Stock	Ng Ooi Hooi	1 Director's Qualifying Share	Singaporean	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Lee Foo Tuck	1,455,708	Singaporean	0.50%

None of the compensated executive officers has Security Ownership in the Company as shown in the list of shareholders purchases provided by the Company's transfer agent.

The total security ownership of all directors and officers as a group unnamed is 1,465,713 shares or 0.50% of total shares outstanding.

(b) Voting Trust Holders of 5% or more

As of December 31, 2016, there are no individuals or parties who hold 5% or more of the Company's common stock under a voting trust or similar agreement.

(c) Changes in control

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

14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal year, no director of the Company has received or become entitled to receive any benefit by reason of any contract with the company, a related corporation, a firm of which the director is a member or a company of which a director has a substantial financial interest.

No executive officer or stockholder holding at least 5% interest in the Company received any benefit by reason of the Company's contracts/dealings with any subsidiary, related corporation, or firm of which such persons have a direct or material interest.

PART IV – CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The company complies with the principles and practices of good corporate governance by adherence to its Amended Manual on Corporate Governance ("the Amended Manual").

The Corporation has a Compliance Officer who diligently performs the duties and responsibilities under the Amended Manual, by reporting to 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 the Corporation'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 Company's Amended Manual. The Company also complies with the appropriate self-rating assessment and performance evaluation system to determine and measure compliance with the Amended Manual.

The Company 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 relevant accounting and regulatory standards, and performs oversight of financial management functions. As required by the Rules, two (2) 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 the Corporation's Amended Manual of Corporate Governance 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 the Corporation have attended and actively participated in Corporate Governance Seminars.

The Corporation has submitted its Y2016 PSE Governance Disclosure Report on March 28, 2017.

PART V- EXHIBITS AND SCHEDULES

16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits- See accompanying Index to Exhibits (page 92)

The following exhibit is filed as a separate section of this report:
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 93)

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company 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:

Date	Events Reported
January 15, 2016	Resignation/Election of Director
February 23, 2016	Approval of Audited Financial Statements as of December 31, 2015
March 15, 2016	Setting of the date of the Corporation's Y2016 Annual Stockholders' Meeting and fixing the record date for Stockholders Entitled to Notice of and to vote during the Annual Stockholders' Meeting
April 25, 2016	Schedule, venue and agenda of the Y2016 Annual Stockholders' Meeting of the Corporation
May 3, 2016	Appointment of External Auditor approved by the Board of Directors
June 9, 2016	Approval of the following during the Annual Stockholder's Meeting: Appointment of External Auditor Election of Directors Presentation and Approval of Y2015 Annual Report and Audited Financial Statements as of December 31, 2015 Approval of Directors' Remuneration for Y2016
June 9, 2016	Approval of Directors' Remuneration for Y2015
June 9, 2016	Election of Officers and Appointment of Members of Various Committees for the ensuing fiscal year (2016 – 2017)

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 Pasig on 03 April 2017.

By:

Lee Foo Tuck
President

Almira A. Añonuevo
Treasurer

Atty. Ma. Melva E. Valdez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11 APR 2017 day ______ of 2017 affiant (s) exhibiting to me his/their Community Tax Certificates, as follows:

Names	TIN
Lee Foo Tuck	235-817-895
Almira A. Añonuevo	187-488-070
Ma. Melva E. Valdez	123-493-209

ATTY. JOSE B. DULNUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 458-16
IBP LIFETIME NO. 0995268 / IFUGAO
PTR NO. 69252527, 1-3-17, Cainta, Rizal
ROLL NO. 26304
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL 04-14-2019
D22-AB GUVENTVILLE II, D.M. GUEVARA ST.
MAUWAY, MANDALUYONG CITY
TEL 532-8858, 5334664
Email: jbdulnuan@gmail.com

Doc. No. 428
Page No. 86
Book No. 77
Series of 2017.

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

* These schedules, which are required by Part IV (e) of RSA Rule 48, have been omitted because they are either not applicable, or the information required to be presented is included in the Company's Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

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 Republic of the Philippines in Singapore, duly commissioned and qualified, do hereby certify that

CHIA CHOON YANG

before whom the annexed instrument has been executed, to wit:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS SIGNED BY NG OOI HOOI OF KEPPEL PHILIPPINES PROPERTIES INC

was at the time he/she signed the same **NOTARY PUBLIC** 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 8 MARCH 2017.

Service No.: 01547
O.R. No. : 2-216145
Fee Paid : $42.50

J. ANTHONY A. REYES

59.50

TO ALL TO WHOM THESE PRESENTS SHALL COME

I CHIA CHOON YANG NOTARY PUBLIC duly appointed in the Republic of Singapore DO HEREBY CERTIFY THAT

KEPPEL PHILIPPINES PROPERTIES, INC is a Philippine registered company.

Attached is a Statement of Management's Responsibility for Financial Statements for the years ended December 31, 2016, 2015 and 2014 signed on 16 February 2017 by Ng Ooi Hooi its duly authorised Chairman of the Board.

IN TESTIMONY WHEREOF I the said Notary have hereunto subscribed my name and affixed my seal of office this 16th day of February 2017.

NOTARY PUBLIC
Chia Choon Yang
N2016/0025
1 Apr 2016 – 31 Mar 2017
SINGAPORE

WHICH I ATTEST

NOTARY PUBLIC
REPUBLIC OF SINGAPORE

REPUBLIC OF SINGAPORE
NOTARY PUBLIC

Keppel Philippines Properties

Keppel Philippines Properties, Inc.
Units 2203-2204 Raffles Corporate Center
F. Ortigas Jr. Road, Ortigas Center
Pasig City 1605, Philippines

Tel : (632) 5846170
(632) 5846171
(632) 5843913
Fax: (632) 5843915

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR 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, for the years ended December 31, 2016, 2015 and 2014, 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 consolidated financial statements that are free from material misstatement, whether due to fraud of 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 or members.

Isla Lipana & Co. and SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2016 and 2015, respectively, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders have expressed their opinion on the fairness of presentation upon completion of such audit.

NG OOI HOOI
Chairman of the Board

LEE FOO TUCK
President

ALMIRA A. AÑONUEVO
Treasurer

Signed this 16th day of February 2017

Acknowledgment

SUBSCRIBED AND SWORN to before me this MAR 2 9 2017 at MANDALUYONG C affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Lee Foo Tuck	E3425160D	September 27, 2012	March 14, 2018
Almira A. Añonuevo	TIN 187-488-070		

DOC. NO. 162
PAGE NO. 33
BOOK NO. 68
SERIES OF 2017

ATTY. JOSE B. DULNUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 456-16
IBP LIFETIME NO. 0965268 / IFUGAO
PTR NO. 5925?527, 1-3-17, Cainta, Rizal
ROLL NO. 26304
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL 04-14-2019
D-3-A? GIVENTVILLE II, D.M. GUEVARA ST.
MANDALUYONG CITY

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Units 2203 and 2204, Raffles Corporate Center,
F. Ortigas Jr. Road (formerly Emerald Avenue),
Ortigas Center, Pasig 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, 2016, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at December 31, 2016;
- the consolidated statement of total comprehensive income for the year ended December 31, 2016;
- the consolidated statement of changes in equity for the year ended December 31, 2016;
- the consolidated statement of cash flows for the year ended December 31, 2016; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit 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.

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of share in net earnings of a joint venture Refer to Note 19 to the consolidated financial statements. We focused on this balance because of the estimation uncertainty involved and the judgments that management made in determining the balance. Due to the early year-end closing, management had to estimate the net earnings of a joint venture for the purpose of determining the Group's share in the joint venture's net earnings. At that time, the financial information of the joint venture for the months of November and December 2016 was not yet available. The estimate was based on management's assessment of the historical trend of the joint venture's operations, taking into account the circumstances existing during the periods covered by the estimate. For the year ended December 31, 2016, the Group's share in the net earnings of the joint venture amounted to P8.3 million.	Our audit procedures included obtaining an understanding of the estimation process, reviewing management's basis for the estimate, and performing a retrospective analysis of management's estimate. We have performed an independent assessment of management's assumptions and tested them for reasonableness. One key assumption was that the results of the joint venture's operations for the months of November and December were substantially consistent with those of October. We tested such assumption by reviewing the significant revenues and expenses of the joint venture and assessing whether there were factors that would cause a significant increase or decrease in November and/or December. No such factors were identified. We also determined the trend of the joint venture's operations for the months of November and December in the prior year and noted that there was no significant increase or decrease in revenues and expenses from October to December. In addition, we have performed a retrospective analysis of management's estimate by comparing the prior year estimate to the actual results of operations of the joint venture. Based on the analysis performed, the variance between the estimate and actual earnings of the joint venture in the prior year was insignificant.

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.

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.

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.

Other Matter

The consolidated financial statements of the Group as at December 31, 2015 and for the years ended December 31, 2015 and 2014 were audited by another firm of auditors whose report, dated February 23, 2016, expressed an unmodified opinion on those statements.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 6, 2017, Makati City
SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
TIN 152-015-078
BIR A.N. 08-000745-42-2015, issued on January 29, 2015; effective until January 28, 2018
BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to
Board Resolution No. 37 series of 2017

Makati City
February 16, 2017

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Financial Statements
As at and for the year ended December 31, 2016
(With comparative figures as at December 31, 2015 and for the years ended December 31, 2015 and 2014)

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statement of Financial Position
December 31, 2016
(With comparative figures as at December 31, 2015)
(All amounts in Philippine Peso)

	Notes	2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	2	203,870,854	206,916,313
Receivables	3	4,163,502	6,663,734
Due from related parties	10	73,675,374	108,724,018
Prepayments and other current assets	4	22,311,669	19,722,231
Total current assets		304,021,399	342,026,296
Non-current assets			
Available-for-sale financial assets	5	79,512,230	79,512,230
Investments in associates and a joint venture	6	1,352,170,092	1,345,566,510
Property and equipment, net	7	1,011,342	184,252
Retirement benefit asset	15	420,164	576,781
Refundable deposits		120,108	107,110
Total non-current assets		1,433,233,936	1,425,946,883
Total assets		1,737,255,335	1,767,973,179
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	8	6,854,079	6,926,165
Due to related parties	10	124,003,885	124,000,000
Income tax payable		81,064	74,047
Total current liabilities		130,939,028	131,000,212
Non-current liability			
Deferred income tax liabilities, net	13	69,409	295,812
Total liabilities		131,008,437	131,296,024
Equity	9		
Share capital		356,104,000	356,104,000
Share premium		602,885,517	602,885,517
Treasury shares		(2,667,645)	(2,667,645)
Other reserves		679,410	935,058
Retained earnings		649,245,616	679,420,225
Total equity		1,606,246,898	1,636,677,155
Total liabilities and equity		1,737,255,335	1,767,973,179

The notes from pages 1 to 44 are an integral part of these financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statement of Total Comprehensive Income
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Notes	2016	2015	2014
Revenue and income				
Equity in net earnings of associates and a joint venture	6	6,754,238	12,552,560	20,323,109
Management consultancy and franchise fees	10	5,506,688	5,070,692	6,741,020
Interest income	2	1,912,562	972,204	608,337
		14,173,488	18,595,456	27,672,466
General and administrative expenses	11	(44,996,312)	(36,322,415)	(25,441,116)
Other income, net	12	1,310,578	4,333,665	(141,465)
Income (loss) before income tax		(29,512,246)	(13,393,294)	2,089,885
Income tax benefit (expense)	13	(662,363)	(668,035)	208,403
Net income (loss) for the year		(30,174,609)	(14,061,329)	2,298,288
Other comprehensive income (loss)				
Items that will not be subsequently reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plan	15	(149,989)	316,734	36,754
Deferred income tax relating to actuarial loss (gain)	15	44,997	(95,020)	(11,026)
Share in actuarial gains (losses) of an associate and a joint venture	6	(150,656)	66,707	(44,877)
		(255,648)	288,421	(19,149)
Total comprehensive income (loss) for the year		(30,430,257)	(13,772,908)	2,279,139
Basic and diluted earnings (loss) per share	14	(0.10)	(0.05)	0.01

The notes from pages 1 to 44 are integral part of these financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Share capital		Share premium	Treasury shares	Other reserves		Retained earnings	Total equity
	Common (Note 9)	Preferred (Note 9)	(Note 9)	(Note 9)	Actuarial gain on defined benefit plan (Notes 9 and 15)	Share in actuarial gain of an associate and a joint venture (Notes 6 and 9)	(Note 9)	
Balances at January 1, 2014	296,629,900	59,474,100	602,885,517	(2,667,645)	212,538	453,248	691,183,266	1,648,170,924
Comprehensive income								
Net loss for the year	-	-	-	-	-	-	2,298,288	2,298,288
Other comprehensive income	-	-	-	-	25,728	(44,877)	-	(19,149)
Total comprehensive income for the year	-	-	-	-	25,728	(44,877)	2,298,288	2,279,139
Balances at December 31, 2014	296,629,900	59,474,100	602,885,517	(2,667,645)	238,266	408,371	693,481,554	1,650,450,063
Comprehensive income								
Net loss for the year	-	-	-	-	-	-	(14,061,329)	(14,061,329)
Other comprehensive income	-	-	-	-	221,714	66,707	-	288,421
Total comprehensive income for the year	-	-	-	-	221,714	66,707	(14,061,329)	(13,772,908)
Balances at December 31, 2015	296,629,900	59,474,100	602,885,517	(2,667,645)	459,980	475,078	679,420,225	1,636,677,155
Comprehensive income								
Net loss for the year	-	-	-	-	-	-	(30,174,609)	(30,174,609)
Other comprehensive loss	-	-	-	-	(104,992)	(150,656)	-	(255,648)
Total comprehensive income for the year	-	-	-	-	(104,992)	(150,656)	(30,174,609)	(30,430,257)
Balances at December 31, 2016	296,629,900	59,474,100	602,885,517	(2,667,645)	354,988	324,422	649,245,616	1,606,246,898

The notes on pages 1 to 44 are integral part of these consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2016
(With comparative figures for the years ended December 31, 2015 and 2014)
(All amounts in Philippine Peso)

	Notes	2016	2015	2014
Cash flows from operating activities				
Income (loss) before income tax		(29,512,246)	(13,393,294)	2,089,885
Adjustments for:				
Retirement benefit expense	15	145,914	214,695	220,057
Depreciation expense	7,11	134,213	139,763	162,462
Foreign exchange (gain) loss, net	18.1a	(3,120)	291	7,418
Gain on sale of property and equipment	10,12	(100,000)	-	-
Gain on reversal of liabilities	8,12	(1,279,245)	(4,448,924)	-
Interest income	2	(1,912,562)	(972,204)	(608,337)
Equity in net earnings of associates and a joint venture	6	(6,754,238)	(12,552,560)	(20,323,109)
Operating loss before working capital changes		(39,281,284)	(31,012,233)	(18,451,624)
Decrease (increase) in:				
Receivables		2,567,964	(1,386,738)	77,527
Due from related parties		(684,556)	12,674,276	13,258,898
Prepayments and other current assets		(2,589,438)	(335,662)	(1,738,033)
Increase in:				
Accounts payable and other current liabilities		1,207,159	3,736,599	1,465,525
Due to related parties		3,885	-	-
Net cash used in operations		(38,776,270)	(16,323,758)	(5,387,707)
Contribution to the retirement plan	15	(139,286)	(176,527)	(152,901)
Interest received		1,827,897	839,903	594,152
Income tax paid		(819,819)	(371,933)	(618,106)
Net cash used in operating activities		(37,907,478)	(16,032,315)	(5,564,562)
Cash flows from investing activities				
Decrease in amounts due from related parties		35,733,200	71,466,800	-
Increase in refundable deposits		(12,998)	-	(51,002)
Proceeds from sale of property and equipment		100,000	-	-
Proceeds from dividend from associate		-	-	4,800,000
Payments for acquisition of property and equipment		(961,303)	(16,535)	(156,522)
Net cash provided by investing activities		34,858,899	71,450,265	4,592,476
Net increase (decrease) in cash and cash equivalents		(3,048,579)	55,417,950	(972,086)
Cash and cash equivalents at January 1		206,916,313	151,498,654	152,478,158
Effect of exchange rate changes on cash and cash equivalents		3,120	(291)	(7,418)
Cash and cash equivalents at December 31	2	203,870,854	206,916,313	151,498,654

The notes on pages 1 to 44 are integral part of these consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
As at and for the year ended December 31, 2016
(With comparative figures as at December 31, 2015 and
for the years ended December 31, 2015 and 2014)
(In the Notes, all amounts are shown in Philippine Peso, unless otherwise indicated)

Note 1 - Corporate information

Keppel Philippines Properties, Inc. ("Parent Company") and its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on February 7, 1918. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968.

The Parent Company is 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 (SGX). As at December 31, 2016 and 2015, the top five shareholders of the Parent Company are the following:

	Percentage of ownership	
Shareholders	2016	2015
KLL	50%	50%
Kepwealth, Inc.	17%	17%
KCL	12%	12%
PCD Nominee Corporation	12%	12%
Public	9%	9%

The Group holds investments in associates and joint venture involved in property holding and development (Note 6) and renders management consultancy services to associates (Note 10).

Following are the Parent Company's subsidiaries, associates and joint venture, which were all incorporated in the Philippines:

	Percentage of ownership	Effective ownership interest	Nature of business
Subsidiaries			
CSRI Investment Corporation (CSRI)	100%	100%	Investment holding
Buena Homes, Inc. (BHI)	100	100	Investment holding
Associates			
Opon Realty and Development Corporation (ORDC)	40	40	Land leasing
Opon Ventures, Inc. (OVI)	40	64	Investment holding
Opon-KE Properties, Inc. (OKEP)	40	78	Investment holding
Buena Homes (Sandoval), Inc. (BHSI)	-	61	Residential property development
Joint venture			
SM Keppel Land, Inc. (SMKL)	40	48	Lease of mall and office spaces, cinema ticket sales and carpark operation

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.

The consolidated financial statements of the Group have been approved and authorized for issuance by the Board of Directors (BOD) on February 16, 2017.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2016	2015
Cash in banks	12,580,758	7,557,234
Cash equivalents	191,237,601	199,324,079
Cash on hand	52,495	35,000
	203,870,854	206,916,313

Cash in banks earns 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 0.525% to 1.625% per annum in 2016 (2015 - 0.525% to 0.875% per annum; 2014 - 0.525% to 0.675% per annum).

Interest income from cash and cash equivalents amounted P1.9 million in 2016 (2015 - P1.0 million; 2014 - P0.6 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:

	Notes	2016	2015
Non-trade		2,666,664	2,666,664
Accrued income		757,420	1,196,075
Receivables from employees		205,481	2,039,412
Accrued interest	2	173,790	106,058
Other	10	360,147	655,525
		4,163,502	6,663,734

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 the former's fully depreciated investment properties. As at December 31, 2016 and 2015, the Group is still exhausting all legal actions to collect the receivable from the buyer. The Group determined that the receivable outstanding remains collectible as at December 31, 2016 and 2015.

Accrued income pertains to amount accrued for management and franchise fee revenue and is collectible within the year.

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

The carrying amounts of the above receivables approximate their fair values due to their short-term maturities.

Note 4 - Prepayments and other current assets

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

	2016	2015
Creditable withholding taxes	17,336,263	16,717,166
Prepayments	3,561,765	2,286,481
Input value added tax	1,413,641	718,584
	22,311,669	19,722,231

Creditable withholding taxes pertain to the amounts withheld by the Group's counterparties in relation to management consultancy fees. Management determined that these creditable withholding taxes will still be utilized in the future.

Prepayments include advance rental and deposits amounting to P3.0 million as at December 31, 2016 (2015 - P1.1 million), which arose from the transfer of the Parent Company's office to a temporary address due to the ongoing reconstruction of the principal office, and rental of residential properties for Group's officers (Note 16).

Note 5 - Available-for-sale financial assets

Available-for-sale (AFS) financial assets as at December 31, 2016 and 2015 consist of:

	Note	
Preferred equity securities	6	79,287,230
Club shares		225,000
		79,512,230

Preferred equity securities pertain to investments in redeemable preferred shares of Opon Ventures, Inc. (OVI) and Opon KE Properties, Inc. (OKEP) which were acquired in 2012 at ten pesos (P10) per share. These investments are classified as AFS financial assets as the characteristics of the investment will not affect the significant influence of the Group over OVI and OKEP (Note 6). In addition, these investments are carried at cost as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

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 at a fixed yield of three percent (3%) per annum. 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;
  (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 share

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:

	2016	2015	2014
Cost	806,321,443	806,321,443	806,321,443
Accumulated equity in net earnings			
Presented in profit or loss			
At January 1	538,769,989	526,217,429	510,694,320
Dividend received	-	-	(4,800,000)
Equity in net earnings recognized in profit or Loss	6,754,238	12,552,560	20,323,109
At December 31	545,524,227	538,769,989	526,217,429
Presented in other comprehensive income			
At January 1	475,078	408,371	453,248
Share in other comprehensive income (loss)	(150,656)	66,707	(44,877)
At December 31	324,422	475,078	408,371
	1,352,170,092	1,345,566,510	1,332,947,243

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		Carrying amount	
	2016	2015	2016	2015
Associates				
Buena Homes (Sandoval) Inc. (BHSI)	40%	40%	158,619,227	160,710,272
Opon-KE Properties, Inc. (OKEP)	40%	40%	90,317,211	90,058,608
Opon Ventures, Inc. (OVI)	40%	40%	22,696,599	22,597,247
ORDC	40%	40%	14,994,888	14,995,868
Joint venture				
SMKL	40%	40%	1,065,542,167	1,057,204,515
			1,352,170,092	1,345,566,510

The Group's associates and joint venture were all incorporated and have their principal place of business in the Philippines. There were no dividends received from the associates and joint venture in 2016 and 2015. The associates and joint venture were accounted for using the equity method. As at and for the years ended December 31, 2016 and 2015, there were no quoted prices for these investments.

BHSI is involved in the construction of residential condominium project which had been completed in 2003. BHSI's primary activity in 2016 and 2015 involved the sale of these condominium units. As at December 31, 2016, only five (5) units remain unsold. The primary purpose of the Group's other associates 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.

SMKL's primary business activity is operating a retail mall, which has one hundred and forty specialty stores and a state-of-the-art cinema. SMKL Phase 2 is under construction for a development of a six-level basement carpark with an approximate gross leasable area of 75,300 sqm, a five-level retail mall with an approximate gross leasable area of 46,000 sqm, and a forty-two storey office tower with an approximate gross leasable area of 110,100 sqm. This project is being constructed on a parcel of land with an area of 12,932 sqm registered in the name of SMKL, located in Ortigas Center, Pasig City. Construction of the retail mall commenced in 2014 and is expected to be completed in April 2017.

Significant financial information of the associates follows:

(In millions)	BHSI	OKEP	OVI	ORDC
December 31, 2016				
Current assets	416.5	56.6	0.3	4.8
Non-current assets	0.9	336.9	119.8	82.0
Total assets	417.4	393.5	120.1	86.8
Current liabilities	13.6	126.6	2.0	73.3
Non-current liabilities	6.5	-	-	-
Total liabilities	20.1	126.6	2.0	73.3
Net assets	397.3	266.9	118.1	13.5
Gross revenue	20.4	0.9	-	-
Net income (loss) for the year	(4.7)	0.7	(0.1)	(0.2)
Other comprehensive income (loss)	(0.2)	(0.1)	-	-
Total comprehensive income (loss) for the year	(4.9)	0.6	(0.1)	(0.2)
December 31, 2015				
Current assets	471.8	56.9	0.3	4.8
Non-current assets	0.8	336.3	119.8	81.9
Total assets	472.6	393.2	120.1	86.7
Current liabilities	49.5	126.9	1.9	73.1
Non-current liabilities	20.8	-	-	-
Total liabilities	70.3	126.9	1.9	73.1
Net assets	402.3	266.3	118.2	13.6
Gross revenue	138.0	2.8	-	-
Net income (loss)	(2.2)	2.3	(0.2)	(0.2)
Other comprehensive income	-	-	-	-
Total comprehensive income (loss) for the year	(2.2)	2.3	(0.2)	(0.2)

Significant financial information of the joint venture follows:

(in millions)	SMKL 2016	SMKL 2015
Current assets	2,034.9	923.4
Cash and cash equivalents	1,103.4	309.2
Non-current assets	3,260.7	1,749.6
Current liabilities	500.1	261.9
Current financial liabilities	95.2	60.4
Non-current liabilities	2,500.0	31.6
Non-current financial liabilities	-	31.6
Net assets	2,295.5	2,379.5
Gross revenue	150.4	177.1
Interest income	1.4	12.2
Depreciation and amortization	(29.6)	(19.8)
Interest expense	-	0.3
Income tax expense	(8.3)	(8.1)
Net income for the year	21.3	22.2
Other comprehensive income (loss)	(0.1)	0.1
Total comprehensive income for the year	21.2	22.3

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
December 31, 2016						
Net assets		396,548,067	266,914,188	181,857,020	40,868,915	2,295,236,120
Ownership interest		40%	40%	40%	40%	40%
		158,619,227	106,765,675	72,742,808	16,347,566	918,094,448
Available-for-sale	5	-	(31,287,230)	(48,000,000)	-	-
Fair value adjustments at acquisition		-	14,838,766	(2,046,209)	(1,352,678)	147,447,719
		158,619,227	90,317,211	22,696,599	14,994,888	1,065,542,167
December 31, 2015						
Net assets		401,775,680	266,267,679	181,608,640	40,871,365	2,274,391,991
Ownership interest		40%	40%	40%	40%	40%
		160,710,272	106,507,072	72,643,456	16,348,546	909,756,796
Available-for-sale	5	-	(31,287,230)	(48,000,000)	-	-
Fair value adjustments at acquisition		-	14,838,766	(2,046,209)	(1,352,678)	147,447,719
		160,710,272	90,058,608	22,597,247	14,995,868	1,057,204,515

Note 7 - Property and equipment

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

	Notes	Transportation equipment	Office equipment	Furniture and fixtures	Total
Cost					
At January 1, 2015		1,404,506	1,806,273	2,405,645	5,616,424
Additions		-	16,535	-	16,535
At December 31, 2015		1,404,506	1,822,808	2,405,645	5,632,959
Additions		-	887,063	74,240	961,303
Disposals	10	(718,183)	-	-	(718,183)
At December 31, 2016		686,323	2,709,871	2,479,885	5,876,079
Accumulated depreciation					
At January 1, 2015		1,404,506	1,501,560	2,402,878	5,308,944
Depreciation	11	-	137,014	2,749	139,763
At December 31, 2015		1,404,506	1,638,574	2,405,627	5,448,707
Depreciation	11	-	127,755	6,458	134,213
Disposals	10	(718,183)	-	-	(718,183)
At December 31, 2016		686,323	1,766,329	2,412,085	4,864,737
Net carrying amount					
At December 31, 2015		-	184,234	18	184,252
At December 31, 2016		-	943,542	67,800	1,011,342

Cost of fully depreciated property and equipment still being used in operations amounted to P4.6 million as at December 31, 2016 (2015 - P5.2 million).

Note 8 - Accounts payable and other current liabilities

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

	2016	2015
Accrued expenses	5,022,283	3,965,256
Taxes payable	752,630	1,829,519
Dividends payable	553,981	553,981
Accounts payable	525,185	577,409
	6,854,079	6,926,165

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

In 2016, portion of the bonus accrued in 2015 amounting to P1.3 million was reversed (2015 - P4.4 million). This amount pertains to the excess of the accrual made over the actual amount paid to settle the liability. The gain arising from this reversal is included in "Other income, net" in the statements of comprehensive income (Note 12).

Accounts payable represent payables to suppliers and are normally settled within one year.

Taxes payable pertain to taxes withheld for transactions subject to withholding tax which are subsequently remitted within one month after the reporting date.

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. but which have not been claimed by the respective shareholders to date.

Note 9 - Equity

(a) Share capital

Share capital as at December 31, 2016, 2015 and 2014 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 thirty-nine (39) shareholders, each owning one hundred (100) or more shares as at December 31, 2016 and 2015.

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 2010. 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 rate must be confirmed by an independent financial advisor. No preferred shares have been redeemed in 2016 and 2015.

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, 2016, 2015 and 2014 are as follows:

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

(c) Retained earnings

The portion of retained earnings corresponding to the undistributed equity in net earnings of the associates and joint venture amounted to P545.5 million as at December 31, 2016 (2015 - P538.8 million; 2014 - P526.2 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, 2016 and 2015.

(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, 2016 (2015 - P0.5 million; 2014 - P0.2 million), and share in actuarial gain of an associate and a joint venture amounting to P0.3 million as at December 31, 2016 (2015 - P0.5 million; 2014 - P0.4 million) (Note 6).

(e) Track record of registration of securities

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, 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		
				2016	2015	2014
Common	293,828,900	₱1	September 11, 1989	1,250	1,256	1,259

Note 10 - 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 balances as at and for the year ended December 31 follow:

Related party	2016 Transaction amount	2016 Outstanding balance	2015 Transaction amount	2015 Outstanding balance	Terms and conditions
Due from related parties					
Associates					
OKEP (a)	184,552	70,079,526	152,227	70,258,967	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI (a)	182,172	1,949,005	155,587	1,766,833	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC (a)	225,534	404,756	150,668	179,222	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
BHSI					
Operating advances (a)	1,145,105	53,536	1,119,363	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Loan (b)	-	-	-	35,733,200	Non-interest-bearing, unsecured, collectible in cash upon demand

Forward

Related party	2016 Transaction amount	2016 Outstanding balance	2015 Transaction amount	2015 Outstanding balance	Terms and conditions
Joint venture					
SMKL					
Operating advances (a)	18,072,421	1,188,551	17,030,922	785,796	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Management fee (c)	3,933,349	-	3,621,923	-	
Franchise fee (c)	1,573,339	-	1,448,769	-	
		73,675,374		108,724,018	
Due to related parties					
Associates					
BHSI (d)	-	83,701,493	-	83,701,493	Non-interest-bearing, unsecured, payable on demand
OKEP (d)	-	40,298,507	-	40,298,507	Non-interest-bearing, unsecured, payable on demand
Entities under common control					
KLIL (e)					
Operating advances	448,306	3,885	234,344	-	Non-interest-bearing, unsecured, payable in cash upon demand
Consultancy fee	-	-	1,847,031	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
SMPM (f)					
Management fee	12,288,851	-	14,117,977	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		124,003,885		124,000,000	

(a) The Group made operating advances for expenses incurred by associates and joint venture in 2016 and 2015. These operating advances represents accounting, management, and other administrative functions to OVI and ORDC, and other expenses incurred in the normal operations paid in behalf of the Group's associates and joint venture.

(b) The Group extended a non-interest-bearing loan to BHSI. BHSI fully paid its loan to the Group amounting to P16.8 million in April 6, 2016 and P18.9 million in October 7, 2016.

(c) The Group provides management, advisory and consultancy services to SMKL. The amount of management fee charged by the Group to SMKL amounted to P3.9 million in 2016 (2015 - P3.6 million; 2014 - P4.0 million). The amount of franchise fee charged amounted to P1.6 million in 2016 (2015 - P1.4 million; 2014 - P1.6 million). Management fee is charged at 2.5% of annual net revenues of SMKL and 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, 2016 and 2015.

(d) On December 22, 2011, the BOD of BHSI approved BHSI's plan to decrease its authorized share capital. In January 2012, the Group received from BHSI an amount of P100 million, which represented advances to BHI and OKEP amounting to P59.7 million and P40.3 million, respectively. The P40.3 million was received by the Group in behalf of OKEP. BHSI has filed with SEC the amendments to its articles of incorporation and by-laws to include the above decrease in authorized capital. In 2014, the Group received additional advances amounting to P24.0 million from BHSI, thereby increasing the Group's advances from BHSI to P83.7 million. As at February 16, 2017, the application is pending approval from the SEC.

(e) Keppel Land International Limited (KLIL), an entity under common control, provides consultancy, advisory and support services to the Group and SMKL. In 2015, consultancy, advisory and support services were provided by KLIL from January to March and by SMPM from April to December. Consultancy fees charged by KLIL to the Group amounted to nil in 2016 (2015 - P1.8 million; 2014 - P6.5 million). As at December 31, 2016 and 2015, the Group has no outstanding payable to KLIL in respect of consultancy fees. The basis of management fee is the time spent by KLIL personnel in rendering services.

Moreover, in 2016, KLIL has made operating advances for expenses incurred by Group amounting to P0.4 million (2015 - P0.2 million; 2014 - P0.6 million).

(f) Straits Mansfield Property Marketing (SMPM), an entity under common control, provides consultancy, advisory and support services to the Group and SMKL. Consultancy fees charged by SMPM to the Group amounted to P12.3 million in 2016, (2015 - P14.1 million; 2014 - nil). There were no outstanding payables to SMPM as at December 31, 2016. The basis of management fee is the time spent by SMPM personnel in rendering services.

(g) In 2016, the Group charged Keppel Land Limited (KLL) for the amount paid on behalf of KLL for legal fees amounting to P0.4 million (2015 - P0.7 million) pertaining to Court of Tax Appeals filing for redemption of preferred shares. This remains receivable as at December 31, 2016 and 2015 and is presented under "Other" in "Receivables" in the consolidated statement of financial position.

(h) In 2016, the Group sold one of its vehicles to its management personnel for a consideration amounting to P0.1 million. The vehicle is already fully depreciated at the time of sale, which resulted in a gain of P0.1 million. The resulting gain is presented as "Gain on sale of equipment" in "Other income, net" in the consolidated statement of total comprehensive income (Note 12).

Details of the compensation of key management personnel of the Group as at and for the years ended December 31 are as follows:

	Notes	2016	2015	2014
Salaries and other short-term employee benefits		13,045,415	7,049,066	5,462,715
Bonuses and allowances	11	3,503,841	1,103,561	768,588
Retirement benefits	15	153,176	175,649	163,356
		16,702,432	8,328,276	6,394,659

There were neither stock options nor other long-term benefits given to key management personnel as at and for the years ended December 31, 2016 and 2015. There were no outstanding balances with key management personnel as at December 31, 2016 and 2015.

Transactions with the retirement fund pertain to contributions amounting to P0.1 million (2015 - P0.2 million) (Note 15).

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

Subsidiary	2016 Transaction amount	2016 Outstanding balance	2015 Transaction amount	2015 Outstanding balance	Terms and conditions
Due from subsidiaries					
BHI (a)	178,156	40,600	147,861	3,475,567	Non-interest-bearing, unsecured, due and demandable, collectible in cash
CSRI (a)	152,843	28,952	72,338	-	Non-interest-bearing, unsecured, due and demandable, collectible in cash
		69,552		3,475,567	
Due to a subsidiary					
BHI (d)	-	59,701,493	-	59,701,493	Non-interest-bearing, unsecured, due and demandable

Note 11 - General and administrative expenses

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

	Notes	2016	2015	2014
Salaries, wages and employee benefits		20,603,678	11,251,521	9,109,514
Management consultancy fee	10	12,288,851	15,965,008	6,543,837
Transportation and travel		3,510,191	1,257,452	1,002,208
Professional fees		2,299,507	2,523,589	3,222,905
Rental	16	2,123,601	1,570,985	1,526,761
Membership and dues		602,160	553,280	574,600
Insurance		522,409	548,865	500,300
Utilities		487,577	465,285	439,099
Postage, printing and advertising		464,884	519,020	550,510
Staff recreation and others		438,941	149,221	282,573
Repairs and maintenance		336,273	234,437	366,053
Taxes and licenses		228,619	421,749	374,755
Retirement benefits	15	145,914	214,695	220,057
Depreciation	7	134,213	139,763	162,462
Supplies		101,492	175,379	160,952
Bank and other charges		75,756	78,161	76,194
Others		632,246	254,005	328,336
		44,996,312	36,322,415	25,441,116

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

Note 12 - Other income, net

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

	Notes	2016	2015	2014
Gain on reversal of liabilities	8	1,279,245	4,448,924	-
Foreign exchange losses, net	18.1a	(68,667)	(115,439)	(142,285)
Gain on sale of equipment	10	100,000	-	-
Others		-	180	820
		1,310,578	4,333,665	(141,465)

Note 13 - Income taxes

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

	2016	2015	2014
Current	843,769	472,440	538,240
Deferred	(181,406)	195,595	(746,643)
	662,363	668,035	(208,403)

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

	2016	2015	2014
Statutory income tax expense (benefit)	(8,853,674)	(4,017,988)	626,966
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets	11,506,577	9,578,457	6,053,996
Non-deductible expenses	710,822	415,192	(575,226)
Interest income subjected to final tax	(278,834)	(200,899)	(217,206)
Non-taxable income	(396,257)	(1,340,959)	-
Equity in net earnings of associates and a joint venture	(2,026,271)	(3,765,768)	(6,096,933)
Effective income tax expense (benefit)	662,363	668,035	(208,403)

(a) Current tax

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

	2016	2015	2014
Final tax	762,705	398,393	434,403
Minimum Corporate Income Tax (MCIT)	81,064	74,047	103,837
	843,769	472,440	538,240

(b) Deferred income tax

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

	2016	2015
Deferred income tax assets		
Accrued expenses	771,862	591,420
Unrealized foreign exchange loss, net	-	87
	771,862	591,507
Deferred income tax liabilities		
Accrued income	(714,285)	(714,285)
Retirement benefit asset	(126,050)	(173,034)
Unrealized foreign exchange gain, net	(936)	-
	(841,271)	(887,319)
	(69,409)	(295,812)

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

	2016	2015
Deferred income tax assets:		
Expected to be realized within 12 months	771,862	591,507
Deferred income tax liabilities:		
Expected to be settled within 12 months	(715,221)	(714,285)
Expected to be settled after 12 months	(126,050)	(173,034)
	(841,271)	(887,319)
	(69,409)	(295,812)

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

	Note	2016	2015
At January 1		(295,812)	(5,197)
Credited (charged) to profit or loss		181,406	(195,595)
Credited (charged) to other comprehensive income	15	44,997	(95,020)
At December 31		(69,409)	(295,812)

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

	2016	2015
NOLCO	89,753,759	65,797,734
Tax rate	30%	30%
	26,926,128	19,739,320
MCIT	258,948	349,741
	27,185,076	20,089,061

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

	2016	2015
NOLCO		
At January 1	65,797,734	50,440,741
Additions	38,085,049	31,834,846
Expirations	(14,129,024)	(16,477,853)
At December 31	89,753,759	65,797,734
MCIT		
At January 1	349,741	426,469
Additions	81,064	74,047
Expirations	(171,857)	(150,775)
At December 31	258,948	349,741

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	2016	2015
2013	2016	-	14,129,024
2014	2017	19,833,864	19,833,864
2015	2018	31,834,846	31,834,846
2016	2019	38,085,049	-
		89,753,759	65,797,734

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	2016	2015
2013	2016	-	171,857
2014	2017	103,837	103,837
2015	2018	74,047	74,047
2016	2019	81,064	-
		258,948	349,741

Note 14 - Earnings (loss) per share

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

	2016	2015	2014
Net income (loss)	(30,174,609)	(14,061,329)	2,298,288
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900	293,828,900
Basic/Diluted earnings (loss) per share	(0.10)	(0.05)	0.01

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

The weighted average number of shares outstanding as at December 31, 2016, 2015 and 2014 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 15 - 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 whatever amounts 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 of December 31, 2016.

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

	2016	2015
Fair value of plan assets	1,841,785	1,654,883
Present value of defined benefit obligation	(1,421,621)	(1,078,102)
	420,164	576,781

The Group's net retirement benefit asset reflected in the consolidated financial statements represents the Parent Company's retirement plan because the impact of BHSI and SMKL's retirement plans are reflected as part of "Share on actuarial gain (loss) of an associate and a joint venture".

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

	2016	2015
At January 1	576,781	298,215
Retirement expense recognized in profit or loss	(145,914)	(214,695)
Remeasurements recognized in other comprehensive income		
Changes in demographic assumptions	53,916	(4,485)
Changes in financial assumptions	24,853	111,406
Deviations of experience from assumptions	(190,817)	249,338
Loss on plan assets	(37,941)	(39,525)
Contributions to the retirement fund	139,286	176,527
At December 31	420,164	576,781

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

	2016	2015	2014
Current service cost presented as retirement expense	175,733	228,115	233,366
Net interest income	(29,819)	(13,420)	(13,309)
	145,914	214,695	220,057

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

	Note	2016	2015	2014
Remeasurements on defined benefit obligation		(112,048)	356,259	124,209
Remeasurements on plan assets		(37,941)	(39,525)	(87,455)
Remeasurement gain (loss)		(149,989)	316,734	36,754
Deferred income tax benefit (expense)	13	44,997	(95,020)	(11,026)
Remeasurement gain (loss), net of tax		(104,992)	221,714	25,728

(a) Defined benefit obligation

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

	2016	2015
At January 1	1,078,102	1,346,784
Current service cost included in retirement expense	175,733	228,115
Interest cost included in retirement expense	55,738	60,605
Remeasurements in other comprehensive income:		
Actuarial loss (gain) on obligation resulting from:		
Changes in demographic assumptions	(53,916)	4,485
Changes in financial assumptions	(24,853)	(111,406)
Deviations of experience from assumptions	190,817	(249,338)
Benefits paid	-	(201,143)
At December 31	1,421,621	1,078,102

At December 31, 2016, the average duration of the defined benefit obligation is 17 years.

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

	2016	2015
Less than 10 years	498,778	-
More than 10 years to 15 years	2,011,630	985,654
More than 15 years to 20 years	4,428,311	7,910,127
More than 20 years	3,730,954	9,123,681
	10,669,673	18,019,462

(b) Plan assets

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

	2016	2015
Cash	139,700	594
Government securities	963,882	662,797
Investment in unit investments in trust funds (UITF)	59,658	983,127
Receivables	680,668	10,362
Trust fee payable	(2,123)	(1,997)
	1,841,785	1,654,883

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 and UITF 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:

	2016	2015
At January 1	1,654,883	1,644,999
Interest income presented as net of retirement expense	85,557	74,025
Remeasurements in other comprehensive income:		
Loss on plan assets	(37,941)	(39,525)
Contributions to the retirement fund	139,286	176,527
Benefits paid	-	(201,143)
At December 31	1,841,785	1,654,883

There are no plan assets invested in any entity within the Group as at and for the years ended December 31, 2016 and 2015. 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, 2016 and 2015.

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 P0.3 million to the retirement fund in 2017.

There was no plan amendment, curtailment, or settlement for the years ended December 31, 2016 and 2015.

Actuarial assumptions

The present value of the retirement obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

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

	2016	2015
Discount rate	5.28%	5.17%
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)	
	2016	2015	2016	2015
Discount rate	+1.0%	+0.5%	(177,772)	(43,025)
	-1.0%	-0.5%	210,380	77,775
Salary increase rate	+1.0%	+1.0%	208,574	172,777
	-1.0%	-1.0%	(180,218)	(77,720)

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 statement of financial position.

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

Note 16 - Leases

The Group has the following operating lease contracts for years ended December 31, 2016, 2015 and 2014:

(a) Office space - The Group entered into an operating lease contract for its office space which arose from the transfer of the Parent Company's office to a temporary address due to the ongoing reconstruction of its principal office. The agreement has expired on August 30, 2016 and was renewed for five months until February 4, 2017. Total rent expense charged to operations amounted to P2.1 million in 2016 (2015 - P1.6 million; 2014 - P1.5 million) (Note 11). As at December 31, 2016, the required advance rentals and deposit amounted to P0.9 million (2015 - P1.1 million). These are included under "Prepayments and other current assets" in the consolidated statement of financial position (Note 4).

(b) Staff house - The Group entered into operating lease contracts for its officers' housing. These agreements will expire on various dates in 2017. Total rent expense charged to operations amounted to P1.2 million in 2016 (2015 and 2014 - nil). This rent expense is presented as part of in "Salaries, wages and employee benefits" in the "General and administrative expenses" (Note 11).

    As at December 31, 2016, the required advance rentals and deposit amounted to P2.1 million. These are included under "Prepayments and other current assets" in the consolidated statement of financial position (Note 4).

The future minimum lease payments under the above leases are as follows:

	2016	2015
Not later than one year	-	1,029,120

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:

	2016	2015
Operating assets	1,737,255,335	1,767,973,179
Operating liabilities	130,939,028	131,000,212
Revenue and income	14,173,488	18,595,456
Other income	1,310,578	4,333,665
General and administrative expenses	44,996,312	36,322,415
Segment net loss	30,174,609	14,061,329

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, cost and expenses and segment profit 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, AFS financial assets, 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 rate. The Group's exposure to foreign currency arises from US-dollar denominated bank accounts and SG-dollar denominated consultancy fees due to SMPM.

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

	2016		2015	
	SGD	USD	SGD	USD
Cash and cash equivalents	500	1,233	-	1,233
Due to related parties	112	-	-	-
Net assets (liabilities)	388	1,233	-	1,233
Year-end exchange rate	34.66	49.74	-	47.21
PHP equivalent	13,448	61,330	-	58,210

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

	Note	2016	2015	2014
Unrealized		3,120	(291)	(7,418)
Realized		(71,787)	(115,148)	(134,867)
	12	(68,667)	(115,439)	(142,285)

The Group manages its foreign currency exposure risk by matching, as far as possible, 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, 2016	USD	+2.36%	1,447
		-2.36%	(1,447)
December 31, 2015	USD	+2.36%	1,361
		-2.36%	(1,361)

In 2016 and 2015, the Group used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.

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, refundable deposits and AFS financial assets. As at December 31, 2016 and 2015, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

There were no amounts that are set-off in accordance with the entities in PAS 32, Financial Instruments: Presentation. There were no amounts subject to an enforceable master netting arrangement or similar agreement as at December 31, 2016 and 2015.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group. The Group's due from related parties are approximately ninety-five percent (95%) of total receivables as at December 31, 2016 and 2015.

The credit quality per class of financial assets is as follows:

	Neither past due nor impaired			Past due but not		
	High grade	Low grade	Total	Impaired	Impaired	Total
December 31, 2016						
Cash and cash equivalents*	203,818,359	-	203,818,359	-	-	203,818,359
Receivables**	1,291,140	-	1,291,140	2,666,664	-	3,957,804
Due from related parties	73,675,374	-	73,675,374	-	-	73,675,374
Refundable deposits	120,108	-	120,108	-	-	120,108
	278,904,981	-	278,904,981	2,666,664	-	281,571,645
December 31, 2015						
Cash and cash equivalents	206,916,313	-	206,916,313	-	-	206,916,313
Receivables**	1,957,658	-	1,957,658	2,666,664	-	4,624,322
Due from related parties	108,724,018	-	108,724,018	-	-	108,724,018
Refundable deposits	107,110	-	107,110	-	-	107,110
	317,705,099	-	317,705,099	2,666,664	-	320,371,763

**Cash and cash equivalents exclude cash on hand.*
***Receivables exclude amounts due from employees.*

As at December 31, 2016 and 2015, the Group has no impaired financial assets.

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, 2016 and 2015.

The Group's receivable amounting to P2.7 million is 60 to 90 days past due as of December 31, 2016. This pertains to a receivable arising from an agreement of the Group with a third party entered on October 24, 2013 to sell its fully depreciated investment properties. The Group expects to collect this receivable in full in 2017 (Note 3).

(i) Cash in bank

The Group has maintained business relationships with an accredited universal bank that has high credit standing in the financial services industry.

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 loan and other 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, 2016 and 2015.

Receivables from third parties

The credit quality of receivables that are neither past due nor 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

(b) 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
December 31, 2016					
Accounts payable and other current liabilities*	553,981	5,547,468	-	-	6,101,449
Due to related parties	124,003,885	-	-	-	124,003,885
	124,557,866	5,547,468	-	-	130,105,334
December 31, 2015					
Accounts payable and other current liabilities*	553,981	4,217,981	324,684	-	5,096,646
Due to related parties	124,000,000	-	-	-	124,000,000
	124,553,981	4,217,981	324,684	-	129,096,646

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

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 debt 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 and amounts due to related parties.

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, 2016 and 2015 are as follows:

	2016	2015
Liabilities	130,939,028	131,000,212
Equity	1,606,246,898	1,636,677,155
Percentage of debt to equity	8.15%	8.00%

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 of assets and liabilities

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at December 31, 2016 and 2015, except for AFS financial assets.

The AFS financial assets pertaining to investment in preferred equity shares and unquoted club shares are valued at cost less any impairment in value because these do not have a quoted market price in an active market and fair value cannot be measured reliably.

There are no non-financial assets and liabilities that are measured at fair value.

Fair value hierarchy

As at December 31, 2016 and 2015, the Group has no financial instrument measured at fair value. During the reporting period ended December 31, 2016 and 2015, 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 consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. The estimates, assumptions and judgments used in the consolidated 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

(a) Estimation of share in net earnings of a joint venture

Due to the early year-end closing, management had to estimate the net earnings of a joint venture for the purpose of determining the Group's share in the joint venture's net earnings. At that time, the financial information of the joint venture for the months of November and December 2016 was not yet available. The estimate was based on management's assessment of the historical trend of the joint venture's operations, taking into account the circumstances existing during the periods covered by the estimate.

For the year ended December 31, 2016, the Group's share in the net earnings of the joint venture amounted to P8.3 million. If the actual results for the two-month period of the joint venture were to differ by 10% from management's estimates, the Group's net income before tax would increase/decrease by P148,010.

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 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.

The carrying value of investment in associates and joint venture as at December 31, 2016 amounted to P1,352.2 million (2015 - P1,345.6 million) (Note 6).

(b) Impairment of AFS financial assets not quoted in an active market

The Group assesses impairment on its AFS financial assets not quoted in an active market whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Group considers important which could trigger an impairment review on its investment in unquoted securities include the following:

- Deteriorating or poor financial condition
- Recurring net losses; and,
- Significant changes with an adverse effect on the associate have taken place during the period, or will take place in the near future, on the technological, market, economic, or legal environment in which the investees operate.

No impairment indicators were identified in 2016 and 2015. The carrying values of AFS financial assets not quoted in an active market amounted to P79.5 million as at December 31, 2016 and 2015 (Note 5).

(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.

As at December 31, 2016 and 2015, the Group did not recognize any impairment loss on its investment in associates and joint ventures since there are no impairment indicators identified in 2016 and 2015. The carrying value of investments in associates and joint venture as at December 31, 2016 amounted to P1,352.2 million (2015 - P1,345.6 million) (Note 6).

(d) Impairment of receivables

The Group maintains allowance for doubtful accounts on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. 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 would increase the Group's recorded expenses and decrease current assets.

Receivables amounted to P4.2 million as at December 31, 2016 (2015 - P6.7 million). Due from related parties amounted to P73.7 million as at December 31, 2016 (2015 - P108.7 million). No allowance was provided for these receivables as at December 31, 2016 and 2015 (Notes 3 and 10).

(e) 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, 2016, recognized deferred income tax assets amounted to P0.8 million (2015 - P0.6 million). The amount of unrecognized deferred income tax assets as at December 31, 2016 amounted to P27.2 million (2015 - P20.1 million) (Note 13).

(f) Recoverability of creditable withholding taxes and input VAT

The Group assesses impairment on creditable withholding 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 creditable withholding 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 retirement benefit asset, recognized as the net of the fair value of plan assets and the present value of defined benefit obligation.

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) New standards, amendments to existing standards and interpretations adopted

There are no new standards, amendments to existing standards and interpretations which are effective for the financial year beginning January 1, 2016 which are relevant to the Group's 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 beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have an effect on the Group's consolidated financial statements, except the following as set out below:

- *PFRS 9, Financial Instruments* (effective January 1, 2018). PFRS 9 deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting. PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. 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 OCI.

  The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

  The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

  Early adoption is permitted. The Group intends to adopt the standard on January 1, 2018 but assessed that it will not have a significant effect on its financial statements as a result of adoption of this standard.

- *PFRS 15, Revenue from Contracts with Customers* (effective January 1, 2018), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Under the new standard, the notion of control replaces the existing notion of risks and rewards. The standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, and related interpretations. A five-step process must be applied before revenue can be recognized which include: (i) identification of contracts with customers; (ii) identification of the separate performance obligation; (iii) determination of the transaction price of the contract; (iv) allocation of the transaction price to each of the separate performance obligations; and (v) recognition of revenue as each performance obligation is satisfied. Revenue may also be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) - minimum amounts must be recognized if they are not at significant risk of reversal. Further, the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa. The Group has yet to assess the full impact of the standard, but initially does not expect to have material changes on its current accounting treatment of existing offtake and refining agreements.

- PFRS 16, *Leases* (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. 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. Earlier application is permitted, but only in conjunction with PFRS 15, Revenue from Contracts with Customers. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group does not foresee any significant effect on the financial statements, however, it will continue its assessment and finalize the same upon effective date of the new standard.

20.2 Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016. 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 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.

20.4 Receivables

Receivables 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. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of total comprehensive income within General and administrative expenses. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the statement of total comprehensive income.

20.5 Financial instruments

(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; while financial liabilities are classified in two categories: financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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.

(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.

Financial liabilities

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to total liabilities and equity, net of any related income tax benefits.

As at December 31, 2016 and 2015, the Group does not have financial assets and liabilities at FVPL and HTM investments.

(i) Other financial liabilities

This category 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.

(e) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

20.6 Financial instruments

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 unquoted AFS financial assets, 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.

20.7 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) Creditable withholding taxes

Creditable withholding 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 "Equity in net earnings of associates and a joint venture" 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
Transportation equipment	2-5
Office equipment	1-4
Furniture and fixtures	4

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

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.

(b) Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, 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.

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

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
(c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date of the change in circumstances that gave rise to the reassessment for scenarios (a), (c) and (d) above and at the date of renewal or extension period for scenario (b).

Group as a lessee

Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an income on a straight-line basis over the lease term.

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 set off 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.

pwc

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Units 2203 and 2204, Raffles Corporate Center,
F. Ortigas Jr. Road (formerly Emerald Avenue),
Ortigas Center, Pasig 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, 2016, on which we have rendered the attached report dated February 16, 2017. The supplementary information shown in the accompanying Reconciliation of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2016, the Keppel Land Group Structure, and the Schedule of Philippine Financial Reporting Standards effective as at December 31, 2016, as additional components required by Part I, Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F, G, and H, as required by Part II, Section 6 of Rule 68 of the SRC, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with SRC Rule 68.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 6, 2017, Makati City
SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
TIN 152-015-078
BIR A.N. 08-000745-42-2015, issued on January 29, 2015; effective until January 28, 2018
BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to
Board Resolution No. 37 series of 2017

Makati City
February 16, 2017

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KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amount in Philippine Pesos)
SCHEDULE A – Financial Assets
December 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Club Filipino Inc. de Cebu	**12**	**225,000**	-	-

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amount in Philippine Pesos)
SCHEDULE C – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements.
December 31, 2016

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of year
Buena Homes, Inc.	₱3,475,567	₱178,156	₱3,613,123	₱-	₱-	₱-	₱40,600
CSRI Investment Corporation	₱-	₱152,843	₱123,891	₱-	₱-	₱-	₱28,952
	₱3,475,567	₱330,999	₱3,737,014	₱-	₱-	₱-	₱69,552

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Amount in Philippine Pesos)

SCHEDULE H – Capital Stocks
December 31, 2016

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	-	235,181,969	1,465,713	57,181,218
Preferred Stock	135,700,000	59,474,100	-	59,474,100	-	-
Total		**353,303,000**	-	**294,656,069**	**1,465,713**	**57,181,218**

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

Unappropriated Retained Earnings, based on audited financial statements, beginning		P 194,393,482
Less: Cumulative fair value adjustment		-
Deferred income tax assets, net - beginning		(615,607)
Unappropriated Retained Earnings, adjusted		P 193,777,875
Less : Net loss actually earned/realized during the period	(37,356,706)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Deferred income tax expense	(181,406)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	(37,538,112)	156,239,763
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period	-	156,239,763
Add (Less):		
Dividend declarations during the year	-	
Appropriations of retained earnings during the year	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Accumulated share in income of an associate	-	
	-	156,239,763

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

		2016	2015	2014
Liquidity Ratio	Current assets over current liabilities	2.3:1	2.6:1	2.8:1
Asset to equity ratio	Total asset over total equity	1.08:1	1.08:1	1.07:1
Debt to equity ratio	Total liabilities over total equity	0.08:1	0.08:1	0.07:1
Return on Assets	Net income (loss) after tax over total assets at beginning	(1.71%)	(0.79%)	0.13%
Return on Equity	Net income (loss) after tax over total equity	(1.88%)	(0.86%)	0.14%
Earnings (loss)per share	Net income (loss) over number of common stock outstanding	(₱0.10)	(₱0.05)	₱0.01

Keppel Philippines Properties, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
effective as at December 31, 2016

The following table summarizes the effective standards and interpretations as at December 31, 2016:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Measurement of Cash-settled Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Implementation of PFRS 9*		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Transition Disclosures*			✓
	Amendments to PFRS 7: Disclosures - Hedge Accounting*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	

		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 15: Identifying Performance Obligations, Licenses of Intellectual Property, and Principal versus Agent Assessment*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓

		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29			✓

		Adopted	Not Adopted	Not Applicable
	Financial Reporting in Hyperinflationary Economies			
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards, amendments and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2016 financial statements. Unless otherwise stated, these standards, amendments and interpretations have not been early adopted.

The standards, amendments and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2016 but will never be relevant/applicable to the Group or are currently not relevant to the Group because it has currently no related transactions.

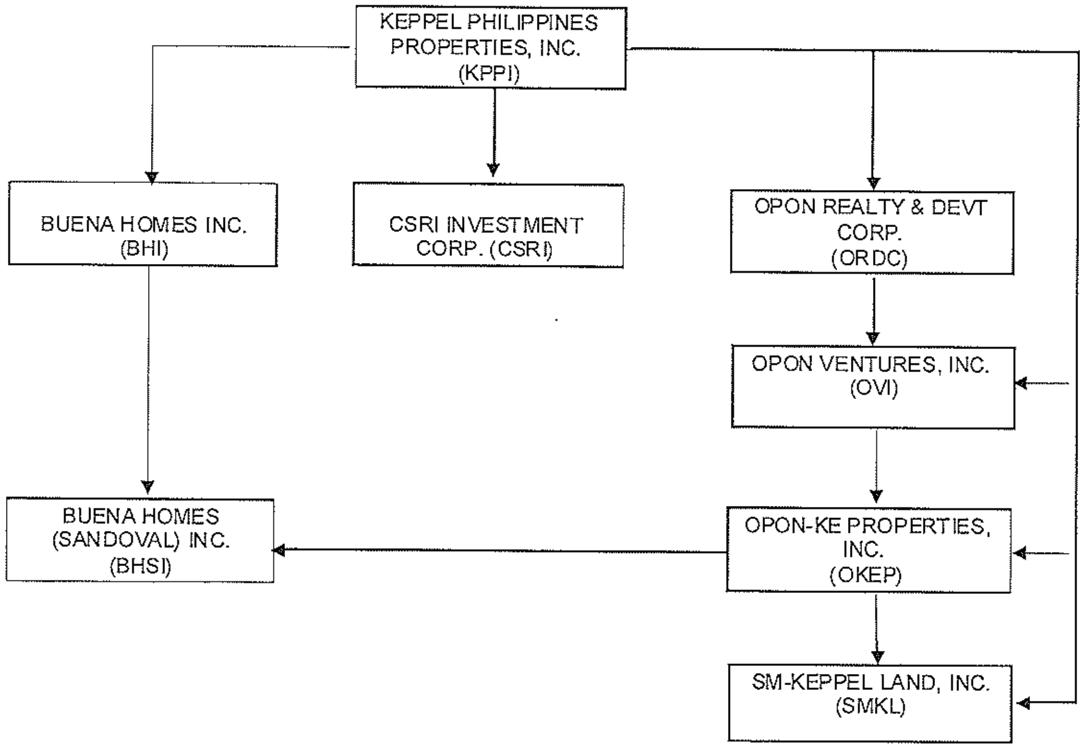
KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO EXHIBITS
SEC FORM 17-A

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	93
(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.
SUBSIDIARIES AND ASSOCIATES
As of December 31, 2016



Subsidiaries	Percentage of Ownership	Nature of Business
Buena Homes, Inc. (BHI)	100%	Investment holding
CSRI Investment Corporation (CSRI)	100%	Investment holding

Associates	Percentage of Ownership	Nature of Business
Buena Homes (Sandoval), Inc. (BHSI)	40%	Property holding and development
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