

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 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

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Department requiring the report

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|---|---|---|---|
| C | R | M | D |
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Secondary License Type, If Applicable

| | | |
|---|---|---|
| N | / | A |
|---|---|---|

COMPANY INFORMATION

Company's Email Address

| |
|----------------------------|
| keppel.prop@kepland.com.ph |
|----------------------------|

Company's Telephone Number/s

| |
|----------------|
| (632) 584-6170 |
|----------------|

Mobile Number

| |
|--------------|
| 0917-8719371 |
|--------------|

No. of Stockholders

| |
|-------|
| 1,256 |
|-------|

Annual Meeting
Month/Day

| |
|-------|
| 06/09 |
|-------|

Fiscal Year
Month/Day

| |
|-------|
| 12/31 |
|-------|

CONTACT PERSON INFORMATION

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

Name of Contact Person

| |
|------------------|
| Mr. Lee Foo Tuck |
|------------------|

Email Address

| |
|----------------------|
| leeft@kepland.com.ph |
|----------------------|

Telephone Number/s

| |
|----------------|
| (632) 584-6170 |
|----------------|

Mobile Number

| |
|--------------|
| 0917-8719371 |
|--------------|

Contact Person's Address

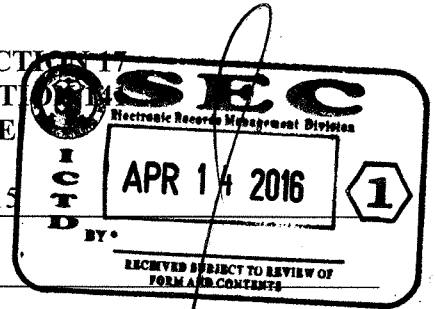
| |
|--|
| Units 2203/2204, Raffles Corporate Center, F. Ortigas Jr. Road, Ortigas Center, Pasig City |
|--|

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

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



- 1. For the fiscal year ended 31 December 2015
- 2. SEC Identification Number PW305
- 3. BIR Tax Identification No. 000-067-618 VAT

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

9. N/A
Former name, former address and former fiscal year, if changed since last report

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

| <u>Title of each Class</u> | <u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u> |
|---------------------------------|--|
| 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:

₱ 219,925,991

DOCUMENTS INCORPORATED BY REFERENCE

14. 2015 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"), is a stock corporation organized under the laws of the Philippines. The Company was first incorporated on 07 February 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 Philippine Securities and Exchange Commission (SEC) on February 7, 1918. It'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 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 does not directly developed project. 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 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 (a total of 828 units at 138 units per block), two-storey clubhouse, swimming pools, parks, playgrounds and parking areas for sale with total 232 parking slots. Each residential unit has a floor area of 40 to 50 sqm.

As at December 31 2015, 96% (791 units) of the 828 launched units and 57% (132 units) of the 232 parking lots have been sold.

In 2015, Phinma Property Holdings Corporation (PPHC) started developing the parcel of land with a total area of 11,359 square meters owned by BHSI. PPHC is committed to pay a guaranteed amount of ₱50.7 million for this parcel of land with a carrying value of ₱61.3 million.

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 square metres (“sqm”). As of 31 December 2015, the area occupied is 89%. The operation of the mall is handled by Shopping Center Management Corporation.

In April 2011, SMKL entered into a Memorandum of Agreement with its Joint Venture partner, Banco de Oro Unibank (BDO), for the assignment of development rights allowing construction by BDO of an office tower on top of The Podium in Phase 1. The office tower was completed in 2015. BDO has also purchased from SMKL the entire basement car park in Phase 1.

Competition

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

| | Net Income YTD 3Q2015 In Php Billions |
|-----------------------------|--|
| SM Prime Holdings, Inc. | 23.3 |
| Ayala Land Inc. | 15.2 |
| Robinson’s Land Corporation | 4.4 |

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 Company has a Consultancy Agreement with Straits Mansfield Property Marketing (SMPM) effective January 2015 based on agreed rates.
- b. Keppel Land International Limited (KLIL) provides consultancy, advisory and support services to the Company in 2014 until end of March 2015. The Company pays KLIL management consultancy fee computed based on agreed rates.
- c. The Company provides management advisory and consultancy services to SMKL and ORDC. Management consultancy fees are computed based on agreed rates.
- d. The 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 Geohazard 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 used land) or the Land Registration Authority (for residential used 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 9 employees as at 31 December 2015. No significant hiring or recruitment is expected in 2016.

| | No. of Employees |
|----------------------------|------------------|
| Senior Management | 1 |
| Human Resources | 2 |
| Finance and Administration | 5 |
| Information Technology | 1 |
| Total | 9 |

Major Risk Factors

Property values in the Philippines are affected by the general supply and demand of real estate. The supply and demand is in turn affected by economic, political and industry factors.

Economic: Results of operations is influenced by the general condition of the Philippine and global economy. Any economic contraction, failure to register improved economic performance, may adversely affect the Company's operations.

Political: The Company's business is also influenced by the political situation in the country. Any political instability in the future could have a material adverse effect in the Company's business.

Industry: The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. Property values in the Philippines are affected by the general supply and demand of real estate.

To manage these risks, BHSI and SMKL obtains 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. 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 car park (estimated gross floor area of 77,520 sqm) and 5-storey retail mall (estimated gross floor area of 34,000 sqm) linked to the existing Podium mall. A 42-storey Grade A, LEED Gold certified office tower (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 November 2016. Construction of the office tower is planned to begin after completion of the mall in 2016.

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 | JAA23 Construction Management, Inc |
| Structural Engineer | Eccruz Corporation |
| Main Contractor | DDT Kontract, Inc. |

2. PROPERTIES

As at 31 December 2015, the Company's investments in real estate properties are as follows:

| Type Of Property | Location | Description | Remarks |
|---------------------|--|---|--|
| a. Land & Buildings | ADB Avenue, Ortigas Center, Mandaluyong City | 2-hectare site on which contains The Podium Mall | 40% owned by the Company through its associate, SMKL. Not mortgaged |
| 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, BHSL. Not mortgaged. |

3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not party 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 fiscal 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. The Company has no restriction for any cash dividends declared that limit the ability to pay on common equity or that are likely to do so in the future. However, no cash dividends were declared from 2003 to 2015.

| STOCK PRICES | 2016 | | 2015 | | 2014 | |
|----------------|-------|-------|-------|-------|-------|-------|
| | High | Low | High | Low | High | Low |
| First Quarter | ₱6.75 | ₱3.50 | ₱4.32 | ₱3.81 | ₱3.00 | ₱2.80 |
| Second Quarter | N/A | N/A | 7.37 | 3.68 | 4.23 | 2.82 |
| Third Quarter | N/A | N/A | 5.75 | 3.20 | 6.00 | 4.23 |
| Fourth Quarter | N/A | N/A | 4.79 | 3.72 | 4.82 | 4.48 |

The Company has no plans of acquisition, business combination, or other reorganization that will take effect in the near future that involves issuances of securities.

There were no recent sales of unregistered or exempt securities.

The Company's common shares were last traded on 01 April 2016 (the latest practicable trading date) at ₱5.00 per share.

As of 31 December 2015, the number of shareholders on record was 1,256 and common shares outstanding were 293,828,900. Following is the table of the Company's top 20 stockholders as of 31 December 2015:

| | 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 | 35,783,741 | 12.18 |
| 4. | PCD Nominee Corporation - Filipino | 30,734,163 | 10.46 |
| 5. | PCD Nominee Corporation – Foreign | 4,440,136 | 1.51 |
| 6. | International Container Terminal Services Inc. | 4,265,171 | 1.45 |
| 7. | George S. Dee, Jr. | 3,442,891 | 1.17 |
| 8. | PNO 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. | East Visayan Milling Corporation | 181,453 | 0.06 |

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

A. Results of Operations

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

Year Ended 31 December 2015 Compared To Same Period In 2014

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

- Equity in net earnings of associates decreased by ₱7.8 million (38%) from ₱20.3 million in 2014 to ₱12.5 million in 2015. 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 combined effects of BHSI loss on disposal of idle land coupled with SMKL lower net income caused by Podium's decline in occupancy and rental rate. Podium's mall operation is 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. This is due to the decrease in Podium's rental income on which the management and franchise fees from SMKL is 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 during the year.

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

Net loss for the year amounted to ₱14.1 million, a decrease of ₱16.4 million from net income of ₱2.3 million in 2014.

Year Ended 31 December 2014 Compared To Same Period In 2013

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

- Equity in net earnings of associates decreased by ₱5.9 million (23%) from ₱26.2 million in 2013 to ₱20.3 million in 2014. The decrease is due to Podium's lower occupancy and rental rate caused by the on-going major renovation in its retail spaces. Podium 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 Podium's rental income on which the management and franchise fees from SMKL is based.

- Interest income dropped by ₱1.8 million to ₱0.6 million from ₱2.4 million in 2013 due to the decline in bank deposits interest rate during the 2014.

General and administrative expenses increased by ₱2.1 million, due to increases 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.

Year Ended 31 December 2013 Compared To Same Period In 2012

The Company posted revenue of ₱37.8 million, or a decreased of ₱8.0 million or 17.5% from ₱45.8 million total gross revenues for year 2012. The decreased in revenue was due to decline in interest income:

- Interest income went down to ₱2.4 million from ₱11.9 million in 2012 due to lower interest rate and a lower level of money market placements due to repatriation of the proceeds relating to the redemption of preferred shares in 2012. Furthermore, interest-bearing loans and advances to associates were received in year 2012.

| Interest Income | 2013 | 2012 | Decrease | |
|-----------------|----------------|------|----------|-------|
| | In Million Php | | | |
| Bank | 2.4 | 10.7 | (8.3) | -77% |
| On Loans | - | 1.2 | (1.2) | -100% |
| | 2.4 | 11.9 | (9.5) | -80% |

General and administrative expenses remained at the same level as 2012.

Other income (charges) comprised:

- Gain on sale of investment property amounting to ₱ 3.6 million
- Other income pertained to commission income and rental income.
- Foreign exchange loss in 2013 arose from realized transactions denominated in Singapore Dollars (SGD). The Peso strengthened against the SGD on the dates the payables to KLI were settled.

Net income for the year decreased by ₱3.0 million to ₱16.6 million from ₱19.6 million in 2012.

KEY PERFORMANCE INDICATORS

| For The Years Ended | December 2015 | December 2014 | % Change |
|------------------------------------|---------------|---------------|----------|
| Return On Assets | (0.79%) | 0.13% | (708%) |
| Earnings (Loss) Per Share | (₱0.048) | ₱0.008 | (700%) |
| Operating Expense Ratio | 195.26% | 91.94% | 112% |
| Net Tangible Asset Value Per Share | ₱3.55 | ₱3.59 | (1%) |
| Working Capital Ratio | 2.6:1 | 2.8:1 | (7%) |

- a. Return On Assets - The Company gauges its performance by determining the return on assets (net income after tax over total assets at beginning). It indicates how effectively the assets of the Company are utilized in generating profit. Net loss after taxation amounted to ₱14.1 million in 2015 which decreased by ₱16.4 million from net income of ₱2.3 million in 2014. The decrease is due primarily to a significant drop in equity in net earnings of associates and a joint venture.

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|-----------------|-----------------|
| Net Income (Loss) After Tax (a) | (₱ 14,061,329) | ₱ 2,298,288 |
| Total Assets At Beginning (b) | ₱ 1,782,211,889 | ₱ 1,755,282,708 |
| Return On Assets (a/b) | (0.79%) | 0.13% |

- b. Earnings (Loss) Per Share - It shows the income earned from each share of common stock outstanding. The EPS in 2015 was lower by 698% compared to last year mainly due to the decrease in income after tax.

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|----------------|-------------|
| Net Income (Loss) After Tax (a) | (₱ 14,061,329) | ₱ 2,298,288 |
| Number of Common Stock (b) | 293,828,900 | 293,828,900 |
| Earnings (Loss) Per Share (a/b) | (₱ 0.048) | ₱ 0.008 |

- c. Operating Expense Ratio - It measures operating expenses as a percentage of revenues. The operating expense ratio increased by 112% due to the 33% decrease in revenues and 42% increase in operating expenses.

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|--------------|--------------|
| Operating Expenses (a) | ₱ 36,335,835 | ₱ 25,454,425 |
| Revenues (b) | ₱ 18,608,876 | ₱ 27,685,775 |
| Operating Expense Ratio (a/b) | 195.26% | 91.94% |

- d. Net Tangible Asset Value Per Share - It shows the tangible value of each share of common stock outstanding. The tangible value per share is the same in 2015 and 2014.

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

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------------|-----------------------------------|
| Net Tangible Assets | ₱ 1,636,677,155 | ₱ 1,650,450,063 |
| Less : Preferred Stock | (₱ 594,741,000) | (₱ 594,741,000) |
| Net Tangible Assets Attributable To Common Stock | ----- ₱ 1,041,936,155 ----- | ----- ₱ 1,055,709,063 ----- |
| Number of Common Stock | 293,828,900 | 293,828,900 |
| Net Tangible Asset Value Per Share | ₱ 3.55 | ₱ 3.59 |

- e. Working Capital Ratio - The Company's ability to meet obligations is measured by determining current assets over current obligations. The Working Capital ratio decreased by 7%.

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|---------------|---------------|
| Current Assets (a) | ₱ 342,026,296 | ₱ 369,039,611 |
| Current Liabilities (b) | ₱ 131,000,212 | ₱ 131,756,629 |
| Working Capital Ratio (a/b) | 2.6:1 | 2.8:1 |

B. Financial Position

Year Ended 31 December 2015 Compared To Same Period In 2014

Total assets decreased by ₦14 million to ₦1,768 million in 2015 as compared with last year's figure of ₦1,782 million.

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

- i. 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.
- ii. Receivables increased by ₦1.5 million from ₦5.2 million in 2014 to ₦6.7 million in 2015. The increase results from additional advances to employees.
- iii. 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.
- iv. Investments in associates and joint venture increased by ₦12.7 million to ₦1,345.6 million from ₦1,332.9 million last year due to the increase in equity in net earnings of associates which amounted to ₦12.7 million.

Year Ended 31 December 2014 Compared To Same Period In 2013

Total assets increase by ₦27 million to ₦1,782 million in 2014 as compared with last year's figure of ₦1,755 million.

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

- i. Investments in associates increase by ₦15.5 million to ₦1,332.9 million from ₦1,317.5 million last year due to the increase in equity in net earnings of associates which amounted to ₦20.3 million, net of ₦4.8 million dividend received during the current year.
- ii. Due from related parties increase by ₦10.8 million primarily due to additional reimbursable charges extended to associates.
- iii. Other current assets increase by ₦1.7 due to creditable withholding tax and prepayments.

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

- a) As at 31 December 2015,
- 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 a party to certain lawsuits or claims arising from the ordinary course of business. The Group management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the financial statements.
- 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

Fees paid by the Group to an Independent Accountant is made up of audit and audit related fees only. There were no other fees paid.

| | <u>2015</u> | <u>2014</u> |
|------------------------------|-------------|-------------|
| Audit and Audit Related Fees | ₱565,070 | ₱525,200 |

The Audit Committee's approval policies and procedures included assessing the proposed scope of audit work to be conducted, 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, 56

Mr. Ng Ooi Hooi, 56, 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. Abejuela¹, 67 years old, Filipino, has been an Independent Director of the Company since November 1999 to June 2008. 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, 69

Mr. Celso P. Vivas¹, 69, 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 47 years of experience in audit, finance, enterprise risk management and corporate governance.

Mr. Vivas is a Certified Public Accountant and is currently Vice-Chairman and CEO of the Corporate Governance Institute of the Philippines. He is 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 Australian Institute of Company Directors (ICD Scholar).

(4) Stefan Tong Wai Mun, 43

Mr. Stefan Tong Wai Mun, 43, 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, 60

Mr. Lee Foo Tuck, 60, 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 30 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, 58

Mr. Lim Kei Hin, 58, 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, 59

Ms. Tan Siew Ngok, 59, 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.

¹ Independent Director

Key Officers

Mr. Lee Foo Tuck, 60, 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, 41, 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. She has also served as Consultant and Audit Manager to various local and multinational companies, namely; Schutzengel Telecoms, Trisilco Folec Philippines, Inc. and Eagle Broadcasting Corporation.

Atty. Ma. Melva E. Valdez, 56, 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 Control Systems 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, 45, 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 three (3) executive officers as of 31 December 2015.

| Name | Principal Position |
|---------------------|--|
| Lee Foo Tuck | President |
| Almira A. Anoñuevo | Manager – Finance & Administration |
| Elizabeth M. Perez* | Asst. Manager – Finance & Administration |
| Cyril Q. Mating | Asst. Manager – Finance & Administration |

* Resigned on 24 July 2015

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

| A | Top three executive officers as a group unnamed | Salary | Bonus | Others | Total |
|---|---|-----------------|-------|--------|-------|
| | | In Php Millions | | | |
| | 2016 (Estimate) | 4.80 | 0.10 | 0.50 | 5.40 |
| | 2015 | 4.40 | 0.01 | 0.20 | 4.61 |
| | 2014 | 4.40 | 0.01 | 0.20 | 4.61 |

| B | Other officers and directors as a group unnamed | Salary | Bonus | Others | Total |
|---|---|-----------------|-------|--------|-------|
| | | In Php Millions | | | |
| | 2016 (Estimate) | 2.40 | 0.40 | 0.20 | 3.00 |
| | 2015 | 2.20 | 0.40 | 0.20 | 2.80 |
| | 2014 | 2.20 | 0.40 | 0.50 | 3.10 |

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 fiscal 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 2015, 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 | PCD Nominee Corp. – Filipino ⁴ G/F Makati Stock Exchange Building 6767 Ayala Avenue Makati City | Various ⁵ | Filipino | 30,734,163 | 10.46% |

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 31 December 2015:

| | <u>No. of shares held</u> | <u>% of class</u> |
|--|---------------------------|-------------------|
| The Insular Life Assurance Company, Ltd. | 18,496,016 | 6.29% |

(a) Security Ownership of Management:

As of 31 December 2015, 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 | Malaysian | 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 have 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 31 December 2015, 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

15. Please refer to attached Annual Corporate Governance Report (ACGR), filed as part of this Form 17-A.

PART V- EXHIBITS AND SCHEDULES

16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits- See accompanying Index to Exhibits (page 97)

The following exhibit is filed as a separate section of this report:
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 98)

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 six (6) month period covered by this report are as follow:

| <u>Date</u> | <u>Events Reported</u> |
|------------------|---|
| 18 February 2015 | Approval and Release of Audited Financial Statements as of 31 December 2014 |
| 03 March 2015 | Resignation/Election of Director |
| 11 June 2015 | Approval of Directors' Remuneration for Y2014 |
| 11 June 2015 | Approval of the following during the Annual Stockholder's Meeting: Appointment of External Auditor Election of Directors Presentation and Approval of Y2014 Annual Report and Audited Financial Statements as of 31 December 2014 Approval of Directors' Remuneration for Y2014 Amendment of the Articles of Incorporation |
| 11 June 2015 | Approval of the following during the Organizational Meeting of the Board of Directors: Election of Officers Appointment of Members of Various Committees |

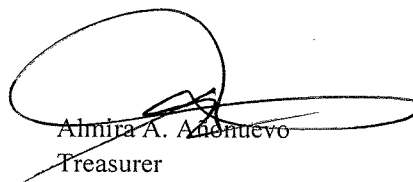
SIGNATURES

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 **CITY OF MAKATI** on **APR 08 2016**.

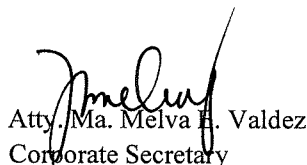
By:



Lee Foo Tuck
President



Almira A. Añonuevo
Treasurer

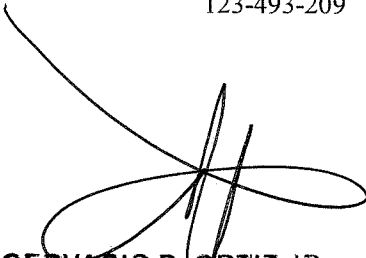


Atty. Ma. Melva E. Valdez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this **APR 08 2016** day _____ of 2016 affiant (s) exhibiting to me his/their Community Tax Certificates, as follows:

| <u>Names</u> | <u>TIN</u> <u>No.</u> |
|---------------------|--------------------------|
| Lee Foo Tuck | 235-817-895 |
| Almira A. Añonuevo | 187-488-070 |
| Ma. Melva E. Valdez | 123-493-209 |

Doc. No. 191
Page No. 40
Book No. XXII
Series of 2016.



ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-38-(2015-2016)
PTR No. 5323504 Jan. 4, 2016
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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

Financial Statements

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* 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**

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 23 March 2016

Service No.: 01985
O.R. No. : 1-185655
Fee Paid : \$42.50


J. ANTHONY A. REYES
Consul

"Validity of this Certification shall follow the validity of the attached / underlying document."

TO ALL TO WHOM THESE PRESENTS SHALL COME

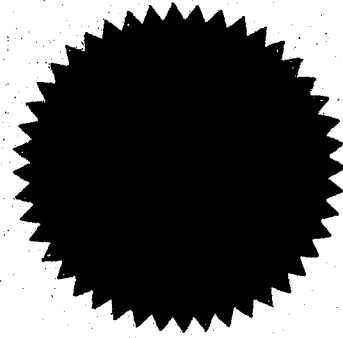
I CHIA CHOON YANG NOTARY PUBLIC duly appointed in the Republic of Singapore DO HEREBY CERTIFY THAT

KEPPEL PHILIPPINES PROPERTIES, INC. a Philippine registered company has issued the attached Statement of Management's Responsibility for Financial Statements signed on 23 February 2016 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 23rd day of February 2016.

WHICH I ATTEST

**NOTARY PUBLIC
REPUBLIC OF SINGAPORE**



Keppel Philippines Properties

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

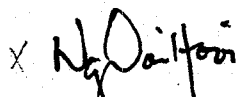
Tel : (632) 5846170
 (632) 5846171
 (632) 5843913
 Fax: (632) 5843915


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Keppel Philippines Properties, Inc. and Subsidiaries ("Keppel Group") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of Keppel Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

X 
NG OOI HOOI
 Chairman of the Board


LEE FOO TUCK
 President


ALMIRA A. ANONUEVO
 Treasurer

Signed this 23rd day of February 2016

APR 14 2016

MANILA

SUBSCRIBED AND SWORN to before me this _____ at _____, 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 |
|--------------------|--------------------|----------------|---------------|
| Ng Ooi Hooi | E4754500C | Jul. 31, 2014 | Apr. 30, 2020 |
| Lee Foo Tuck | E3425160D | Sept. 27, 2012 | Mar. 14, 2018 |
| Almira A. Anonuevo | TIN187-488-070 | Dec. 20, 1995 | |

DOC. NO. 225
 PAGE NO. 41
 BOOK NO. 63
 SERIES OF 2016

ATTY. RICHARD L. ANOLIN

NOTARY PUBLIC until December 31, 2016
 FOR CITY OF MANILA PHILIPPINES
 IBP LIFETIME NO: 05179/02.25.05/MLA.
 PTR NO. 4922461 01/05/16 Mla.
 Roll No. 33596
 MCLE COMPLIANCE NO. IV-00238501 8/16/14
 RODULFO ANOLIN AND ASSOCIATES LAW OFFICE
 2/F YMCA OF MANILA BLDG.
 # 350 ANTONIO VILLEGAS ST.,
 ERMITA, MANILA TEL. 525-0586
 A member of the Keppel Group of Singapore
 EMAIL ADD: attyrichardanolin@yahoo.com



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working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of Keppel Philippines Properties, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.





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- 2 -

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Keppel Philippines Properties, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticao
Partner

CPA Certificate No. 109616

SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018

Tax Identification No. 245-571-753

BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018

PTR No. 5321700, January 4, 2016, Makati City

February 23, 2016



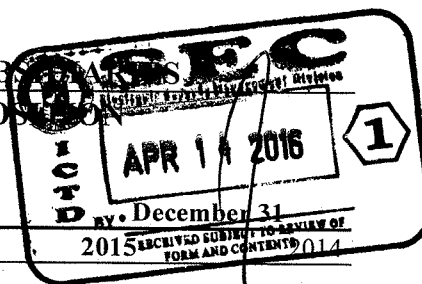
Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014
and Years Ended December 31, 2015, 2014 and 2013

and

Independent Auditors' Report

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



ASSETS

Current Assets

| | | |
|--|--------------------|--------------------|
| Cash and cash equivalents (Notes 6 and 22) | P206,916,313 | P151,498,654 |
| Receivables (Notes 7 and 22) | 6,663,734 | 5,171,155 |
| Due from related parties (Notes 15 and 22) | 108,724,018 | 192,865,094 |
| Other current assets (Notes 8 and 21) | 19,722,231 | 19,504,708 |
| Total Current Assets | 342,026,296 | 369,039,611 |

Noncurrent Assets

| | | |
|---|----------------------|----------------------|
| Available-for-sale financial assets (Note 9) | 79,512,230 | 79,512,230 |
| Investments in associates and a joint venture (Note 10) | 1,345,566,510 | 1,332,947,243 |
| Property and equipment - net (Note 12) | 184,252 | 307,480 |
| Refundable deposits (Note 22) | 107,110 | 107,110 |
| Pension asset - net (Note 17) | 576,781 | 298,215 |
| Total Non-Current Assets | 1,425,946,883 | 1,413,172,278 |

| | | |
|---------------------|-----------------------|-----------------------|
| TOTAL ASSETS | P1,767,973,179 | P1,782,211,889 |
|---------------------|-----------------------|-----------------------|

LIABILITIES AND EQUITY

Current Liabilities

| | | |
|---|--------------------|--------------------|
| Accounts payable and other current liabilities (Notes 13 and 22) | P6,926,165 | P5,543,223 |
| Due to related parties (Notes 15 and 22) | 124,000,000 | 124,000,000 |
| Income tax payable | 74,047 | 118,139 |
| Provisions (Note 19) | - | 2,095,267 |
| Total Current Liabilities | 131,000,212 | 131,756,629 |

Noncurrent Liability

| | | |
|--|--------------------|--------------------|
| Deferred tax liability - net (Note 18) | 295,812 | 5,197 |
| Total Liabilities | 131,296,024 | 131,761,826 |

Equity (Note 14)

| | | |
|----------------------------|----------------------|----------------------|
| Capital stock | 356,104,000 | 356,104,000 |
| Additional paid-in capital | 602,885,517 | 602,885,517 |
| Treasury shares - at cost | (2,667,645) | (2,667,645) |
| Other reserves | 935,058 | 646,637 |
| Retained earnings | 679,420,225 | 693,481,554 |
| Total Equity | 1,636,677,155 | 1,650,450,063 |

| | | |
|-------------------------------------|-----------------------|-----------------------|
| TOTAL LIABILITIES AND EQUITY | P1,767,973,179 | P1,782,211,889 |
|-------------------------------------|-----------------------|-----------------------|

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|-------------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 |
| REVENUE AND INCOME | | | |
| Equity in net earnings of associates and a joint venture (Note 10) | P12,552,560 | P20,323,109 | P26,194,363 |
| Management consultancy and franchise fees (Note 15) | 5,070,692 | 6,741,020 | 9,158,538 |
| Interest income (Notes 6 and 17) | 985,624 | 621,646 | 2,452,485 |
| | 18,608,876 | 27,685,775 | 37,805,386 |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 16) | | | |
| | (36,335,835) | (25,454,425) | (23,358,840) |
| OTHER INCOME (CHARGES) | | | |
| Gain on reversal of liability and provision (Notes 13 and 19) | 4,448,924 | - | - |
| Foreign exchange loss - net | (115,439) | (142,285) | (110,198) |
| Gain on sale of investment properties (Note 11) | - | - | 3,571,429 |
| Rental income (Note 11) | - | - | 179,031 |
| Others | 180 | 820 | 961 |
| | 4,333,665 | (141,465) | 3,641,223 |
| INCOME (LOSS) BEFORE INCOME TAX | (13,393,294) | 2,089,885 | 18,087,769 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18) | | | |
| Current | 472,440 | 538,240 | 1,145,686 |
| Deferred | 195,595 | (746,643) | 287,271 |
| | 668,035 | (208,403) | 1,432,957 |
| NET INCOME (LOSS) | (14,061,329) | 2,298,288 | 16,654,812 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| <i>Items that will not be recycled to profit or loss</i> | | | |
| Actuarial gain (loss) on defined benefit plan (Note 17) | 316,734 | 36,754 | (197,252) |
| Income tax relating to actuarial loss (gain) (Note 18) | (95,020) | (11,026) | 59,176 |
| Share in actuarial gains (losses) of an associate and a joint venture (Note 10) | 66,707 | (44,877) | (57,684) |
| | 288,421 | (19,149) | (195,760) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (P13,772,908) | P2,279,139 | P16,459,052 |
| Basic/Diluted Earnings (Loss) Per Share (Note 20) | (P0.05) | P0.01 | P0.06 |

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

| | Capital Stock | | Additional Paid-in Capital (Note 14) | Treasury Shares - at cost (Note 14) (P2,667,645) | Actuarial Gain on Defined Benefit Plan (Notes 14 and 17)(Notes 10 and 14) | | Retained Earnings (Note 14) | Total Equity |
|----------------------------|---------------------|------------------------|--|--|--|---|-----------------------------------|----------------|
| | Common (Note 14) | Preferred (Note 14) | | | Share on of an Associate and a Joint Venture | Share on of an Associate and a Joint Venture | | |
| At January 1, 2015 | ₱296,629,900 | ₱59,474,100 | ₱602,885,517 | (₱2,667,645) | ₱238,266 | ₱408,371 | ₱693,481,554 | ₱1,650,450,063 |
| Net loss | - | - | - | - | - | - | (14,061,329) | (14,061,329) |
| Other comprehensive income | - | - | - | - | 221,714 | 66,707 | - | 288,421 |
| Total comprehensive loss | - | - | - | - | 221,714 | 66,707 | - | 288,421 |
| 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 |
| 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 |
| Net income | - | - | - | - | - | - | 2,298,288 | 2,298,288 |
| Other comprehensive income | - | - | - | - | 25,728 | (44,877) | - | (19,149) |
| Total comprehensive income | - | - | - | - | 25,728 | (44,877) | 2,298,288 | 2,279,139 |
| 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 |
| At January 1, 2013 | ₱296,629,900 | ₱59,474,100 | ₱602,885,517 | (₱2,667,645) | ₱350,614 | ₱510,932 | ₱674,528,454 | ₱1,631,711,872 |
| Net income | - | - | - | - | - | - | 16,654,812 | 16,654,812 |
| Other comprehensive income | - | - | - | - | (138,076) | (57,684) | - | (195,760) |
| Total comprehensive income | - | - | - | - | (138,076) | (57,684) | 16,654,812 | 16,459,052 |
| At December 31, 2013 | ₱296,629,900 | ₱59,474,100 | ₱602,885,517 | (₱2,667,645) | ₱212,538 | ₱453,248 | ₱691,183,266 | ₱1,648,170,924 |

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|-------------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income (loss) before income tax | (P13,393,294) | P2,089,885 | P18,087,769 |
| Adjustments for: | | | |
| Current service cost (Note 17) | 228,115 | 233,366 | 178,574 |
| Depreciation (Notes 12 and 16) | 139,763 | 162,462 | 864,062 |
| Foreign exchange losses - net | 115,439 | 142,285 | 110,198 |
| Gain on sale of investment properties (Note 11) | - | - | (3,571,429) |
| Interest income (Notes 6 and 17) | (985,624) | (621,646) | (2,452,485) |
| Gain on reversal of liability and provision (Notes 13 and 19) | (4,448,924) | - | - |
| Equity in net earnings of associates and a joint venture (Note 10) | (12,552,560) | (20,323,109) | (26,194,363) |
| Loss before changes in working capital | (30,897,085) | (18,316,757) | (12,977,674) |
| Decrease (increase) in: | | | |
| Receivables | (1,386,738) | 77,527 | (5,105,179) |
| Due from related parties | 12,674,276 | 13,258,898 | 2,243,240 |
| Other current assets | (335,662) | (1,738,033) | (1,205,682) |
| Increase (decrease) in: | | | |
| Accounts payable and other current liabilities | 3,736,599 | 1,465,525 | 700,542 |
| Due to related parties | - | - | (288,500) |
| Net cash used in operations | (16,208,610) | (5,252,840) | (16,633,253) |
| Contribution to the retirement plan (Note 17) | (176,527) | (152,901) | (153,733) |
| Interest received | 839,903 | 594,152 | 2,521,670 |
| Income tax paid | (371,933) | (618,106) | (1,097,423) |
| Net cash used in operating activities | (15,917,167) | (5,429,695) | (15,362,739) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in refundable deposits | - | (51,002) | - |
| Proceeds from: | | | |
| Dividend from associate (Note 10) | - | 4,800,000 | - |
| Sale of investment properties (Note 11) | - | - | 3,571,429 |
| Payments for acquisition of property and equipment (Note 12) | (16,535) | (156,522) | (195,663) |
| Net cash provided by (used in) investing activities | (16,535) | 4,592,476 | 3,375,766 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in amounts due from related parties | 71,466,800 | - | - |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | |
| | (115,439) | (142,285) | (110,198) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 55,417,659 | (979,504) | (12,097,171) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 151,498,654 | 152,478,158 | 164,575,329 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6) | P206,916,313 | P151,498,654 | P152,478,158 |

See accompanying Notes to Consolidated Financial Statements.

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Keppel Philippines Properties, Inc. (“Parent Company”) and the following 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.

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

The Parent Company is listed in the Philippine Stock Exchange (PSE). Its 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 of December 31, 2015 and 2014, the top five beneficial shareholders of the Parent Company are the following:

| Shareholders | Percentage of Ownership | |
|-------------------------|-------------------------|------|
| | 2015 | 2014 |
| KLL | 50% | 50% |
| Kepwealth, Inc. | 17% | 17% |
| KCL | 12% | 12% |
| PCD Nominee Corporation | 12% | 12% |
| Public | 9% | 9% |

The Group holds investments in associates involved in property holding and development (see Note 10) and render management consultancy services to associates (see Note 15).

On December 6, 2010, the Group submitted its application 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 of the Group’s principal office. The Group’s principal office address is Penthouse, Benguet Centre Building, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The consolidated financial statements of the Group have been authorized for issue by the Board of Directors (BOD) on February 23, 2016.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015. 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 Parent Company 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 Parent Company 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 Parent Company 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.

3. Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the adoption of these new accounting standards and amendments have no material impact on the Group's consolidated financial statements.

- *Amendments to Philippine Accounting Standards (PAS) 19, Employee Benefits - Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to PFRSs 2010-2012 Cycle*
 - *PFRS 2, Share-based Payment - Definition of Vesting Condition*
 - *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
 - *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only on the judgment made by management in aggregating operating segments and did not have impact on the Group's financial position or performance.
- *PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
- *PAS 24, Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs 2011-2013 cycle*
 - *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
 - *PFRS 13, Fair Value Measurement - Portfolio Exception*
 - *PAS 40, Investment Property*

Future Changes in Accounting Policies

The standards and interpretations that are issued, but not yet effective, up to date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

Effective in 2016

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group is currently assessing the impact of these amendments in the separate financial statements of each Parent entity in the Group.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* and PAS 28, *Investments in Associates and Joint Ventures - Investment in Entities: Applying the Consolidation Exception (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- *Annual Improvements to PFRSs (2012-2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

Effective in 2018

- PFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been locally adopted by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers (effective January 1, 2018)*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- IFRS 16, *Leases (effective January 1, 2019)*
On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

4. Summary of Significant Accounting Policies

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.

Financial Instruments

Date of 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.

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 are classified in four categories: financial assets at 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.

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 of December 31, 2015 and 2014, the Group does not have financial assets and liabilities at FVPL and HTM investments.

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.

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".

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 unquoted club shares and redeemable preferred shares carried at cost.

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).

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.

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.

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).

Derecognition of Financial Assets and Liabilities

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.

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.

Offsetting of Financial Instruments

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.

Fair Value

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.

Financial assets

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.

Non-financial assets

A fair value measurement of a nonfinancial 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.

Other current assets

Creditable withholding taxes

Creditable withholding taxes represent amounts withheld by the Group's counterparties in relation to revenue earned. Subsequently, these amounts are applied against the income tax payable.

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.

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 under the equity method of accounting.

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.

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

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.

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 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.

Provisions

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.

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.

Management consultancy fees and franchise fees

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

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. Interest income is included in finance income in the consolidated statement of income.

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.

Equity

Capital stock

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

Additional paid-in capital

Additional paid-in capital represents capital contribution in excess of par value of the capital stock.

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.

Retained earnings

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

Treasury shares

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

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to remeasurements comprising actuarial gain on defined benefit plan assets and share on actuarial gains of its associates and joint venture.

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.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine Peso, which is the Group'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. 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.

Retirement Cost

The Group has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. The net pension 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 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 pension 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.

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.

Taxes

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.

Deferred tax

Deferred 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 tax liabilities are recognized for all taxable temporary differences, with certain exceptions.

Deferred 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 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 tax assets to be utilized. Unrecognized deferred 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 tax assets to be recovered.

Deferred 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 of reporting date.

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

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

and the same taxation authority.

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.

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.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23.

Contingencies

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.

Events after the Reporting Date

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.

5. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the accompanying 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 accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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:

Assessment of control

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 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. 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 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 continues to account for this investment using the equity method.

Operating leases - Group as lessee

The Group has entered into commercial property leases related to its office spaces. Substantially, all the risks and benefits incidental to ownership of the leased items are not transferred to the Group. Total rent expense charged to operations amounted to ₱1.6 million, ₱1.5 million and ₱1.4 million in 2015, 2014 and 2013, respectively (see Notes 16 and 21).

Impairment of financial assets not quoted in an active market

The Group assesses impairment on its 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 2015 and 2014. The carrying values of AFS financial assets not quoted in an active market amounted to ₱79.5 million as of December 31, 2015 and 2014 (see Note 9).

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 of December 31, 2015 and 2014, the Group did not recognize any impairment loss on its investment in associates and joint ventures. The carrying value of investments in associates and joint venture as of December 31, 2015 and 2014 amounted to ₱1,345.6 million and ₱1,332.9 million, respectively (see Note 10).

Estimates and Assumptions

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

Allowance for doubtful accounts

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 ₱6.7 million and ₱5.2 million as of December 31, 2015 and 2014, respectively. Due from related parties amounted to ₱108.7 million and ₱192.9 million as of December 31, 2015 and 2014, respectively. No allowance was provided for these receivables as of December 31, 2015 and 2014 (see Notes 7 and 15).

Provisions

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Provisions for estimated losses on claims by a third party amounted to nil and ₱2.1 million as of December 31, 2015 and 2014 (see Note 19).

Retirement benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves using various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The significant assumptions

are reviewed at each reporting date. The present value of defined benefit obligation as of December 31, 2015 and 2014 amounted to ₱1.1 million and ₱1.3 million, respectively (see Note 17). The net pension asset as of December 31, 2015 and 2014 amounted to ₱0.6 million and ₱0.3 million, respectively (see Note 17).

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. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 17.

Recognition of deferred tax assets

Deferred 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 losses can be utilized. Significant management judgment is required to determine the amount of deferred 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 of December 31, 2015 and 2014, recognized deferred tax assets amounted to ₱0.6 million and ₱0.7 million, respectively. The amount of unrecognized deferred tax assets amounted to ₱19.8 million and ₱15.6 million as of December 31, 2015 and 2014, respectively (see Note 18).

6. Cash and Cash Equivalents

This account consists of:

| | 2015 | 2014 |
|------------------|---------------------|---------------------|
| Petty cash fund | ₱35,000 | ₱35,000 |
| Cash in banks | 7,557,234 | 22,393,201 |
| Cash equivalents | 199,324,079 | 129,070,453 |
| | ₱206,916,313 | ₱151,498,654 |

Cash in banks earns interest at the prevailing bank deposit rates which range from 0.25% to 0.75% in 2015 and 2014. 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 0.875% and 0.52% to 0.67% in 2015 and 2014, respectively.

Interest income from cash and cash equivalents amounted ₱1.0 million, ₱0.6 million and ₱2.5 million in 2015, 2014 and 2013, respectively.

7. Receivables

This account consists of:

| | 2015 | 2014 |
|---------------------------|-------------------|------------|
| Non-trade | ₱2,666,664 | ₱2,666,664 |
| Receivable from employees | 3,235,487 | 2,490,306 |
| Interest | 105,841 | 14,185 |
| Other (Note 15) | 655,742 | - |
| | ₱6,663,734 | ₱5,171,155 |

Non-trade receivable pertains to the receivable arising from an agreement of the Group with a third party entered on October 24, 2013 to sell its fully depreciated investment properties, payment of which is receivable in equal amounts for twenty-four (24) months. It was agreed by the Group and the debtor that the remaining unpaid receivable is to be collected in 2016 (see Note 11).

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

Interest pertains to accrued interest on short-term deposits and is collectible within one year.

8. Other Current Assets

This account consists of:

| | 2015 | 2014 |
|------------------------------|--------------------|-------------|
| Creditable withholding taxes | ₱16,717,166 | ₱16,395,361 |
| Prepayments | 2,286,481 | 2,598,950 |
| Others | 718,584 | 510,397 |
| | ₱19,722,231 | ₱19,504,708 |

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

Prepayments include advance rental deposits amounting to ₱0.9 million for one year which arose from the transfer of the Group's office to a temporary address due to the ongoing reconstruction of its principal office in 2015 (see Note 21).

9. Available-for-Sale Financial Assets

This account consists of unquoted investments as follows:

| | 2015 | 2014 |
|-----------------------------|--------------------|--------------------|
| Preferred equity securities | ₱79,287,230 | ₱79,287,230 |
| Unquoted Club shares | 225,000 | 225,000 |
| | ₱79,512,230 | ₱79,512,230 |

As of December 31, 2015 and 2014, unquoted AFS financial assets amounting to ₱79.5 million are carried at cost.

Preferred shares pertain to investments in Opon Ventures, Inc. (OVI) and Opon KE Properties, Inc. (OKEP) in 2012 that are classified as AFS financial assets.

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.
- The redeemable preferred shares shall be entitled to preference in the distribution of dividends at a fixed yield of (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.
- Redeemed at the option of the issuer, in full or in part, within a period of (10) years from date of issuance, at a price to be determined by the BOD.
- If the preferred shares are not redeemed within the period of ten (10) years, the holder shall have the option to:
 - i. Convert the preferred shares to participating preferred shares;
 - ii. Remain as redeemable preferred shares for another five (5) years, after which the holder can choose to convert to either Common Shares or Participating Preferred shares.

The preferred shares shall be issued at ten pesos (₱10) per share.

10. Investments in Associates and a Joint Venture

The details and movements of this account are as follows:

| | 2015 | 2014 |
|------------------------------------|-----------------------|----------------|
| Cost | ₱806,321,443 | ₱806,321,443 |
| Accumulated equity in net earnings | | |
| <i>Presented in profit or loss</i> | | |
| At January 1 | 526,217,429 | 510,694,320 |
| Dividend received | – | (4,800,000) |
| Presented in profit or loss | 12,552,560 | 20,323,109 |
| At December 31 | 538,769,989 | 526,217,429 |
| <i>Presented in OCI</i> | | |
| At January 1 | 408,371 | 453,248 |
| OCI | 66,707 | (44,877) |
| At December 31 | 475,078 | 408,371 |
| | ₱1,345,566,510 | ₱1,332,947,243 |

Dividend received pertains to 40% of the dividends declared by Opon Realty and Development Corporation (ORDC) on April 30, 2014 amounting to ₱12.0 million or ₱1.20 per share, which was paid on December 10, 2014.

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 | |
|------------------------------------|-------------------------|------|-----------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| <u>Associates</u> | | | | |
| Buena Homes (Sandoval) Inc. (BHSI) | 40% | 40% | ₱160,710,272 | ₱159,292,459 |
| Opon-KE Properties, Inc. (OKEP) | 40 | 40 | 90,058,608 | 88,896,516 |
| Opon Ventures, Inc. (OVI) | 40 | 40 | 22,597,247 | 21,975,773 |
| ORDC | 40 | 40 | 14,995,868 | 14,689,833 |
| <u>Joint Venture</u> | | | | |
| SMKL | 40 | 40 | 1,057,204,515 | 1,048,092,662 |
| | | | ₱1,345,566,510 | ₱1,332,947,243 |

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:

December 31, 2015

| | BHSI | OKEP | OVI | ORDC | SMKL |
|------------------------------|---------------------|--------------------|--------------------|--------------------|-----------------------|
| Net assets | ₱401,775,680 | ₱270,998,814 | ₱118,259,335 | ₱13,692,674 | ₱2,274,391,991 |
| Effective ownership interest | 40% | 40% | 40% | 40% | 40% |
| | 160,710,272 | 108,399,526 | 47,303,734 | 5,477,070 | 909,756,796 |
| Available-for-sale (Note 9) | – | (31,287,230) | (48,000,000) | – | – |
| Fair value adjustments | – | 12,946,312 | 23,293,513 | 9,518,798 | 147,447,719 |
| | ₱160,710,272 | ₱90,058,608 | ₱22,597,247 | ₱14,995,868 | ₱1,057,204,515 |

December 31, 2014

| | BHSI | OKEP | OVI | ORDC | SMKL |
|------------------------------|--------------|--------------|--------------|-------------|----------------|
| Net assets | ₱398,231,148 | ₱263,952,788 | ₱118,448,790 | ₱13,859,802 | ₱2,252,298,362 |
| Effective ownership interest | 40% | 40% | 40% | 40% | 40% |
| | 159,292,459 | 105,581,115 | 47,379,516 | 5,543,921 | 900,919,345 |
| Available-for-sale (Note 9) | – | (31,287,230) | (48,000,000) | – | – |
| Fair value adjustments | – | 14,602,631 | 22,596,257 | 9,145,912 | 147,173,317 |
| | ₱159,292,459 | ₱88,896,516 | ₱21,975,773 | ₱14,689,833 | ₱1,048,092,662 |

The Group's associates and joint venture were all incorporated in the Philippines. BHSI is involved in the construction of residential condominium project. 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.

BHSI

In 2015, Phinma Property Holdings Corporation (PPHC) started developing the parcel of land owned by BHSI. PPHC is committed to pay a guaranteed amount of ₱50.7 million for this parcel of land with a carrying value of ₱61.3 million.

Significant financial information of the associates follows:

| | December 31, 2015 | | | |
|---------------------------------|----------------------|-------|-------|-------|
| | BHSI | OKEP | OVI | ORDC |
| | <i>(In Millions)</i> | | | |
| Current assets | ₱467.7 | ₱56.9 | ₱0.3 | ₱4.8 |
| Non-current assets | 4.6 | 336.3 | 119.8 | 81.9 |
| Total Assets | 472.3 | 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 |
| Gross revenue | ₱149.3 | ₱2.8 | ₱– | ₱– |
| Cost and expenses - net | (149.2) | (0.4) | (0.2) | (0.2) |
| Profit (loss) before income tax | 0.1 | 2.4 | (0.2) | (0.2) |
| Net profit (loss) | 3.4 | 2.3 | (0.2) | (0.2) |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income | 3.4 | 2.3 | (0.2) | (0.2) |

| | December 31, 2014 | | | |
|-------------------------|----------------------|-------|-------|------|
| | BHSI | OKEP | OVI | ORDC |
| | <i>(In Millions)</i> | | | |
| Current assets | ₱555.9 | ₱57.1 | ₱0.3 | ₱5.0 |
| Non-current assets | 0.7 | 333.6 | 119.8 | 93.9 |
| Total Assets | 556.6 | 390.7 | 120.1 | 98.9 |
| Current liabilities | 152.4 | 126.7 | 1.7 | 73.1 |
| Non-current liabilities | 5.7 | – | – | – |
| Total Liabilities | 158.1 | 126.7 | 1.7 | 73.1 |
| (Forward) | | | | |

| | December 31, 2014 | | | |
|---------------------------------|-------------------|-------|-------|-------|
| | BHSI | OKEP | OVI | ORDC |
| Gross revenue | 41.0 | 8.2 | - | 0.1 |
| Cost and expenses - net | (15.9) | (0.2) | (0.2) | (1.4) |
| Profit (loss) before income tax | 25.1 | 8.0 | (0.2) | (1.3) |
| Net profit (loss) | 22.6 | 8.0 | (0.2) | (1.3) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 22.6 | - | - | - |

SMKL

SMKL is executing improvements and upgrading works to sustain its retail mall's growth and appeal as a premier shopping and lifestyle destination. Expansion of the retail mall is underway, with plans to add 34,000 sqm of leasable retail space, resulting in total leasable retail space of about 50,000 sqm. Construction of the retail mall expansion commenced in 2014 and is expected to be completed in 2017.

Significant financial information of the joint venture follows:

| | 2015 | 2014 |
|--|----------------------|----------|
| | <i>(In Millions)</i> | |
| Current assets, including cash and cash equivalents ₱309.2 million (2014: ₱1,278.53 million) | ₱923.4 | ₱1,380.5 |
| Non-current assets | 1,749.6 | 1,103.2 |
| Total Assets | 2,673.0 | 2,483.7 |
| Current liabilities, including tax payable ₱0.3 million (2014: nil) | 261.9 | 115.1 |
| Non-current liabilities, including deferred tax Liabilities ₱0.03 million (2014: ₱0.03 million) | 31.6 | 27.0 |
| Total Liabilities | 293.5 | 142.1 |
| Gross revenue | ₱177.1 | ₱186.7 |
| Cost of sales | (80.0) | (89.3) |
| Administrative expenses, including depreciation and amortization ₱19.8 million (2014: ₱19.5 million) | (66.8) | (75.8) |
| Profit before income tax | 30.3 | 21.6 |
| Income tax expense | (8.1) | (5.5) |
| Net profit | 22.2 | 16.1 |
| Other comprehensive income (loss) | 0.1 | (0.1) |
| Total comprehensive income | 22.3 | 16.0 |

The associate had no contingent liabilities or capital commitments as at December 31, 2015 and 2014.

11. Investment Properties

The Group's investment properties pertain to two (2) condominium units in Cebu.

On October 24, 2013, the Group, through its buyback agreement, sold these fully depreciated condominium units for ₱4.0 million, inclusive of ₱0.4 million output VAT. The gain on sale of the investment properties amounting to ₱3.6 million was included in profit or loss.

Payment is receivable in equal amounts for twenty-four (24) months. Collections in 2014 amounted to ₱1.0 million, inclusive of ₱0.1 million output VAT and collections in 2013 amounted to ₱0.3 million, inclusive of ₱0.03 million output VAT. It was agreed by the Group and the debtor that the remaining unpaid receivable is to be collected in 2016 (see Note 7).

The Group recognized rental income on these investment properties amounting to nil in 2015 and 2014 and ₱0.18 million in 2013.

12. Property and Equipment

The rollforward analyses of this account are as follows:

| | 2015 | | | Total |
|---------------------------------|--------------------------|------------------|------------------------|-----------------|
| | Transportation Equipment | Office Equipment | Furniture and Fixtures | |
| Cost | | | | |
| At January 1 | ₱1,404,506 | ₱1,806,273 | ₱2,405,645 | ₱5,616,424 |
| Additions | – | 16,535 | – | 16,535 |
| At December 31 | 1,404,506 | 1,822,808 | 2,405,645 | 5,632,959 |
| Accumulated Depreciation | | | | |
| At January 1 | ₱1,404,506 | ₱1,501,560 | ₱2,402,878 | ₱5,308,944 |
| Depreciation (Note 16) | – | 137,014 | 2,749 | 139,763 |
| At December 31 | 1,404,506 | 1,638,574 | 2,405,627 | 5,448,707 |
| Net Book Value | ₱– | ₱184,234 | ₱18 | ₱184,252 |

| | 2014 | | | Total |
|---------------------------------|--------------------------|------------------|------------------------|-----------------|
| | Transportation Equipment | Office Equipment | Furniture and Fixtures | |
| Cost | | | | |
| At January 1 | ₱1,404,506 | ₱3,511,494 | ₱2,435,459 | ₱7,351,459 |
| Additions | – | 156,522 | – | 156,522 |
| Retirement | – | (1,861,743) | (29,814) | (1,891,557) |
| At December 31 | 1,404,506 | 1,806,273 | 2,405,645 | 5,616,424 |
| Accumulated Depreciation | | | | |
| At January 1 | 1,404,502 | 3,222,475 | 2,411,062 | 7,038,039 |
| Depreciation (Note 16) | 4 | 140,828 | 21,630 | 162,462 |
| Retirement | – | (1,861,743) | (29,814) | (1,891,557) |
| At December 31 | 1,404,506 | 1,501,560 | 2,402,878 | 5,308,944 |
| Net Book Value | ₱– | ₱304,713 | ₱2,767 | ₱307,480 |

Depreciation expense charged against operations amounted to ₱0.1 million in 2015, ₱0.2 million in 2014 and ₱0.9 million in 2013 (see Note 16). Cost of fully depreciated property and equipment still being used amounted to ₱5.2 million and ₱4.6 million as of December 31, 2015 and

2014, respectively. The Group retired its fully-depreciated property and equipment amounting to ₱ 1.89 million in 2014.

13. Accounts Payable and Other Current Liabilities

This account consists of:

| | 2015 | 2014 |
|--------------------|-------------------|-------------------|
| Accrued expenses | ₱3,965,256 | ₱3,518,649 |
| Taxes payable | 1,829,519 | 1,403,967 |
| Trade (Forward) | 577,409 | 66,626 |
| Dividends payable | 553,981 | 553,981 |
| | ₱6,926,165 | ₱5,543,223 |

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

In 2015, portion of the bonus accrued in 2014 amounting to ₱2.4 million has been reversed. The reversal is based on the Parent Company's assessment of estimated amount to be required to settle the liability. The gain arising from this reversal is presented as 'Gain on reversal of liability and provision' in the consolidated statements of comprehensive income.

Trade 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.

14. Equity

a. Capital Stock

The details of the authorized capital stock of the Parent Company as of December 31, 2015 and 2014 are as follows:

| | |
|--------------------------------|-------------|
| Common stock - ₱1 par value | 375,000,000 |
| Preferred stock - ₱1 par value | 135,700,000 |

Issued and outstanding shares of the Parent Company as of December 31, 2015 and 2014 are as follows:

| | Number of shares | Amount |
|----------------------------|------------------|--------------|
| Common stock - issued | 296,629,900 | ₱296,629,900 |
| Treasury shares | (2,801,000) | (2,667,645) |
| Common stock - outstanding | 293,828,900 | ₱293,962,255 |
| Preferred stock | 59,474,100 | 59,474,100 |

Preferred shares, which were issued on November 11, 2003, are redeemable in full or in part at the option of the Parent Company. No preferred shares have been redeemed in 2015 and 2014.

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

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

- i. Amendment of the articles of incorporation;
- ii. Adoption and amendment of by-laws;
- iii. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property;
- iv. Incurring, creating or increasing bonded indebtedness;
- v. Increase or decrease of capital stock;
- vi. Merger or consolidation of the corporation with another corporation or other corporations;
- vii. Investment of corporate funds in another corporation or business in accordance with this Code; and
- viii. Dissolution of the corporation.

On October 6, 2010, the BOD authorized the amendment of its articles of incorporation, particularly Article 7 to read as follows:

Preferred shares may be redeemed in full or in part, at the option of the issuer, within a call period of seven (7) years from the date of approval of the amended articles. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. Likewise, the fairness of the annual premium rate must be confirmed by an independent financial advisor. The issue price will be ₱10 per share.

The above amendments were approved by the stockholders on November 26, 2010.

b. Additional paid-in capital

The “Additional paid-in capital” presented in the consolidated statements of financial position and consolidated statements of changes in equity as of December 31, 2015 and 2014 are as follows:

| | |
|-----------------|--------------|
| Common stock | ₱67,618,617 |
| Preferred stock | 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 ₱538.8 million, ₱526.2 million and ₱510.7 million as of December 31, 2015, 2014 and 2013, respectively. These amounts are not available for distribution as dividends until declared by the associates and joint venture (Note 10). Retained earnings are further restricted to the extent of ₱2.7 million representing the cost of shares held in treasury as of December 31, 2015 and 2014.

d. Other reserves

Other reserves pertain to items of OCI that will not be recycled to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to ₱0.46 million and ₱0.24 million as of December 31, 2015 and 2014, respectively, and share on actuarial gain of an associate and a joint venture amounting to ₱0.48 million as of December 31, 2015 and ₱0.41 million as of December 31, 2014 (Note 10).

e. The weighted average number of shares outstanding as of December 31, 2015 and 2014 is as follows:

| | |
|---|-------------|
| Issued shares | 296,629,900 |
| Less treasury shares | 2,801,000 |
| Weighted average number of shares (Note 20) | 293,828,900 |

f. 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 of December 31, 2015 | Number of holders of securities as of December 31, 2014 |
|--------|-----------------------------------|----------------------|--------------------|---|---|
| Common | 293,828,900 | ₱1 | September 11, 1989 | 1,256 | 1,259 |

15. Related Party Transactions

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related

parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Outstanding balances of transactions with related parties are as follows:

2015

| Category | Amount | Outstanding Balance | Terms | Conditions |
|----------------------|-------------------|------------------------|---|-----------------------------|
| Due from | | | | |
| Associates | | | | |
| BHSI (d) | ₱1,645,341 | ₱35,733,200 | Non-interest-bearing, due and demandable | Unsecured, no impairment |
| OKEP (e) | 152,227 | 70,258,967 | Non-interest-bearing, due and demandable | Unsecured, no impairment |
| ORDC (a) | 150,668 | 179,222 | Non-interest-bearing, 30-to-60 days | Unsecured, no impairment |
| OVI (b) (Forward) | 155,587 | 1,766,833 | Non-interest-bearing, 30-to-60 days | Unsecured, no impairment |
| Joint venture | | | | |
| SMKL (c) | 17,030,922 | 785,796 | Non-interest-bearing 30-to-60 days | Unsecured, no impairment |
| | | ₱108,724,018 | | |
| Due to | | | | |
| Associates | | | | |
| BHSI (f) | ₱- | ₱83,701,493 | Non-interest-bearing, due and demandable | Unsecured |
| OKEP (f) | - | 40,298,507 | Non-interest-bearing, due and demandable | Unsecured |
| | | ₱124,000,000 | | |

2014

| Category | Amount | Outstanding Balance | Terms | Conditions |
|----------------------|-------------------|------------------------|---|-----------------------------|
| Due from | | | | |
| Associates | | | | |
| BHSI (d) | ₱74,592 | ₱107,274,592 | Non-interest-bearing, due and demandable | Unsecured, no impairment |
| OKEP (e) | 103,740 | 70,106,740 | Non-interest-bearing, due and demandable | Unsecured, no impairment |
| ORDC (a) | 28,554 | 28,554 | Non-interest-bearing, 30-to-60 days | Unsecured, no impairment |
| OVI (b) | 131,256 | 1,611,246 | Non-interest-bearing, 30-to-60 days | Unsecured, no impairment |
| Joint venture | | | | |
| SMKL (c) | 13,202,960 | 13,843,962 | Non-interest-bearing 30-to-60 days | Unsecured, no impairment |
| | | ₱192,865,094 | | |

(Forward)

| Category | Amount | Outstanding Balance | Terms | Conditions |
|--------------------------|--------|---------------------|--|------------|
| Due to Associates | | | | |
| BHSI (f) | ₱- | ₱83,701,493 | Non-interest-bearing, due and demandable | Unsecured |
| OKEP (f) | - | 40,298,507 | Non-interest-bearing, due and demandable | Unsecured |
| | | ₱124,000,000 | | |

The Group entered into various management and franchise agreements with related parties as follows:

2015

| Category | Amount | Outstanding Balance | Terms | Conditions |
|------------------------------|------------|---------------------|---------------------------------|--------------------------|
| Joint venture | | | | |
| SMKL | | | | |
| Management fee (c) | ₱3,621,923 | ₱- | receivable within 30 to 60 days | Unsecured, no impairment |
| Franchise fee (c) | 1,448,769 | - | receivable within 30 to 60 days | Unsecured, no impairment |
| Other related parties | | | | |
| SMPM | | | | |
| Management fee (g) | 14,117,977 | - | payable within 30 to 60 days | Unsecured |
| KLIL | | | | |
| Management fee (h) | 1,847,031 | - | payable within 30 to 60 days | Unsecured |

2014

| Category | Amount | Outstanding Balance | Terms | Conditions |
|----------------------------|------------|---------------------|---------------------------------|--------------------------|
| Joint venture | | | | |
| SMKL | | | | |
| Management fee (c) | ₱3,957,872 | ₱351,864 | receivable within 30 to 60 days | Unsecured, no impairment |
| Franchise fee (c) | 1,583,148 | 133,491 | receivable within 30 to 60 days | Unsecured, no impairment |
| Associate | | | | |
| ORDC | | | | |
| Management fee (a) | ₱1,200,000 | ₱- | receivable within 30 to 60 days | Unsecured, no impairment |
| Other related party | | | | |
| KLIL | | | | |
| Management fee (h) | 6,543,837 | - | payable within 30 to 60 days | Unsecured |

Significant transactions with related parties are as follows:

- (a) The Parent Company provides management, advisory and consultancy services to ORDC. The amount of management fees charged by the Parent Company for accounting and tax management

amounted to nil in 2015 and ₱1.2 million in 2014 and 2013. No management fee charge in 2015 is due to the expiration of management contract between the Parent Company and ORDC in 2014 and both have agreed that no fee will be charged for management, advisory and consultancy services to be provided by the Parent Company to ORDC. Management fee is equivalent to ₱0.1 million per month. In 2015, the Parent Company made operating advances for expenses incurred by ORDC amounting to ₱0.2 million in 2015. These advances remain unpaid as of December 31, 2015.

- (b) The Parent Company made operating advances for expenses incurred by OVI that amounted to ₱0.2 million and ₱0.1 million in 2015 and 2014, respectively. The Parent Company provides accounting, management, and other administrative functions to OVI. Outstanding receivable from OVI amounted to ₱1.8 million and ₱1.6 million as of December 31, 2015 and 2014, respectively.
- (c) The Parent Company provides management, advisory and consultancy services to SMK. As of December 31, 2015 and 2014, outstanding receivable from SMK for management and franchise fees included in "Due from related parties" amounted to nil and ₱0.6 million, respectively. The amount of management fee charged by the Parent Company to SMK amounted to ₱3.6 million, ₱4.0 million and ₱5.7 million in 2015, 2014 and 2013, respectively. The amount of franchise fee charged amounted to ₱1.4 million, ₱1.6 million and ₱2.3 million in 2015, 2014 and 2013, respectively. Management fee is charged at 2.5% of annual net revenues of SMK and franchise fee is charged at 1.0% of net revenues of SMK. Moreover, the Parent Company made operating advances for expenses incurred by SMK that amounted to ₱17.0 million and ₱13.2 million in 2015 and 2014, respectively. As of December 31, 2015 and 2014, outstanding receivable from SMK for operating advances made included in "Due from related parties" amounted to ₱0.8 million and ₱13.2 million, respectively.
- (d) The Parent Company has intercompany loans to BHSI. BHSI partially paid its loans to KPPI amounting to ₱71.5 million in 2015. Intercompany loans that are still outstanding as of December 31, 2015 amounted to ₱35.7 million. The Parent Company also made operating advances for expenses incurred by BHSI that amounted to ₱1.6 million and ₱0.1 million in 2015 and 2014, respectively. These operating advances have been fully paid as of December 31, 2015.
- (e) The Parent Company made operating advances for expenses incurred by OKEP that amounted to ₱0.1 million in 2015 and 2014. Operating advances which remain unpaid as of December 31, 2015 and 2014 amounted to ₱70.3 million and ₱70.1 million, respectively.
- (f) On December 22, 2011, the BOD approved BHSI's plan to decrease its authorized capital stock. In January 2012, the Parent Company received from BHSI an amount of ₱100 million, thereby decreasing BHI and OKEP's advances from the Parent Company by ₱59.7 million and ₱40.3 million, respectively. These amounts are recorded as intercompany advances in the consolidated statement of financial position. 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, BHI received additional advances amounting to ₱24.0 million from BHSI, thereby increasing the BHI's advances from the Parent Company to ₱83.7 million. As of February 23, 2016, the application is pending approval from the SEC.

- (g) Straits Mansfield Property Marketing (SMPM), an entity under common control, provides consultancy, advisory and support services to the Parent Company and SMKL. Consultancy fees charged by SMPM to the Parent Company amounted to ₱14.1 million in 2015. There were no outstanding payable to SMPM as of December 31, 2015. The basis of management fee is the time spent by SMPM personnel in rendering services.
- (h) Keppel Land International Limited (KLIL), an entity under common control, provides consultancy, advisory and support services to the Parent Company 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 Parent Company amounted to ₱1.8 million and ₱6.5 million in 2015 and 2014, respectively. As of December 31, 2015 and 2014, the Parent Company has no outstanding payable to KLIL. The basis of management fee is the time spent by KLIL personnel in rendering services.
- (i) In 2015, the Parent Company charged Keppel Land Limited (KLL) for the amount paid on behalf of KLL for legal fees amounting to ₱0.66 million pertaining to CTA filing for redemption of preferred shares. Advances for KLL amounting to ₱0.66 million remain unpaid as of December 31, 2015. This receivable is presented under "Other" in "Receivables" in the consolidated statements of financial position.

Compensation of Key Management Personnel of the Group

Details of the compensation of key management personnel of the Group are as follows:

| | 2015 | 2014 | 2013 |
|---|-------------------|-------------------|-------------------|
| Salaries and other short-term employee benefits | ₱7,049,066 | ₱5,462,715 | ₱3,999,981 |
| Bonuses and allowances | 1,103,561 | 768,588 | 529,009 |
| Post-employment benefits | 175,649 | 163,356 | 117,859 |
| | ₱8,328,276 | ₱6,394,659 | ₱4,646,849 |

16. General and Administrative Expenses

This account consists of:

| | 2015 | 2014 | 2013 |
|---|-------------|------------|------------|
| Management consultancy fee (Note 15) | ₱15,965,008 | ₱6,543,837 | ₱6,066,919 |
| Salaries, wages and employee benefits (Note 15) | 11,251,521 | 9,109,514 | 7,443,363 |
| Professional fees | 2,523,589 | 3,222,905 | 2,550,888 |
| Rental (Note 21) | 1,570,985 | 1,526,761 | 1,368,924 |
| Transportation and travel | 1,257,452 | 1,002,208 | 967,507 |
| Membership and dues | 553,280 | 574,600 | 547,580 |
| Postage, printing and advertising | 519,020 | 550,510 | 539,266 |
| Insurance | 548,865 | 500,300 | 238,464 |
| Utilities | 465,285 | 439,099 | 458,277 |
| Taxes and licenses | 421,749 | 374,755 | 807,490 |
| (Forward) | | | |

| | 2015 | 2014 | 2013 |
|-------------------------------|--------------------|--------------------|--------------------|
| Repairs and maintenance | 234,437 | 366,053 | 333,175 |
| Retirement benefits (Note 17) | 228,115 | 233,366 | 178,574 |
| Staff recreation and others | 149,221 | 282,573 | 171,753 |
| Depreciation (Note 12) | 139,763 | 162,462 | 864,062 |
| Supplies | 175,379 | 160,952 | 168,067 |
| Bank and other charges | 78,161 | 76,194 | 54,244 |
| Security and other services | – | 11,636 | 81,437 |
| Others | 254,005 | 316,700 | 518,850 |
| | ₱36,335,835 | ₱25,454,425 | ₱23,358,840 |

Other expenses pertain to storage costs, retainers' fee and out-of-pocket expenses for professional services.

17. 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 Group's annual contribution to the plan 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 funds are administered by the Trustee 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.

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2015.

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 following tables summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the consolidated statements of financial position for the plan:

| | 2015 | | |
|---------------------------------------|---|------------------------------|----------------------------------|
| | Present value of defined benefit obligation | Fair value of plan assets | Net pension liability (asset) |
| At January 1 | ₱1,346,784 | (₱1,644,999) | (₱298,215) |
| <i>Benefit cost in profit or loss</i> | | | |
| Current service cost | 228,115 | – | 228,115 |
| Net interest expense (income) | 60,605 | (74,025) | (13,420) |
| (Forward) | | | |

| | 2015 | | |
|---|---|------------------------------|----------------------------------|
| | Present value of defined benefit obligation | Fair value of plan assets | Net pension liability (asset) |
| <i>Remeasurements in OCI</i> | | | |
| Actuarial loss on plan assets | – | 39,525 | 39,525 |
| Actuarial gain on defined benefit obligation due to: | | | |
| Financial assumption | (106,921) | – | (106,921) |
| Experience adjustments | (249,338) | – | (249,338) |
| Benefits paid | (201,143) | 201,143 | – |
| Contributions | – | (176,527) | (176,527) |
| At December 31 | ₱1,078,102 | (₱1,654,883) | (₱576,781) |
| | | | |
| | 2014 | | |
| | Present value of defined benefit obligation | Fair value of plan assets | Net pension liability (asset) |
| At January 1 | ₱1,189,454 | (₱1,518,071) | (₱328,617) |
| <i>Benefit cost in profit or loss</i> | | | |
| Current service cost | 233,366 | – | 233,366 |
| Net interest expense (income) | 48,173 | (61,482) | (13,309) |
| <i>Remeasurements in OCI</i> | | | |
| Actuarial loss on plan assets | – | 87,455 | 87,455 |
| Actuarial gain on defined benefit obligation due to: | | | |
| Financial assumption | (118,465) | – | (118,465) |
| Experience adjustments | (5,744) | – | (5,744) |
| Contributions | – | (152,901) | (152,901) |
| At December 31 | ₱1,346,784 | (₱1,644,999) | (₱298,215) |

The fair value of plan assets by each class as at the end of the reporting period are as follows:

| | December 31, 2015 | December 31, 2014 |
|----------------------------------|----------------------|----------------------|
| Cash and cash equivalents | | |
| Savings deposit - BDO | ₱594 | ₱27 |
| Debt instrument | | |
| Government securities | 662,797 | 649,268 |
| Equity instrument | | |
| Investment in UITF | 983,127 | 989,149 |
| Receivable | | |
| Interest | 10,362 | 8,468 |
| Liability | | |
| Trust fee payable | (1,997) | (1,913) |
| Fair value of plan assets | ₱1,654,883 | ₱1,644,999 |

All equity and debt instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

The Group's net pension asset reflected in the consolidated financial statements represents the Parent Company's pension plan because the impact of BHSI and SMKL's pension plan is reflected as part of "Share on actuarial gain (loss) of an associate and a joint venture". The Group's pension fund is administered by BDO and being managed as one.

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 duration.

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

The principal assumptions used in determining the pension obligation for the defined benefit plans are shown below:

| | 2015 | 2014 |
|--|----------|----------|
| Discount rate | 5.17% | 4.50% |
| Salary increase rate | 5.00% | 5.00% |
| Average remaining working lives of employees | 21 years | 19 years |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, assuming all other assumptions were held constant:

| | Rates | Increase (decrease) | |
|----------------------|-------|---------------------|------------|
| | | 2015 | 2014 |
| Discount rates | +0.5% | (P43,025) | (P119,621) |
| | -0.5% | 77,775 | 132,308 |
| | Rates | Increase (decrease) | |
| | | 2015 | 2014 |
| Salary increase rate | +1.0% | P172,777 | P267,538 |
| | -1.0% | (77,720) | (207,217) |

The Group expects to contribute P0.1 million to the plan in 2016.

Shown below is the maturity analysis of the Group's defined benefit obligation based on undiscounted benefit payments:

| | 2015 | 2014 |
|--------------------------------|--------------------|--------------------|
| Less than 10 years | P- | P- |
| More than 10 years to 15 years | 985,654 | 984,957 |
| More than 15 years to 20 years | 7,910,127 | 7,917,906 |
| More than 20 years | 9,123,681 | 7,634,454 |
| | P18,019,462 | P16,537,317 |

The weighted average duration of the defined benefit obligation is 21 years as of December 31, 2015.

18. Income Tax

Current Tax

The details of the current provision for income tax are as follows:

| | 2015 | 2014 | 2013 |
|-----------|-----------------|-----------------|-------------------|
| Final tax | P398,393 | P434,403 | P969,356 |
| MCIT | 74,047 | 103,837 | 176,330 |
| | P472,440 | P538,240 | P1,145,686 |

Deferred Tax

The components of net deferred tax as of December 31, 2015 and 2014, computed at 30%, are as follows:

| | December 31 | |
|---|--------------------|-----------------|
| | 2015 | 2014 |
| Presented in profit or loss | | |
| <i>Deferred tax assets:</i> | | |
| Accrued expenses | P1,971,400 | P2,221,295 |
| Unrealized foreign exchange loss | 6,042 | 142,331 |
| Pension asset – net | 80,333 | 42,165 |
| <i>Deferred tax liabilities:</i> | | |
| Accrued income | (2,380,950) | (2,082,735) |
| Unrealized foreign exchange gain | (5,752) | – |
| | (328,927) | 323,056 |
| Tax rate | 30% | 30% |
| | (98,678) | 96,917 |
| Presented in OCI | | |
| <i>Deferred tax liability:</i> | | |
| Pension asset – net | (657,114) | (340,380) |
| Tax rate | 30% | 30% |
| | (197,134) | (102,114) |
| Total net deferred tax liability | (P295,812) | (P5,197) |

The impact of deferred tax on net pension asset is broken down in the consolidated statements of comprehensive income is as follows:

| | 2015 | 2014 | 2013 |
|------------------------------|------------------|---------------|----------------|
| Recognized in profit or loss | P11,450 | P20,147 | (P938) |
| Recognized in OCI | (95,020) | (11,026) | 59,176 |
| | (P83,570) | P9,121 | P58,238 |

As of December 31, 2015, details of NOLCO which can be claimed as deduction from future taxable income and MCIT which can be claimed as deduction against future tax payable are as follows:

| Year incurred | Year of Expiry | NOLCO | MCIT |
|---------------|----------------|--------------------|-----------------|
| 2013 | 2016 | ₱14,129,024 | ₱171,857 |
| 2014 | 2017 | 19,833,864 | 107,276 |
| 2015 | 2018 | 30,950,717 | 74,047 |
| | | ₱64,913,605 | ₱353,180 |

Deferred tax assets on NOLCO and MCIT as of December 31, 2015 and 2014, respectively, have not been recognized since management believes that the benefits will not be realized prior to their expiry dates.

Details of unrecognized deferred tax assets are as follows:

| | 2015 | 2014 |
|----------|--------------------|-------------|
| NOLCO | ₱64,913,605 | ₱50,440,741 |
| Tax rate | 30% | 30% |
| | 19,474,082 | 15,132,222 |
| MCIT | 353,180 | 429,908 |
| | ₱19,827,262 | ₱15,562,130 |

The movements in NOLCO are as follows:

| | 2015 | 2014 |
|----------------|---------------------|--------------|
| At January 1 | ₱50,440,741 | ₱43,829,547 |
| Additions | 30,950,717 | 19,833,864 |
| Expirations | (16,477,853) | (13,222,670) |
| At December 31 | ₱64,913,605 | ₱50,440,741 |

The movements in MCIT are as follows:

| | 2015 | 2014 |
|----------------|------------------|-----------|
| At January 1 | ₱429,908 | ₱466,603 |
| Additions | 74,047 | 107,276 |
| Expirations | (150,775) | (143,971) |
| At December 31 | ₱353,180 | ₱429,908 |

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

| | 2015 | 2014 | 2013 |
|--|---------|---------|--------|
| Statutory income tax rate | (30.0%) | 30.0% | 30.0% |
| Add (deduct) tax effects of: | | | |
| Change in unrecognized deferred tax assets | 71.5 | 256.3 | 24.6 |
| Non-deductible expenses | 3.1 | - | - |
| Interest income subjected to final tax | (1.5) | (4.4) | (1.7) |
| Nontaxable income | (10) | - | - |
| Equity in net earnings of associates and a joint venture | (28.1) | (291.8) | (45.0) |
| Effective income tax rate | 5.0% | (9.9%) | 7.9% |

19. Provisions

As of December 31, 2014, provisions were recognized for estimated losses on claims by a third party amounting to ₱2.1 million. Disclosure of additional details beyond the present disclosures may prejudice the Group's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description was provided.

In 2015, this provision was reversed as it is no longer required. The gain arising from this reversal is presented as "Gain on reversal of liability and provision" in the consolidated statements of comprehensive income. As of December 31, 2015, provision amounted to nil.

20. Earnings Per Share

| | 2015 | 2014 | 2013 |
|---|---------------|-------------|-------------|
| Net income (loss) (a) | (₱14,061,329) | ₱2,298,288 | ₱16,654,812 |
| Weighted average number of common shares issued and outstanding (b) (Note 14) | 293,828,900 | 293,828,900 | 293,828,900 |
| Basic/Diluted Earnings (Loss) per share (a/b) | (₱0.05) | ₱0.01 | ₱0.06 |

The Group has no potential shares that will have a dilutive effect on Earnings Per Share.

21. Commitments

The Parent Company has an operating lease contract that expired on August 30, 2015. This agreement has been renewed for one year until August 2016. Total rent expense charged to

operations amounted to ₱1.6 million, ₱1.5 million and ₱1.4 million in 2015, 2014 and 2013, respectively (see Note 16).

As of December 31, 2015 and 2014, the required advance rental deposits amounted to ₱0.9 million. These are included under “Other current assets” in the consolidated statements of financial position (see Note 8).

There are no assets of the Group pledged as collaterals to any loans of its stockholders and associates nor are there any restrictions on revenue.

22. Financial Risk Management Objectives and Policies

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 trade receivables and payables, which arise from its operations.

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

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 of December 31, 2015 and 2014, the carrying values of the Group’s financial instruments represent maximum exposure to credit risk at reporting date.

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. 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 of December 31, 2015 and 2014.

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%) and ninety-seven percent (97%) of total receivables as of December 31, 2015 and 2014, respectively.

The table below shows the credit quality of the Group's financial assets as at December 31, 2015 and 2014:

December 31, 2015

| | Neither Past Due nor Impaired | | | Past Due but not Impaired | Impaired | Total |
|---------------------------|-------------------------------|-----------|---------------------|---------------------------|-----------|---------------------|
| | High Grade | Low Grade | Total | | | |
| Financial assets | | | | | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱206,916,313 | ₱- | ₱206,916,313 | ₱- | ₱- | ₱206,916,313 |
| Receivables | 3,997,070 | - | 3,997,070 | 2,666,664 | - | 6,663,734 |
| Due from related parties | 108,724,018 | - | 108,724,018 | - | - | 108,724,018 |
| | ₱319,637,401 | ₱- | ₱319,637,401 | ₱2,666,664 | ₱- | ₱322,304,065 |

December 31, 2014

| | Neither Past Due nor Impaired | | | Past Due but not Impaired | Impaired | Total |
|---------------------------|-------------------------------|-----------|---------------------|---------------------------|-----------|---------------------|
| | High Grade | Low Grade | Total | | | |
| Financial assets | | | | | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱151,498,654 | ₱- | ₱151,498,654 | ₱- | ₱- | ₱151,498,654 |
| Receivables | 5,171,155 | - | 5,171,155 | - | - | 5,171,155 |
| Due from related parties | 192,865,094 | - | 192,865,094 | - | - | 192,865,094 |
| | ₱349,534,903 | ₱- | ₱349,534,903 | ₱- | ₱- | ₱349,534,903 |

As of December 31, 2015 and 2014, the Group has no impaired financial assets.

The Company's receivable under past due but not impaired is 60 to 90 days past due. 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. It was agreed by the Group and the debtor that the remaining unpaid receivable is to be collected in 2016 (see Note 7).

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - high grade is based on the nature of the counterparty and the Group's internal rating system.

Neither past due nor impaired receivables - high grade pertains to receivables with no default in payments and those accounts wherein management has assessed that the recoverability is high. Low grade pertains to receivables with default in payments or those accounts which have probability of impairment based on historical trend.

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 assets and liabilities based on contractual undiscounted payments:

December 31, 2015

| | On Demand | Less than 3 months | More than 3 months to 1 year | More than one year | Total |
|--|---------------------|-----------------------|------------------------------------|-----------------------|---------------------|
| Financial assets: | | | | | |
| Cash and cash equivalents | ₱7,592,234 | ₱199,324,079 | ₱- | ₱- | ₱206,916,313 |
| Receivables | 3,428,347 | 3,235,487 | - | - | 6,663,834 |
| Due from related parties | 108,724,018 | - | - | - | 108,724,018 |
| Refundable deposits | - | - | - | 107,110 | 107,110 |
| | ₱119,744,599 | ₱202,559,566 | ₱- | ₱107,110 | ₱322,411,275 |
| Financial liabilities: | | | | | |
| 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.

December 31, 2014

| | On Demand | Less than 3 months | More than 3 months to 1 year | More than one year | Total |
|--|---------------------|-----------------------|------------------------------------|-----------------------|---------------------|
| Financial assets: | | | | | |
| Cash and cash equivalents | ₱22,428,201 | ₱129,070,453 | ₱- | ₱- | ₱151,498,654 |
| Receivables | 1,014,185 | 2,490,306 | 1,666,664 | - | 5,171,155 |
| Due from related parties | 192,865,094 | - | - | - | 192,865,094 |
| Refundable deposits | - | - | - | 107,110 | 107,110 |
| | ₱216,307,480 | ₱131,560,759 | ₱1,666,664 | ₱107,110 | ₱349,642,013 |
| Financial liabilities: | | | | | |
| Accounts payable and other current liabilities* | ₱553,981 | ₱3,585,275 | ₱- | ₱- | ₱4,139,256 |
| Due to related parties | 124,000,000 | - | - | - | 124,000,000 |
| | ₱124,553,981 | ₱3,585,275 | ₱- | ₱- | ₱128,139,256 |

* Accounts payable and other current liabilities exclude taxes payable.

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 KLIL.

The Group's foreign currency denominated financial asset pertains to cash in bank account amounting to ₱0.1 million (US\$1,233) and ₱0.2 million (US\$4,653) as of December 31, 2015 and 2014, respectively. In translating the foreign currency denominated cash in bank account into Philippine Peso amounts, the exchange rates used was ₱46.82 and ₱44.66 to US\$1.0 as of December 31, 2015 and 2014, respectively.

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.

December 31, 2015

| Currency | Change in Variable | Effect on Income Before Tax Increase (decrease) |
|----------|--------------------|---|
| USD | +2.36% | ₱1,361 |
| | -2.36% | (1,361) |

December 31, 2014

| Currency | Change in Variable | Effect on Income Before Tax Increase (decrease) |
|----------|--------------------|---|
| USD | +0.07% | ₱12,546 |
| | -0.07% | (12,546) |

In 2015 and 2014, the Group used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.

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. The percentages of debt to equity as of December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|------------------------------|---------------|---------------|
| Liabilities | ₱131,296,024 | ₱131,761,826 |
| Equity | 1,636,677,155 | 1,650,450,063 |
| Percentage of debt to equity | 8.02% | 7.98% |

The Group is not subject to any externally imposed capital requirement.

Fair Values

Due to the short-term nature of the Group's financial instruments, their fair values approximate their

carrying amounts as of December 31, 2015 and 2014, 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 club shares do not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Fair Value Hierarchy

As of December 31, 2015 and 2014, the Group has no financial instrument measured at fair value. During the reporting period ended December 31, 2015 and 2014, 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.

23. Segment Information

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

Significant information on the reportable segment is as follows:

| | December 31 | | |
|-------------------------------------|-----------------------|----------------|----------------|
| | 2015 | 2014 | 2013 |
| Operating assets | ₱1,767,973,179 | ₱1,782,211,889 | ₱1,755,282,708 |
| Operating liabilities | 131,000,212 | 131,756,629 | 106,370,970 |
| Revenue and income | 18,608,876 | 27,685,775 | 37,805,386 |
| Other income (charges) | 4,333,665 | (141,465) | 3,641,223 |
| General and administrative expenses | 36,335,835 | 25,454,425 | 23,358,840 |
| Segment net income (loss) | (14,061,329) | 2,298,288 | 16,654,812 |

All revenues are from domestic entities incorporated in the Philippines.

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.



Building a better
working world

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1226 Makati City
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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Keppel Philippines Properties, Inc.
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road
Ortigas Center, Pasig City

We have audited the financial statements of Keppel Philippines Properties, Inc. (Parent Company) as of and for the year ended December 31, 2015, on which we have rendered the attached report dated February 23, 2016.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the Company has one thousand fifty five (1,055) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao

Partner

CPA Certificate No. 109616

SEC Accreditation No. 1507-A (Group A),

September 24, 2015, valid until September 23, 2018

Tax Identification No. 245-571-753

BIR Accreditation No. 08-001998-110-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5321700, January 4, 2016, Makati City

February 23, 2016





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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Keppel Philippines Properties, Inc. and Subsidiaries

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Keppel Philippines Properties, Inc. and its subsidiaries (collectively, the Group) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 23, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao

Partner

CPA Certificate No. 109616

SEC Accreditation No. 1507-A (Group A),

September 24, 2015, valid until September 23, 2018

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BIR Accreditation No. 08-001998-110-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5321700, January 4, 2016, Makati City

February 23, 2016



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

**SCHEDULE B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal
 Stockholders (Other than Affiliates)**
 December 31, 2015

| Name and designation of debtor | Balance at beginning of year | Additions | Amounts collected | Amounts written- off | Current | Non- current | Balance at end of year |
|---|---|-------------------|------------------------------|-------------------------------------|-------------------|-------------------------|-----------------------------------|
| Non-trade | P2,666,664 | P- | P- | P- | P2,666,664 | P- | P2,666,664 |
| Officers and employees | 2,490,306 | 2,801,148 | (2,055,967) | - | 3,235,487 | - | 3,235,487 |
| Interest on bank deposits | 14,185 | 105,841 | (14,185) | - | 105,841 | - | 105,841 |
| | P5,171,155 | P2,906,989 | (P2,070,152) | P- | P6,007,992 | P- | P6,007,992 |

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, 2015

| 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. | ₱3,327,706 | ₱147,861 | ₱- | ₱- | ₱3,475,567 | ₱- | ₱3,475,567 |
| | ₱3,327,706 | ₱147,861 | ₱- | ₱- | ₱3,475,567 | - | ₱3,475,567 |

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

SCHEDULE H – Capital Stocks
 December 31, 2015

| 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 | | 293,828,900 | - | 235,181,969 | 1,465,713 | 57,181,218 |
| Common Stock 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, 2015

| | |
|--|---------------|
| Consolidated retained earnings, beginning | ₱693,481,554 |
| Adjustments: | |
| Accumulated share in net earnings of subsidiary and associate | (526,217,429) |
| Deferred tax asset - net, beginning | 5,197 |
| Unappropriated retained earnings, as adjusted, beginning | 167,269,322 |
| Net loss during the period closed to retained earnings | (14,061,329) |
| Non-actual losses (Unrealized income): | |
| Equity in net income of associate/joint venture | (12,552,560) |
| Provision for deferred tax | (195,595) |
| Net income realized | 140,459,838 |
| Treasury shares | (2,667,645) |
| Unappropriated retained earnings, as adjusted, ending | ₱137,792,193 |

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

**FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

| | | 2015 | 2014 | 2013 |
|---------------------------|--|-------------|-------------|-------------|
| Liquidity Ratio | Current assets over current liabilities | 2.6:1 | 2:8 | 3:1 |
| Asset to equity ratio | Total asset over total equity | 1.08:1 | 1.07:1 | 1.06:1 |
| Debt to equity ratio | Total liabilities over total equity | 0.08:1 | 0.07:1 | 0.06:1 |
| Return on Assets | Net income (loss) after tax over total assets at beginning | (0.79%) | 0.13% | 0.96% |
| Return on Equity | Net income (loss) after tax over total equity | (0.86%) | 0.14% | 1.0% |
| Earnings (loss) per share | Net income (loss) over number of common stock outstanding | (₱0.048) | ₱0.008 | ₱0.06 |

**KEPPEL PHILIPPINES PROPERTIES, INC. & SUBSIDIRIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2014)**

I. List of Philippine Financial Reporting Standards (PFRSs) effective as of December 31, 2015

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | 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 | | | ✓ |
| | Amendments to PFRS 1: Borrowing Costs | | | ✓ |
| PFRS 2 | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group 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 | | | ✓ |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|--------------------------|-------------|----------------|
| 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: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | ✓ |
| PFRS 8 | Operating Segments | ✓ | | |
| PFRS 9 | Financial Instruments | Not early adopted | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | Not early adopted | | |
| | Amendments to PFRS 9: Financial Instruments | Not early adopted | | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| | Investment entities | Not early adopted | | |
| PFRS 11 | Joint Arrangements | ✓ | | |
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| PFRS 16 | Leases | Not early adopted | | |
| 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: Clarification of the Requirements for Comparative Information | | | ✓ |
| PAS 2 | Inventories | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|---------|-------------|----------------|
| 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 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| | Amendments to PAS 16: Classification of Servicing Equipment | ✓ | | |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 | Employee Benefits (Revised) | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: 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 (Amended) | Separate Financial Statements | ✓ | | |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | ✓ | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Disclosure and 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 | | | ✓ |
| | Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|--|---------|-------------|----------------|
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | ✓ | | |
| | Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | ✓ | | |
| PAS 36 | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | | | ✓ |
| 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 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | | | ✓ |
| PAS 41 | Agriculture | | | ✓ |
| 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 | <i>Determining Whether an Arrangement Contains a Lease</i> | ✓ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|--|--------------------------|-------------|----------------|
| IFRIC 6 | <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> | | | ✓ |
| IFRIC 7 | <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i> | | | ✓ |
| IFRIC 8 | <i>Scope of PFRS 2</i> | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | <i>Interim Financial Reporting and Impairment</i> | ✓ | | |
| IFRIC 11 | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| 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 Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| IFRIC 15 | Agreements for the Construction of Real Estates | Not early adopted | | |
| 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 | ✓ | | |
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| SIC-12 | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| 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. | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|--|---------|-------------|----------------|
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |

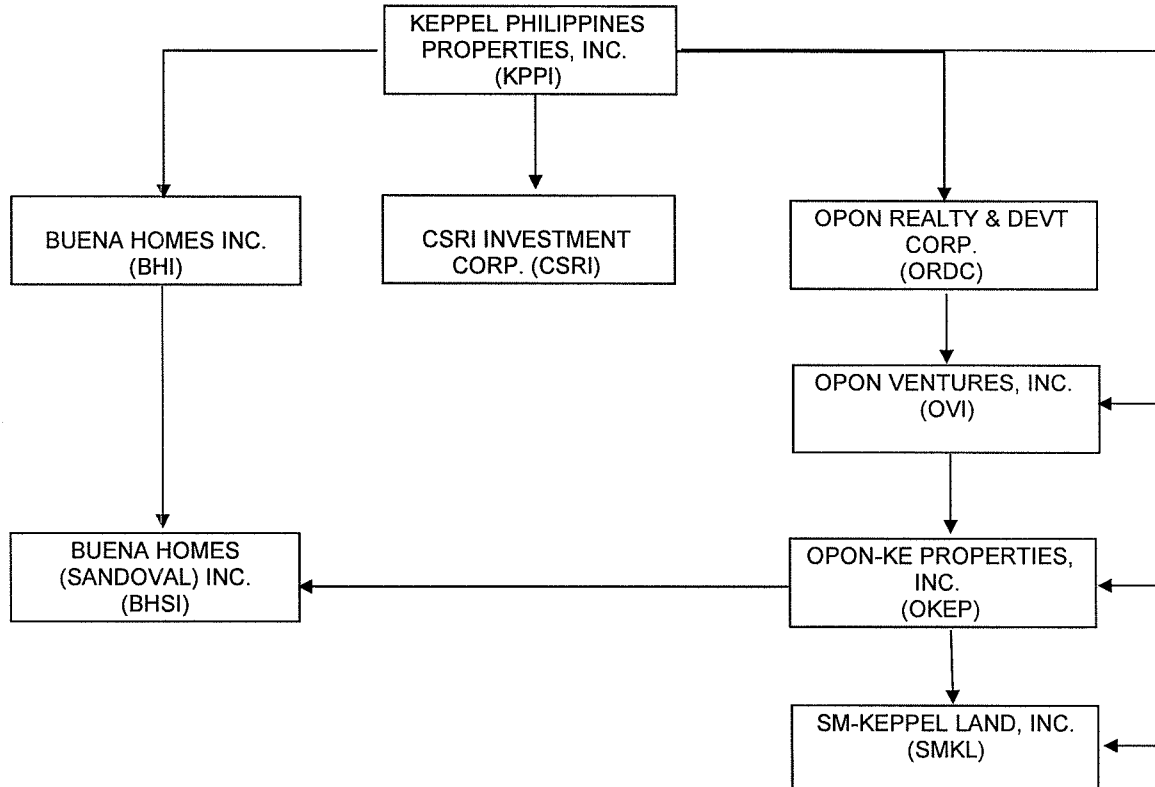
KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO EXHIBITS
SEC FORM 17-A

| No. | | <u>Page No.</u> |
|------|---|-----------------|
| (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 | 90 |
| (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 AT 31 DECEMBER 2015



| <u>Subsidiaries</u> | <u>Percentage of Ownership</u> | <u>Nature of Business</u> |
|------------------------------------|--------------------------------|---------------------------|
| Buena Homes, Inc. (BHI) | 100% | Investment holding |
| CSRI Investment Corporation (CSRI) | 100% | Investment holding |

| <u>Associates</u> | <u>Percentage of Ownership</u> | <u>Nature of Business</u> |
|--|--------------------------------|----------------------------------|
| 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 |



10112016001972



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Industry Classification
Company Type Stock Corporation

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COVER SHEET

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S.E.C Registration Number

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 .

(Company's Full Name)

U N I T S 2 2 0 3 - 2 2 0 4 R A F F L E S C O R P
C E N T E R , 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

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

Mr. Lee Foo Tuck/Attys. Ma. Melva E.
Valdez/Myla Gloria A. Amboy

Contact Person
Number

8178971/
815 9071 to 78

Company Telephone

1 2
Month

3 1
Day

CONSOLIDATED CHANGES OF THE ACGR FOR Y2015

June 11
Month Day
Annual Meeting

FORM TYPE

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders
Foreign

Domestic

To be accomplished by SEC Personnel concerned

File Number

LCU

Document i.D.

Cashier

STAMPS

Republic of the Philippines)
City of Makati) S.S.

SECRETARY'S CERTIFICATE

I, MA. MELVA E. VALDEZ, with office address at 6th Floor, SOL Building, 112 Amoroso St., Legaspi Village, Makati City, being the Corporate Secretary/Compliance Officer of Keppel Philippines Properties, Inc. ("Company"), a corporation duly organized and existing under Philippine laws, do hereby certify that the following are the changes/updates in the Company's Annual Corporate Governance Report submitted on 01 July 2013 which reflected in the Consolidated Changes of the Annual Corporate Governance Report Y2015 ("ACGR Updates"):

Item A(1)(a) – Composition of the Board of Directors

(Excerpt from the AGM Minutes on 11 June 2015)

"VI. ELECTION OF DIRECTORS

The following nominees were elected as Directors for the year 2015-2016 or until their successors shall have been duly elected and shall have qualified:

1. Tan Siew Ngok
2. Linson Lim Soon Kooi
3. Ramon J. Abejuela
4. Celso P. Vivas
5. Lee Foo Tuck
6. Stefan Tong Wai Mun
7. Lim Kei Hin"

Item A(1)(d) - Updated information re new director

Item A(1)(e) - Updated list of directors

Item A(5) - Included resignation of a director

Item A(6)(b) – Orientation and Education Program

For the past three (3) years, the following seminars were attended:

Corporate Governance Seminar:

Lee Foo Tuck
Stefan Tong Wai Mun
Ramon J. Abejuela
Celso P. Vivas
Ma. Melva E. Valdez
Almira A. Anonuevo

Item C(2) – Attendance of Directors

The item has been updated to reflect the attendance of the directors for the board meetings conducted in year 2015.

Item D(2) – Remuneration Policy and Structure for Executive and Non-Executive Directors

The approval of the directors' fixed annual fee for 2014 on 11 June 2015 is indicated.

The amount of total remuneration has been updated.

Item D(4) - Updated list of directors

Item D(5) - Updated information re remuneration of management.

Item E(2)(b) – Audit Committee

The date of appointment and the length of service has been updated considering the election on 11 June 2015. Likewise, the age of the members has been updated.

Also, the oversight function was added.

Item E(2)(c) – Screening Committee

The date of appointment and the length of service has been updated considering the election on 11 June 2015

Item E(2)(d) – Compensation Committee

The date of appointment and the length of service has been updated considering the election on 11 June 2015.

(Excerpt from the Minutes of the Organizational Meeting on 11 June 2015):

"II. Election of Officers

x x x

The Board also organized the different committees, as follows:

Audit Committee

| | | |
|---------------------|---|-------------------------------|
| Ramon J. Abejuela | - | Chairman/Independent Director |
| Celso P. Vivas | - | Independent Director |
| Stefan Tong Wai Mun | | |

Screening Committee

| | | |
|----------------------|---|----------------------|
| Linson Lim Soon Kooi | - | Chairman |
| Celso P. Vivas | - | Independent Director |
| Stefan Tong Wai Mun | | |

Compensation Committee

| | | |
|----------------------|---|----------------------|
| Linson Lim Soon Kooi | - | Chairman |
| Ramon J. Abejuela | - | Independent Director |
| Stefan Tong Wai Mun | | |

Item F - Updated information re risk management system

Item G - Updated information re internal audit process and role of internal auditor; updated role of Chairman and President.

Item I(1) - Ownership Structure

The shareholdings have been updated.

Item I(7) - Updated information re internal audit process, role of internal auditor and updated role of Chairman and President.

Item I(3) - External Auditor's Fee

The amount has been updated to reflect the remuneration for the year 2014.

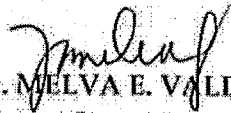
Item J(1)(f) - Stockholders' Attendance

The date of meeting and the percentage on the attendance has been updated as of the AGM on 11 June 2015.

Item J(1)(i) - Definitive Information Statement and Management Report

Information updated as of the Definitive Information Statement filed last 18 May 2015 in connection with the AGM on 11 June 2015.

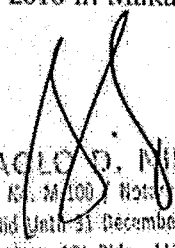
08 January 2016, Makati City, Philippines.


MA. MELVA E. VALDEZ
Corporate Secretary

JAN 11 2016

SUBSCRIBED AND SWORN to before me this ___ day of January 2016 in Makati City;
affiant exhibited to me her SSS ID No. 03-8437676-4.

Doc. No. 472;
Page No. 4;
Book No. 1;
Series of 2016.


PACLO D. NIETO
Appointment No. M/100, Notary Public / Makati
Valid Until 31 December 2016
JGLaw, 6th Floor, SCL Bldg., 112 Amorsolo St.,
Legaspi Village, Makati City
BIR No. 4750994 / 05 January 2015 / Makati City
IBP No. 978156 / 06 January 2015 / Makati City
Roll No. 62942

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be manually signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE
ANNUAL CORPORATE GOVERNANCE REPORT
FOR YEAR 2015


1. Report is Filed for the Year 2015
2. Exact Name of Registrant as Specified in its Charter **Keppel Philippines Properties, Inc.**
3. 12 ADB Avenue, Ortigas Center, Mandaluyong City (temporarily moved to Units 2203-2204 Raffles Corporate Center, F Ortigas Jr Road, Ortigas Center, Pasig City)
Address of Principal Office _____ Postal Code

4. SEC Identification Number PW-305
5. _____ (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number 000-067-618
7. (632) 584-61-70
Issuer's Telephone number, including area code
8. N/A
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

| | |
|---|-----------|
| Number of Directors per Articles of Incorporation | Seven (7) |
|---|-----------|

| | |
|---|-----------|
| Actual number of Directors for the year | Seven (7) |
|---|-----------|

(a) Composition of the Board

Complete the table with information on the Board of Directors:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) | Elected when (Annual/Special Meeting) | No. of years served as director |
|----------------------|---|------------------------------------|---|--------------------|---|---------------------------------------|---------------------------------|
| Linson Lim Soon Kooi | NED | KLL | | 13 Nov 2006 | 11 June 2015 | Annual Meeting | 9 |
| Tan Siew Ngok | NED | KLL | | Mar 2, 2015 | 11 June 2015 | Annual Meeting | 10 months |
| Ramon J. Abejuela | ID | N/A | | Nov 1999 | 11 June 2015 | Annual Meeting | 15 |
| Celso P. Vivas | ID | N/A | | Nov 2004 | 11 June 2015 | Annual Meeting | 11 |
| Lim Kei Hin | NED | KLL | | 9 Jun 2011 | 11 June 2015 | Annual Meeting | 4 |
| Lee Foo Tuck | ED | KLL | | 13 May 2008 | 11 June 2015 | Annual Meeting | 7 |
| Stefan Tong Wai Mun | NED | KEPWE ALTH/KCL | | Jun 2007 | 11 June 2015 | Annual Meeting | 8 |

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

(c) How often does the Board review and approve the vision and mission?

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

¹ Reckoned from the election immediately following January 2, 2012.

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|--------------------------|--------------------------------------|--|
| Linson Lim Soon Koof | Keppel Philippines Properties, Inc., | NED/Chairman |
| | SM Keppel Land, Inc., | NED |
| | Buena Homes (Sandoval), Inc., | NED/Chairman |
| | Buena Homes, Inc., | NED |
| | CSRI Investment Corp., | NED/Chairman |
| | Opon-KE Properties, Inc., | NED |
| | Opon Ventures, Inc., | NED |
| | Opon Realty & Devt Corp., | NED |
| Residencia Grande, Inc., | NED | |
| Lim Kei Hin | Keppel Philippines Properties, Inc., | NED |
| | SM Keppel Land, Inc., | NED |
| Lee Foo Tuck | Keppel Philippines Properties, Inc., | ED |
| | Buena Homes (Sandoval), Inc., | ED |
| | Buena Homes, Inc., | NED/Chairman |
| | Open-KE Properties, Inc., | NED |
| | Opon Ventures, Inc., | NED/Chairman |
| | Residencia Grande, Inc., | NED/Chairman |
| | CSRI Investment Corp., | NED |
| Tan Siew Ngok | Keppel Philippines Properties, Inc., | NED |
| | CSRI Investment Corp., | NED |

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---------------------|---|--|
| Celso P. Vivas | Keppel Philippines Marine, Inc., Keppel Philippines Holdings, Inc. | Independent Director |
| Stefan Tong Wai Mun | Keppel Philippines Marine, Inc., Keppel Philippines Holdings, Inc. | Executive Director |

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|-----------------|-------------------------------------|---------------------------------|
| N/A | | |
| | | |
| | | |

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In

particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

| | Guidelines | Maximum Number of Directorships in other companies |
|------------------------|---|--|
| Executive Director | <p>Article VI (4) of KPPI's By-laws provides: To assist the committee in determining the optimum number of directorships of the members of the Board, it shall consider the following guidelines:</p> <ul style="list-style-type: none"> a. The nature of the business of the Corporation in which he is a directors; b. Age of the director; c. Experience and knowledge of the director on the filed of business of the Corporation; d. Number of directorship/active memberships and officerships in other corporations or organizations; e. Possible conflict of interest; and f. Willingness and determination of the director to serve the Corporation. <p>The optimum number shall be related to the capacity of the a director to perform his duties diligently in general. Moreover, the Chief Executive Officer/President and other executive directors shall submit themselves to low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.</p> | N/A. No fixed number of directorship limit imposed |
| Non-Executive Director | | |
| CEO | | |

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|------------------|-------------------------|--|--------------------|
| Lim Kei Hin | 1 | N/A | 0.00% |
| Tan Siew Ngok | 1 | N/A | 0.00% |

| | | | |
|----------------------|------------------|------------|-------|
| Ramon J. Abejuela | 1 | N/A | 0.00% |
| Celso P. Vivas | 1 | N/A | 0.00% |
| Linson Lim Soon Kooi | 1 | N/A | 0.00% |
| Stefan Tong Wai Mun | 10,000 | N/A | 0.00% |
| Lee Foo Tuck | 1,455,708 | N/A | 0.00% |
| TOTAL | 1,465,713 | N/A | |

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes No

Identify the Chair and CEO:

| | |
|-----------------------|----------------------|
| Chairman of the Board | Linson Lim Soon Kooi |
| CEO/President | Lee Foo Tuck |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|------------------|---|--|
| Role | Presides in Board Meetings | Administers/directs day-to-day operations/business affairs of the corporation; represents company in all transactions with the government/other entities. |
| Accountabilities | <ol style="list-style-type: none"> 1. Ensure that Board meetings are held in accordance with the By-laws 2. Ensure qualitative and timely communications/information between Board and Management 3. Ensure that the company's governance rules/policies are regularly revised/updated 4. Ensure that the Corporation is managed by competent directors/officers 5. Ensure election of independent directors | <ul style="list-style-type: none"> - Ensure effective supervision and management of the company's business operations/affairs and property of the Corporation in accordance with the company's standards. - Ensure that the administrative and operational policies of the corporation are carried out. - Ensure proper personnel management in accordance with company policies/standards. - Ensure proper disbursement of company funds and that the company operates within approved budget. - Ensure compliance with all regulatory requirements - Ensure that timely reports/recommendations on the plans/progress of the corporation are rendered/submitted to the Board. - Ensure compliance with all applicable laws, rules & regulations |
| Deliverables | <ol style="list-style-type: none"> 1. Timely approval of required PSE/SEC report that are approved by the Board | <ul style="list-style-type: none"> - Corporate plans & programs/projects/Business strategy subject to Board approval |

| | | |
|--|--|---|
| | <p>2. Prompt approval of resolutions pertaining to the company's operational requirements</p> <p>3. Holding of regular/special board meetings to take up matters including those suggested by the CEO, Management and the Directors</p> <p>4. Update corporate governance policies/committee charter/operational policies</p> <p>5. Well-established corporate organizational structure</p> <p>6. Updated missions/vision, strategic objectives and policies</p> | <p>-Annual Corporate Budget subject to Board approval</p> <p>-Timely disclosures/reports to appropriate government/regulatory agencies</p> <p>- Stable/healthy business financial position of the corporation</p> <p>- Compliance all government/regulatory requirements/laws/rules</p> <p>- Effective & efficient utilization of company resources</p> |
|--|--|---|

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

| | Executive | Non-Executive | Independent Director |
|------------------|---|---|--|
| Role | Responsible for the governance of the Corporation and for setting the policies of the Corporation | Responsible for the governance of the Corporation and for setting the policies of the Corporation | Independent officer responsible for ensuring that the Board acts within the bounds of its powers/authority and that corporation complies with the laws/rules & regulations |
| Accountabilities | Ensure regular review of the policies of the corporation Ensure compliance with applicable laws, rules and regulations | Ensure regular review of the policies and business strategies of the corporation Ensure compliance with applicable laws, rules and regulations | Ensure independent participation in the board and ensure that the interest of the corporation and all stakeholders are protected. |
| Deliverables | Profitable business operations Efficient management of the corporation | Updated policies/rules of the corporation. Effective business strategies | Complete attendance in board meetings. |

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

| Name | Position | Date of Cessation | Reason |
|----------------|----------|-------------------|--------|
| Choo Chin Teck | Director | March 2, 2015 | |
| | | | |

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure | Process Adopted | Criteria |
|---------------------------------|---|---|
| a. Selection/Appointment | | |
| (i) Executive Directors | <p>All the directors are elected in accordance with the Corporation's By-Laws and Amended Manual on Corporate Governance, as follows:</p> <p>1.) Nomination – nomination of the directors are conducted prior to the stockholders/Election meeting</p> <p>2.) Screening – the Screening Committee evaluates the qualification of the nominees. The committee then prepares a final list of candidates.</p> <p>3.) Elections – only those nominees who were pre-screened are eligible for election</p> | <p>The criteria in the nomination/election of regular (whether executive or non-executive) and independent directors conform to the following standards:</p> <p>General Qualifications:</p> <ul style="list-style-type: none"> - Holder of at least one (1) share of stock of the Corporation; - He shall be at least a college graduate or holder of equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education; - He shall be at least twenty one (21) years old; - He shall have been proven to possess integrity and probity; - He shall have sufficient knowledge or overview of the business activities/transactions of the Corporation; - He shall be assiduous and - Such other qualifications as the Committee may reasonably provide from time to time. |

| | | |
|--|--|--|
| | | <p>Also, an independent Director shall have the qualifications and none of the disqualifications hereunder:</p> <p><u>Qualifications.</u></p> <ul style="list-style-type: none"> a) He shall have at least one (1) share of stock of the corporation; b) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years; c) He shall possess integrity/probity; and d) He shall be assiduous. <p><u>Disqualifications:</u></p> <p>No person enumerated under <u>Section II (5) of the Code of Corporate Governance</u> shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:</p> <ul style="list-style-type: none"> a) He becomes an officer or employee of the corporation where he is such member of board of directors, or becomes any of the persons enumerated under <u>Section II (5) of the Code of Corporate Governance: 1</u> b) His beneficial security ownership exceeds <u>two percent (2%)</u> of the outstanding capital stock of the company where he is such director; c) Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death |
|--|--|--|

| | | |
|--------------------------------------|--|--|
| | | <p>of an immediate family members; and</p> <p>d) Such other disqualifications which the <u>covered company's manual on Corporate Governance</u> provide. (As approved for amendment on 08 June 2006)</p> <p>The Screening Committee shall also evaluate whether the nominees fall under disqualification per KPPI's By-Laws & Amended Manual on Corporate Governance.</p> |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | <p>Special Qualifications for Independent Directors:</p> <ul style="list-style-type: none"> - A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after two (2) year "cooling-off period" - Persons appointed as Chairman "Emeritus", Ex-Officio Directors/Officers or members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director. |
| b. Re-appointment | | |
| (i) Executive Directors | Same process as in the initial selection/appointment | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| c. Permanent Disqualification | | |
| (i) Executive Directors | In accordance with the Corporation Code, Code of | Grounds are as provided in the Corporation Code, Code |

| | | |
|--------------------------------------|--|---|
| | Corporate Governance, By-laws and Manual on Corporate Governance | of Corporate Governance, By-laws and Manual on Corporate Governance |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| d. Temporary Disqualification | | |
| (i) Executive Directors | <p>A Temporarily disqualified director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p> | <p>Any of the following shall be a ground for the temporary disqualification of a director:</p> <ul style="list-style-type: none"> • Refusal to comply with the disclosure requirements to the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; • If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. • Being under preventive suspension by the Corporation; • If the independent directors becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director; and • Conviction that has not yet become final referred to in the grounds for the disqualification of |

| | | |
|------------------------------|--|---|
| | | directors. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| e. Removal | | |
| (i) Executive Directors | Directors may be removed by the stockholders representing 2/3 of the outstanding capital stock in a regular/special meeting duly called for the purpose after previous notice to the stockholders. | Removal may be with or without cause. Provided that removal <u>without cause</u> may not be used to deprive minority stockholders of their right to be represented in the Board under Section 24 of the Corp. Code. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| f. Re-Instatement | | |
| (i) Executive Directors | Same process as in the initial election/appointment of directors | |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| g. Suspension | | |
| (i) Executive Directors | The suspension of directors shall be approved by the stockholders representing at least 2/3 of the outstanding capital stock at a meeting duly called for the purpose. | Grounds: violation of Company's rules/policies |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

Voting Result of the last Annual General Meeting

| Name of Director | Votes Received |
|----------------------|----------------|
| Linson Lim Soon Kooi | |
| Tan Siew Ngok | |
| Ramon J. Abejuela | |
| Celso P. Vivas | |
| Stefan Tong Wai Mun | |
| Lee Foo Tuck | |
| Lim Kei Hin | |

6) Orientation and Education Program

- Disclose details of the company's orientation program for new directors, if any.
- State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Corporate Governance Seminar:

Linson Lim Soon Kooi
 Lee Foo Tuck
 Stefan Tong Wai Mun
 Ramon J. Abejuela
 Celso P. Vivas
 Lim Kai Hin
 Tan Siew Ngok
 Ma. Melva E. Valdez
 Almira A. Anonuevo

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. N/A

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|--------------------------|------------------|---------|------------------------------|
| | | | |
| | | | |
| | | | |

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|--|--|--|
| (a) Conflict of Interest | All officers and employees of the Group must avoid any conflict between their own interests and the interests of the Group. This includes transaction in securities of the Group, any affiliate, or any non-affiliated organization, in dealing with suppliers, customers and other third parties. | All officers and employees of the Group must avoid any conflict between their own interests and the interests of the Group. This includes transaction in securities of the Group, any affiliate, or any non-affiliated organization, in dealing with suppliers, customers and other third parties. | All officers and employees of the Group must avoid any conflict between their own interests and the interests of the Group. This includes transaction in securities of the Group, any affiliate, or any non-affiliated organization, in dealing with suppliers, customers and other third parties. |
| (b) Conduct of Business and Fair Dealings | The company's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. | The company's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. | The company's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. |
| (c) Receipt of gifts from third parties | The offer and receipt of gifts, hospitality or expense must be avoided whenever they | The offer and receipt of gifts, hospitality or expense must be avoided whenever they could | The offer and receipt of gifts, hospitality or expense must be avoided whenever they could affect or be |

| | | | |
|---|--|---|---|
| | could affect or be perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fied. | affect or be perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fied. | perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fied. |
| (d) Compliance with Laws & Regulations | The directors, officers, and employees of the company must at all times ensure compliance with applicable laws, rules and regulations | The directors, officers, and employees of the company must at all times ensure compliance with applicable laws, rules and regulations | The directors, officers, and employees of the company must at all times ensure compliance with applicable laws, rules and regulations |
| (e) Respect for Trade Secrets/Use of Non-public Information | Directors must at all times maintain the confidential nature of information pertaining to the corporation's trade secrets and other confidential | Indicated in the Safeguarding Information Code of Practice | Indicated in the Safeguarding Information Code of Practice |
| (f) Use of Company Funds, Assets and Information | Directors comply with company standards on the appropriation of funds and the use of the assets for operational requirements. | Indicated in the Safeguarding Information Code of Practice | Indicated in the Safeguarding Information Code of Practice |
| (g) Employment & Labor Laws & Policies | Personnel policies and actions are prepared/undertaken by the directors in consonance with applicable labor laws/regulations | The company complies with applicable labor laws and policies with regard to employment | The company complies with applicable labor laws and policies with regard to employment |
| (h) Disciplinary action | Subject to the provisions of the Corporation Code, Amended MCG and By-laws | Appropriate disciplinary action, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the rules of conduct set out in the Code of Conduct | Appropriate disciplinary action, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the rules of conduct set out in the Code of Conduct |
| (i) Whistle Blower | Indicated in the Whistle blower Protection Policy | Indicated in the Whistle blower Protection Policy | Indicated in the Whistle blower Protection Policy |
| (j) Conflict Resolution | The Board shall take up/decide any conflict among its members. | The Manager for Admin. and Finance under the President's supervision, shall handle the settlement fo any conflict between the employees. | The Manager for Admin. and Finance under the President's supervision, shall handle the settlement fo any conflict between the employees. |

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

The Company follows a set of guidelines with respect to ethical standards and conduct which are disseminated to the directors, management & employees. The President and the Manager for Administrative Unit handles the

dissemination/orientation of the Company's guidelines to the officers and employees.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. The President and the Manager for Administrative & Finance implement and monitor compliance with the company's ethical standards/guidelines.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures |
|--|---|
| (1) Parent Company | |
| (2) Joint Ventures | |
| (3) Subsidiaries | |
| (4) Entities Under Common Control | Significant transactions to be at arms length. Such transactions are cleared by the Audit Committee and approved by the Board of Directors. |
| (5) Substantial Stockholders | |
| (6) Officers including spouse/children/siblings/parents | |
| (7) Directors including spouse/children/siblings/parents | |
| (8) Interlocking director relationship of Board of Directors | N/A |

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

| | Details of Conflict of Interest (Actual or Probable) |
|----------------------------------|--|
| Name of Director/s | N/A |
| Name of Officer/s | N/A |
| Name of Significant Shareholders | N/A |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

| | Directors/Officers/Significant Shareholders |
|---------|--|
| Company | the directors/officers/significant stockholders shall disclose immediately any potential/possible conflict of interest with respect to any transaction/issue involving the corporation/group |
| Group | |

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship |
|---|----------------------|---------------------------------------|
| N/A | | |
| | | |
| | | |
| | | |

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description |
|---|----------------------|-------------------|
| N/A | | |
| N/A | | |
| N/A | | |
| N/A | | |

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|----------------------|---------------------------------------|--------------------------------------|
| | | |
| | | |

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

| Alternative Dispute Resolution System | |
|---------------------------------------|--|
| Corporation & Stockholders | There has been no conflict involving the corporation and its stockholders, third parties and regulatory authority during the covered period. |
| Corporation & Third Parties | |
| Corporation & Regulatory Authorities | |

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?
- 2) Attendance of Directors

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|-------------|----------------------|---|--------------------------------------|--------------------------|------|
| Chairman | Linson Lim Soon Kooi | 11 June 2015 | 8 | 8 | 100% |
| Member | Tan Siew Ngok | 11 June 2015 Note: Initially elected on 02 March 2015 | 8 | 6 | 75% |
| Member | Lim Kei Hin | 11 June 2015 | 8 | 8 | 100% |
| Member | Stefan Tong Wai Mun | 11 June 2015 | 8 | 8 | 100% |
| Member | Lee Foo Tuck | 11 June 2015 | 8 | 8 | 100% |
| Independent | Celso P. Vivas | 11 June 2015 | 8 | 8 | 100% |
| Independent | Ramon J. Abejuela | 11 June 2015 | 8 | 8 | 100% |

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

5) Access to Information

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

(b) Do board members have independent access to Management and the Corporate Secretary?

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

| Committee | Details of the procedures |
|------------------|---|
| Executive | The directors have free access to any information pertaining to the meeting which they may course through the Corporate Secretary, the President or the Chairman. |
| Audit | |
| Nomination | |
| Remuneration | |
| Others (specify) | |

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|---|---|
| On any matter requiring the expertise of an external consultant, directors are allowed to engage the services of an external advisor subject to the approval of the Board | The issue requiring external advice must be discussed with the board members and the fee for such external engagement must likewise be approved by the Board. |
| | |
| | |

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | Changes | Reason |
|-------------------|---------|--------|
| None | None | None |
| | | |
| | | |
| | | |

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|--|--|
| (1) Fixed remuneration | Determined by the Remuneration Committee | Determined by the Remuneration Committee |
| (2) Variable remuneration | None | None |
| (3) Per diem allowance | None | None |
| (4) Bonus | Determined by the Remuneration Committee | Determined by the Remuneration Committee |
| (5) Stock Options and other financial instruments | None | None |
| (6) Others (specify) | None | None |

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|-------------------------|--|---|--|
| Executive Directors | The Compensation Committee determines the remuneration of executive directors. | As determined by the Compensation Committee. | As determined by the Compensation Committee. |
| Non-Executive Directors | The Compensation Committee determines the remuneration of non-executive directors. | Annual Fee and Per diem for attendance at meetings. | Fixed amount of directors' fee on an annual basis. |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

| Remuneration Scheme | Date of Stockholders' Approval |
|---|--------------------------------|
| Fixed annual directors' fee of Php80,000.00 | 11 June 2015 |
| | |
| | |

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed Remuneration | 80,000/year | 80,000/year | 80,000/year |
| (b) Variable Remuneration | N/A | N/A | N/A |
| (c) Per diem Allowance | 10,000/meeting | 10,000/meeting | 10,000/meeting |
| (d) Bonuses | None | None | None |
| (e) Stock Options and/or other financial instruments | None | None | None |
| (f) Others (Specify) | None | None | None |
| Total | P90,000.00* | P90,000.00 | P90,000.00 |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---------------------------------|---------------------|---|-----------------------|
| 1) Advances | None | None | None |
| 2) Credit granted | None | None | None |
| 3) Pension Plan/s Contributions | None | None | None |

| | | | |
|---|------|------|------|
| (d) Pension Plans, Obligations incurred | None | None | None |
| (e) Life Insurance Premium | None | None | None |
| (f) Hospitalization Plan | None | None | None |
| (g) Car Plan | None | None | None |
| (h) Others (Specify) | None | None | None |
| Total | None | None | None |

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

| Director's Name | Number of Direct Option/Rights/Warrants | Number of Indirect Option/Rights/Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|----------------------|---|---|-----------------------------|----------------------------|
| Linson Lim Soon Kooi | None | None | N/A | N/A |
| Ramon J Abejuela | None | None | N/A | N/A |
| Celso P Vivas | None | None | N/A | N/A |
| Stefan Tong Wai Mun | None | None | N/A | N/A |
| Lim Kei Hin | None | None | N/A | N/A |
| Lee Foo Tuck | None | None | N/A | N/A |
| Tan Siew Ngok | None | None | N/A | N/A |

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

| Incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
| N/A | N/A | N/A |
| | | |

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

| Name of Officer/Position | Total Remuneration |
|--|------------------------------------|
| Almira A Anonuevo/Manager, Finance & Admin/Treasurer | Remuneration is stated in 17A & IS |
| Elizabeth M Perez/Asst Manager, Finance & Admin | |
| Cyril Q Mating/Asst Manager, Finance & Admin | |

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---------------------------|-------------------------|------------------------------|---------------------------|-------------------|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | N/A | | | | | | |
| Audit | N/A | 1 | 2 | w/ charter | 1.) Oversight function on the internal & external audit system/processes | 1.) Financial Reporting and disclosures 2.) Risk Management & Internal Controls 3.) Management & internal audit 4.) External oversight | 1.) approve financial reports/disclosures 2.) recommend appointment of internal & external auditor 3.) review of company's financial operations |
| Screening | N/A | 2 | 1 | | Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors. | Ensure that nominees are qualified based on the company's by-laws and amended MCG | i. Shortlist candidate for election ii. determine the optimum number of directorships of the members of the Board. |
| Remuneration/Compensation | N/A | 2 | 1 | | Oversight over remuneration | Develop policy on | Review/recommend |

| | | | | | | | |
|------------------|-----|--|--|--|---|---|--|
| sation | | | | | of directors, senior management and other key personnel | executive remuneration and fixing the remuneration packages for officers and directors: | s remuneration of directors, senior management and other key personnel |
| Others (specify) | N/A | | | | | | |

2) Committee Members

(a) Executive Committee

N/A. The Company has no Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | | | | | | |
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| Member | | | | | | |

(b) Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|---------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | Ramon J. Abejuela | 11 June 2015 | 5 | 5 | 100% | 11 years |
| Member (ED) | ---- | | | | | |
| Member (NED) | Stefan Tong Wai Mun | 11 June 2015 | 5 | 5 | 100% | 8 years |
| Member (ID) | Celso P. Vivas | 11 June 2015 | 5 | 5 | 100% | 10 years |
| Member | ---- | | | | | |

Disclose the profile or qualifications of the Audit Committee members.

- 1) Mr. Ramon J. Abejuela 66 years old, Filipino, has been an Independent Director of the Company from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman for the Audit Committee of the Company.

He also serves as Director of Philippine Nutrifoods Corporation and NCP Publishing Corporation.

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

- 2) Mr. Celso P. Vivas 68, Filipino, has been an Independent Director of the Company since November 2004 and is a member of the Company's Audit Committee. He is Certified Public Accountant and is currently Vice-Chairman and CEO of the Corporate Governance Institute of the Philippines (CGIP). He is 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. and Independent Director of Keppel Philippines Holdings since June 2005 and is currently a member of the Audit Committee of the Company.

He was Risk Consulting Partner and Assurance Business Advisory Partner of SVG & Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & CO. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar). Mr. Vivas has accumulated 46 years of experience in audit, finance, enterprise risk management and corporate governance.

- 3) Mr. Stefan Tong Wai Mun 42, 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 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.

Describe the Audit Committee's responsibility relative to the external auditor.

Perform oversight functions over the external auditor and ensure that external auditor act independently of the internal auditor.

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|----------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | Linson Lim Soon Kooi | 11 June 2015 | 1 | 1 | 100% | 9years |
| Member (ED) | ---- | | | | | |
| Member (NED) | Stefan Tong Wai Mun | 11 June 2015 | 1 | 1 | 100% | 8years |
| Member (ID) | Celso P. Vivas | 11 June 2015 | 1 | 1 | 100% | 4years |
| Member | ---- | | | | | |

(d) Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|----------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | Linson Lim Soon Kooi | 11 June 2015 | 1 | 1 | 100% | 9years |
| Member (ED) | ---- | | | | | |
| Member (NED) | Stefan Tong Wai Mun | 11 June 2015 | 1 | 1 | 100% | 8years |
| Member (ID) | Ramon J. Abejuela | 11 June 2015 | 1 | 1 | 100% | 15years |
| Member | ---- | | | | | |

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman | | | | | | |
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |

| | | | | | | | |
|-------------|--|--|--|--|--|--|--|
| Member (ID) | | | | | | | |
| Member | | | | | | | |

3) Changes in Committee Members -N/A

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

| Name of Committee | Name | Reason |
|-------------------|------|--------|
| Executive | --- | |
| Audit | --- | |
| Nomination | | |
| Remuneration | | |
| Others (specify) | --- | |

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

| Name of Committee | Work Done | Issues Addressed |
|-------------------|--|------------------|
| Executive | N/A | |
| Audit | Quarterly/Annual Reports timely reviewed/submitted to SEC/PSE | None |
| Nomination | Evaluated/pre-screened all nominees for directorship | None |
| Remuneration | Reviewed fees/allowances of directors Management and personnel | None |
| Others (specify) | None | |

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| Name of Committee | Planned Programs | Issues to be Addressed |
|-------------------|------------------|------------------------|
| Executive | None | None |
| Audit | None | None |
| Nomination | None | None |
| Remuneration | None | None |
| Others (specify) | N/A | N/A |

F. RISK MANAGEMENT SYSTEM

The Company is currently setting up a formal Risk Management framework.

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's objective is to protect and enhance the interest of its stakeholders by committing itself to the principles of risk management, fairness, accountability and transparency. Thus, it fully embraces and practices sound corporate governance in order to instill trust and confidence to the organization.

The Keppel Group assessed the management risk through its quarterly desktop review of the financials of the

company. The Company including its subsidiaries and associates submits on monthly basis the financial reports to the Keppel Group.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| N/A | N/A | N/A |
| | | |
| | | |
| | | |

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| N/A | N/A | N/A |
| | | |
| | | |
| | | |

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|-------------------------------|
| N/A |
| |
| |

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|---|--|
| | | |

| | | |
|-----|-----|-----|
| N/A | N/A | N/A |
| | | |
| | | |
| | | |

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|---|--|
| N/A | N/A | N/A |
| | | |
| | | |

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

| Committee/Unit | Control Mechanism | Details of its Functions |
|-----------------|---|---|
| Audit Committee | The Audit Committee provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation which function includes regular receipt from Management of information on risk exposures and risk management activities. | <ol style="list-style-type: none"> 1. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements; 2. Review interested party transactions; 3. Perform oversight financial management functions especially in the areas of managing credit, market liquidity, operational, legal and other risks of the Corporation, and crisis management; 4. Perform direct interface functions with the internal and external auditors |
| | | |

G. INTERNAL AUDIT AND CONTROL

The Company and its subsidiaries and associates submit to the Keppel Group the monthly financial report. The Keppel Group Control conducts review and analysis financial reports submitted. The Company and its subsidiaries and associates are required to answer any queries or material variances on its revenues, expenses, assets and liabilities of the period under review against previous performance. The Keppel Group also conduct physical audit at longer interval when necessary.

1) Internal Control System N/A

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;

The control environment of the Corporation consists of:

1. the Board which ensures that the Corporation is properly and effectively managed and supervised;
2. a Management that actively manages and operates the Corporation in a sound and prudent manner;
3. the organizational and procedural controls supported by effective management information and risk management reporting systems; and
4. an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate; None
- (c) Period covered by the review; None
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Although the position of "Internal Auditor" has been provided for in the Company's Amended Manual on the Corporate Governance, the Company has yet to appoint an Internal Auditor. At present, the Internal Audit function is performed by the Audit Committee.

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|------|-------|--|--|-------------------|
| N/A | N/A | N/A | N/A | N/A |
| | | | | |

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? N/A
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? N/A
- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

| Name of Audit Staff | Reason |
|---------------------|--------|
| N/A | N/A |
| | |
| | |

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

| | |
|-------------------------------|-----|
| Progress Against Plans | N/A |
| Issues⁶ | N/A |
| Findings⁷ | N/A |
| Examination Trends | N/A |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- (a) Preparation of an audit plan inclusive of a timeline and milestones;
- (b) Conduct of examination based on the plan;
- (c) Evaluation of the progress in the implementation of the plan;
- (d) Documentation of issues and findings as a result of the examination;
- (e) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- (f) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures: N/A

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

| Policies & Procedures | Implementation |
|----------------------------------|-----------------------|
| N/A | N/A |
| | |
| | |

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company): External auditors report directly to the Audit Committee for any issues during the conduct of the interim and year-end audit.

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|---|---------------------------|-------------------------|------------------------|
| N/A | N/A | N/A | N/A |
| | | | |

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.
Messrs Linson Lim Soon Kooi and Lee Foo Tuck, Chairman of the Board and President, respectively, of the Corporation, confirms that the Corporation is in full compliance with the SEC Code of Corporate Governance and further confirms that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

H. ROLE OF STAKEHOLDERS

a. Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|--|---|------------|
| Customers' welfare | Officers and employees should conduct business with the customers with integrity | None |
| Supplier/contractor selection practice | Company bids out supply/service requirements and selects from among top 2 bidders | None |
| Environmentally friendly value-chain | The Company complies with all environmental laws in the conduct of its business | None |
| Community interaction | No specific policy. | None |
| Anti-corruption programmes and procedures? | All officers and employee must comply with the anti-corruption policies set out in the Employee Code of Conduct | None |
| Safeguarding creditors' rights | The company complies with all applicable laws, rules and regulations | None |

b. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

No

c. Performance-enhancing mechanisms for employee participation.

None

i. What are the company's policy for its employees' safety, health, and welfare?

ii. Show data relating to health, safety and welfare of its employees.

iii. State the company's training and development programmes for its employees. Show the data.

iv. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

d. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

1) Whistle Blower Protection Policy

Employees are encouraged to report any inappropriate conduct in good faith without fear of reprisal under the Whistle Blower Protection Policy. The Company guarantees full confidentiality and protection for the whistle blower.

The complaints are handled by the Admin. Manager under the supervision of the President.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|------------------------------|------------------|---------|----------------------|
| Keppel Land Limited | 148,365,050 | 50.49% | Same as Record Owner |
| Keppelwealth, Inc. | 51,033,178 | 17.37% | Same as Record Owner |
| Keppel Corporation Limited | 35,783,741 | 12.18% | Same as Record Owner |
| PCD Nominee Corp. – Filipino | 30,734,163 | 10.46% | Various |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|-------------------------|--|--------------------|
| Lee Foo Tuck – President | 1,455,708 | --- | 0.50% |
| Almira A. Anonuevo – Treasurer, Manager, Finance & Admin. | None | --- | --- |
| | | | |
| TOTAL | 1,455,708 | | 0.50% |

2) Does the Annual Report disclose the following:

| | |
|---|--|
| Key risks | Yes |
| Corporate objectives | Yes |
| Financial performance indicators | Yes |
| Non-financial performance indicators | Yes |
| Dividend policy | Yes |
| Details of whistle-blowing policy | No – included in Employee Code of Conduct. |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner | None for the year |
| Number of board of directors/commissioners meetings held during the year | Yes |
| Attendance details of each director/commissioner in respect of meetings held | No – Included in the certificate of attendance of directors submitted to SEC |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | AR shows remuneration of top 3 highest paid executive officers as a group |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

| Name of auditor | Audit Fee | Non-audit Fee |
|---------------------------|----------------|---------------|
| Sycip Gorres Velayo & Co. | Php 565,070.00 | None |
| | | |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.
 (h) Written communication; (ii) PSE EDGE Submission System disclosures; (iii) SEC disclosures

5) Date of release of audited financial report: 11 January 2016

6) Company Website – The Company has already set up a website

Does the company have a website disclosing up-to-date information about the following?

| | |
|--|-----|
| Business operations | Yes |
| Financial statements/reports (current and prior years) | Yes |
| Materials provided in briefings to analysts and media | Yes |
| Shareholding structure | Yes |
| Group corporate structure | Yes |
| Downloadable annual report | Yes |
| Notice of AGM and/or EGM | Yes |
| Company's constitution (company's by-laws, memorandum and articles of association) | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

| RPT | Relationship | Nature | Value |
|-------|--------------|--------|-------|
| None. | N/A | N/A | N/A |
| | | | |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company enters into a related party transaction based on the market rate. Proper disclosures are made on the Company's 17Q, 17A, IS and 17C when required and necessary.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

| | |
|------------------------|---|
| Quorum Required | Majority of the outstanding capital stock (Sec. 5, Article II, By-laws) |
|------------------------|---|

(b) System Used to Approve Corporate Acts:

Explain the system used to approve corporate acts.

| | |
|--------------------|--|
| System Used | Corporate Acts are approved in accordance with applicable laws and KPPI's By-laws. |
| Description | For those matters requiring board approval, a majority of the members of the board are required to approve the same. |

(c) Stockholders' Rights:

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| Stockholders' Rights under The Corporation Code | Stockholders' Rights <u>not</u> in The Corporation Code |
|---|---|
| N/A | N/A |
| | |
| | |

Dividends

None

| Declaration Date | Record Date | Payment Date |
|------------------|-------------|--------------|
| | | |

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| Measures Adopted | Communication Procedure |
|--|---|
| 1) The Chairman directly asks the stockholders for any questions/clarification on any matter being taken up in the meeting | The Stockholders are free to ask/clarify/participate during the stockholders meeting. |
| | |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution

Pursuant to Section 16 of the Corporation Code, any provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors and the vote or written assent of the stockholders representing at least 2/3 of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code.

All proposed amendments are submitted to the stockholders for approval.

b. Authorization of additional shares

Pursuant to Section 38 of the Corporation Code, any increase in the authorized capital stock of the Corporation shall be approved by a majority vote of the Board of directors and by the stockholders representing at least 2/3 of the outstanding capital stock at a meeting duly called for the purpose, without prejudice to the appraisal right dissenting stockholders in accordance with the provisions of this Code.

Any proposed increase in authorized capital stock is submitted to the stockholders for approval.

c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Pursuant to Section 40 of the Corporation Code, transfer/sale of all or substantially all of the corporation's assets shall be presented to the stockholders for approval. The said transfer/sale shall be approved by at least 2/3 of the outstanding capital stock at a meeting duly called for the purpose, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

a. Date of sending out notices: 21 May 2015

b. Date of the Annual/Special Stockholders' Meeting: 11 June 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

None

5. Result of Annual/Special Stockholders' Meeting's Resolutions

| Resolution | Approving | Dissenting | Abstaining |
|---|--------------------------|------------|------------|
| Ratification of Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation during the Year under Review | All stockholders present | None | None |
| Presentation and Approval of Y2014 Annual Report and Audited Financial Statements | All stockholders present | None | None |
| Appointment of External Auditor for Y2015 | All stockholders present | | |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

During the meeting itself, the voting results are announced and immediately disclosed to the public through PSE/SEC.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

None

| Modifications | Reason for Modification |
|---------------|-------------------------|
| | |
| | |

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|---|-----------------|---|-----------------------------|------------------|--------------------------|
| Annual | Linson Lim Soon Kooi, Lim Kel Hin, Ramon J. Abejuela, Celso P. Vivas, Lee Foo Tuck, Stefan Tong Wai Mun and Tan Siew Ngok. | 11 June 2015 | By Poll | 0.504% | 92% | 92.51% |
| Special | | | | | | |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The Corporate Secretary assisted by the Company's External Auditor shall be responsible for the counting/validation of votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Item VIII (G) Amended Manual on Corporate Governance:

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' right and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. He directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders's meeting of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor. It is the duty of the Board to promote the rights of the

stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

| Company's Policies | |
|-------------------------------------|--|
| Execution and acceptance of proxies | Section 7 of the By-laws provides: Manner of Voting – at all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. All proxies must be in the hands of the Secretary not later than two (2) days before the time set for the meeting. Such proxies must be in the hands of the Secretary not later than two (2) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least twenty-four (24) hours prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by the Court of competent jurisdiction. |
| Notary | Not required |
| Submission of Proxy | (Section 7 of the By-laws) All proxies must be in the hands of the Secretary not later than two (2) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least twenty-four (24) hours prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by the Court of competent jurisdiction. |
| Several Proxies | No specific provision under the By-laws and Amended MCG. Complies with applicable laws, rules and regulations. |
| Validity of Proxy | A proxy shall be valid only for the meeting for which it is intended unless otherwise provided (Section 7, By-laws) Subject to the requirements of the by-laws, the exercise of the right to appoint proxy shall not be unduly restricted and any doubt about the validity of the proxy should be resolved on the stockholders' favor. |
| Proxies executed abroad | No specific formal requirement under the By-laws. |
| Invalidated Proxy | The shares represented by an invalidated proxy shall not be allowed to participate/vote in the meeting. |
| Validation of Proxy | Proxies are validated prior to the meeting. |
| Violation of Proxy | Violations shall be dealt with in accordance with law and the SEC rules/regulations. |

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies | Procedure |
|--|--|
| (Section 4, Article II, By-laws) Written notices for | The notices together with the definitive 20-15 |

| | |
|--|--|
| regular or special meetings of stockholder may be sent by the Secretary, by personal delivery or by mailing the notice at least fourteen (14) days prior to the date of meeting. | and other AGM materials are sent out ahead of the period provided under the by-laws. |
| | |

(i) Definitive Information Statements and Management Report

| | |
|---|------------------------------|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 1,258 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | 21 May 2015 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | 21 May 2015 |
| State whether CD format or hard copies were distributed | Hard copies were distributed |
| If yes, indicate whether requesting stockholders were provided hard copies | --- |

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | No-included in the definitive IS sent out to stockholders |
| The auditors to be appointed or re-appointed. | No-included in the definitive IS sent out to stockholders |
| An explanation of the dividend policy, if any dividend is to be declared. | No-included in the definitive IS sent out to stockholders |
| The amount payable for final dividends. | No-included in the definitive IS sent out to stockholders |
| Documents required for proxy vote. | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

| Policies | Implementation |
|--|--|
| 1.) Shareholders, including the minority, have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code | The Corporation is fully implementing all these policies |

| | |
|--|--|
| 2.) Cumulative voting shall be removed without cause if it will deny minority shareholders' representation in the Board. | |
| 3.) A director shall not be removed without cause if it will deny minority shareholders' representation in the Board. | |
| 4.) A minority stockholders has all the rights of a stockholder under the by-laws & the Corporation Code. | |

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, any stockholder may nominate candidates.

K: INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Internal communications and routine external communications are prepared/approved by the president. On the other hand, major company announcements/external correspondence on major issues are prepared by the president, in consultaion with the Corporate Secretary and the Board of Directors.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

None.

Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations. The Company ensures access by the stockholders/investors of all relevant information pertaining to the Company's business operations.

| | Details |
|----------------|---|
| (1) Objectives | To be fully transparent with all its dealings/transactions. |
| (2) Principles | <p>Item VII, Amended Manual on Corporate Governance:</p> <p>A. The essence of corporate governance is transparency. The Board commits at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stockholders.</p> <p>B. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer.</p> <p>C. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, of balance sheet transactions, board changes, related party transactions, direct and indirect remuneration of members of the Board and management, shareholdings of directors and changes to ownership.</p> <p>D. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.</p> <p>E. All disclosed information shall be released via the approved</p> |

| | |
|---------------------------------|--|
| | stock exchange procedure for company announcement as well as through the annual report. F. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. |
| (3) Modes of Communications | |
| (4) Investors Relations Officer | |

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

None.

The Company complies with the legal requirements for acquisition of shares, mergers and sales of substantial portions of corporate assets under the corporation code, Code of Corporate Governance, and other pertinent laws and SEC rules/regulations, and Amended Manual on Corporate Governance.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

| Initiative | Beneficiary |
|------------|-------------|
| None | |
| | |
| | |

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

| | Process | Criteria |
|----------------------|--|---|
| Board of Directors | - The Board conducts an annual self-assessment to evaluate their performance | - Compliance with their duties/responsibilities under the By-laws, Code of Corporate Governance and Amended Manual on Corporate Governance |
| Board Committees | - The Board of Directors conducts an independent assessment of the committees' performance annually | - Compliance with their respective duties/responsibilities set out in the code of Corporate Governance and Amended Manual on Corporate Governance |
| Individual Directors | - The Board of Directors conducts an annual assessment of the CEO/President's performance prior to the end of his term of office | - The Company's overall business performance and compliance with the Amended Manual and the Company's policies. |

| | | |
|---------------|--|--|
| CEO/President | | |
|---------------|--|--|

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Item X, Amended Manual on Corporate Governance:

- A. To strictly observe and implement the provisions of this manual, penalties shall be imposed, after notice and hearing on the company's directors, officers, staff subsidiaries and affiliates and their respective directors, officers and staff in case o violation of any of the provision of this Manual.

| Violations | Sanctions |
|---------------------------|--|
| 1 st violation | Reprimand |
| 2 nd violation | Suspension |
| 3 rd violation | Removal -- subject to Sec. 28 of the Corporation Code in the case of directors |
| | |

Involving directors, officers, management and employees


Item X, Amended Manual on Corporate Governance:

- A. To strictly observe and implement the provisions of this manual, penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual.


| Violation | Penalty |
|---------------------------|---|
| 1 st violation | Reprimand |
| 2 nd violation | Suspension |
| 3 rd violation | Removal – subject to Sec. 28 of the Corporation Code in the case of directors |
| | |
| | |


Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 13 June 2013.

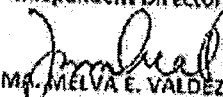
SIGNATURES


LINSON LIM SOON KOOI
 (Signature over Printed Name)
 Chairman of the Board


LEE FOO TUCK
 (Signature over Printed Name)
 Chief Executive Officer


RAMON J. ABEJUELA
 (Signature over Printed Name)
 Independent Director



CELSO P. VIVAS
 (Signature over Printed Name)
 Independent Director


MA. MELVA E. VALDEZ
 (Signature over Printed Name)
 Compliance Officer

SUBSCRIBED AND SWORN to before me this JUN 13 2013 day of _____, 20____, affiant(s) exhibiting to me their Tax Identification Number, as follows:

| NAME/NO. | TIN | DATE OF ISSUE /PLACE OF ISSUE |
|----------------------|-------------|-------------------------------|
| CELSO P. VIVAS | 123-305-216 | |
| LEE FOO TUCK | 239-817-895 | |
| RAMON J. ABEJUELA | 172-761-781 | |
| LINSON LIM SOON KOOI | 435-153-125 | |
| MA. MELVA E. VALDEZ | 123-493-209 | |

Doc No. 146
 Page No. 101
 Book No. XXX
 Series of 2013.


ATTY. GERARDO ESTEBAN ROMULO, JR.
 Notary Public City of Makati
 Until December 21, 2014
 IBP No. 056153-Lifetime Member
 AICL Compliance No. H-0014282
 Appointment No. 31-199-(2013-2014)
 PTR No. 360-330 Jan. 2, 2013
 Makati City Roll No. 40031
 101 Urban Ave., Brgy. Pio del Pilar,
 Makati City