

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

P	W	-	3	0	5				
---	---	---	---	---	---	--	--	--	--

Company Name

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

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

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

Form Type

1	7	-	A
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

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

**COMPANY INFORMATION**

Company's Email Address

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

Company's Telephone Number/s

(632) 8584-6170
-----------------

Mobile Number

0917-8500380
--------------

No. of Stockholders

1,241
-------

Annual Meeting  
Month/Day

06/10
-------

Fiscal Year  
Month/Day

12/31
-------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Pang Chan Fan
---------------

Email Address

James.Pang@kepland.com.ph
---------------------------

Telephone Number/s

(632) 8584-6170
-----------------

Mobile Number

0917-8500380
--------------

Contact Person's Address

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

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

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2021
2. SEC Identification Number PW305
3. BIR Tax Identification No. 000-067-618-000

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

- 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue,  
Ortigas Center, Mandaluyong City, 1555
7. Address of registrant's principal office Postal Code
- (632) 8584-6170
8. Registrant's telephone number, including area code
- Not applicable
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
<b>Common Stock</b>	<b>293,828,900 (Exclusive of Treasury Shares)</b>
<b>Debt Outstanding</b>	<b>Nil</b>

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

Yes [ / ] No [ ]

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

Class of securities listed: **Common stock**

12. Check whether the issuer:

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

Yes [ / ] No [ ]

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

Yes [ / ] No [ ]

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

**₱178,839,565**

DOCUMENTS INCORPORATED BY REFERENCE

14. Consolidated Audited Financial Statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, 2020 and 2019 (incorporated as reference to item 9 of SEC Form 17-A)

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

Page No.

**Part I- BUSINESS AND GENERAL INFORMATION**

Item 1	Business	1
Item 2	Properties	4
Item 3	Legal Proceedings	4
Item 4	Submission of Matters to a Vote of Security Holders	4

**Part II- OPERATIONAL AND FINANCIAL INFORMATION**

Item 5	Market for Registrant's Common Equity and Related Stockholders' Matters	4
Item 6	Management's Discussion and Analysis or Plan of Operations	5
Item 7	Trend, Events or Uncertainties that Have Affected or that are Reasonably Expected to Affect Revenues or Income	9
Item 8	Information on External Auditors	9
Item 9	Consolidated Audited Financial Statements	10
Item 10	Changes in and Disagreements With External Auditors on Accounting and Financial Disclosures	10

**Part III- CONTROL AND COMPENSATION INFORMATION**

Item 11	Directors and Executive Officers of the Registrant	10
Item 12	Executive Compensation	16
Item 13	Security Ownership of Certain Beneficial Owners and Management	17
Item 14	Certain Relationships and Related Transactions	18

**Part IV- CORPORATE GOVERNANCE**

Item 15	Corporate Governance	19
---------	----------------------	----

**Part V- EXHIBITS AND SCHEDULES**

Item 16	a. Exhibits and Reports on SEC Form 17-C	20
---------	--	----

SIGNATURES	21
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	22
INDEX TO EXHIBITS	

## **PART I- BUSINESS AND GENERAL INFORMATION**

### **1. BUSINESS**

#### **The Company**

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

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

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

#### **Subsidiaries**

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

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

#### **Associates**

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

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

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

#### **Joint Venture**

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

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

## **Business**

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

### **Commercial**

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

### **The Podium**

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

### **The Podium West Tower**

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

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

## **Competition**

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

	3Q2021 Income to date <i>In Php Billions</i>
SM Prime Holdings, Inc.	15.67
Ayala Land Inc.	10.51
Robinson's Land Corporation	6.44

*Source: Published corporate disclosures.*

Competitive pressures are expected to remain as existing players strive to recover from the impact of the COVID-19 pandemic and take advantage of intermittent market recoveries.

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

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

### **Related Party Transactions**

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

- a. KPPI has a Consultancy Services Agreement with Straits Mansfield Property Marketing Pte. Ltd. (SMPM), a subsidiary of KLL, whereby SMPM contractually provides consultancy, advisory and support services to KPPI in return for a fee charged based on actual time spent.
- b. KPPI provides management, advisory and consultancy services to SMKL based on agreed rates.
- c. KPPI extends and obtains operating advances to and from certain associates.

### **Government Approvals/Regulations**

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

KPPI, through its associates, has accordingly complied with all applicable laws and regulations as mandated by the government.

### **Employees**

KPPI has a total of 12 employees as at December 31, 2021 with breakdown as follows:

	No. of Employees
Senior Management	2
Administration	2
Finance and Accounting	3
Human Resources	2
Information Technology	2
Internal Audit	1
<b>Total</b>	<b>12</b>

No significant hiring or recruitment is expected for year 2022.

### **Risks**

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

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

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

## 2. PROPERTIES

KPPI associate's investments in real estate properties as at 31 December 2021 are as follow:

Type of Property	Location	Description	Remarks
Land & Buildings	ADB Avenue, Ortigas Center, Mandaluyong City	20,000 sqm site on which stands SMKL's mixed-use development	Forty percent (40%) is owned by KPPI through its associated company, SMKL. The Phase 2 land area of 12,932 sqm is mortgaged to BDO.

## 3. LEGAL PROCEEDINGS

The Parent Company, its subsidiaries, and associates are not involved in any material litigation.

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

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

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

STOCK PRICES	2022		2021		2020	
	High	Low	High	Low	High	Low
First Quarter	₱3.00	₱2.96	₱2.97	₱2.93	₱3.61	₱3.60
Second Quarter	-	-	3.00	3.00	3.43	2.39
Third Quarter	-	-	3.27	3.26	3.14	3.13
Fourth Quarter	-	-	3.06	3.05	3.39	3.38

KPPI's common shares were last traded on 24 December 2021 at ₱3.05 per share.

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

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



There were 1,241 shareholders on record and 293,828,900 common shares outstanding, with KPPI's top 20 stockholders as at 31 December 2021 as follow:

	Name	No. of Shares Held	% to Total
1.	Keppel Land, Limited	148,365,050	50.49
2.	Kepwealth, Inc.	51,033,178	17.37
3.	Keppel Corporation, Limited	35,783,742	12.18
4.	Molten Pte Ltd.	19,951,723	6.79
5.	PCD Nominee Corporation - Filipino	13,029,520	4.43
6.	PCD Nominee Corporation – Foreign	4,433,440	1.51
7.	International Container Terminal Services Inc.	4,265,171	1.45
8.	George S. Dee, Jr.	3,442,891	1.17
9.	PNOC Shipping and Transport Corporation	2,227,511	0.76
10.	Visayan Surety & Insurance Corporation	1,671,664	0.57
11.	Sulpicio Lines, Inc.	694,719	0.24
12.	Augusto Go	410,423	0.14
13.	Eduardo Go Hayco	269,277	0.09
14.	Ho Tong Hardware, Inc.	248,018	0.08
15.	Adrienne Gotian Chu	236,795	0.08
16.	Mary Margaret G. Dee	236,788	0.08
17.	Tessa L. Navera	225,005	0.08
18.	Janette Nellie Go Chiu	200,055	0.07
19.	East Visayan Milling Corporation	181,453	0.06
20.	Rafanan/Antonio Diosdado	181,453	0.06

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

### A. Results of Operations

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

#### Year Ended 31 December 2021 Compared To 2020

**TOTAL GROSS REVENUE (LOSS), NET** registered a significant increase amounting to ₱615.8 million from a gross loss of ₱33.2 million in 2020 to a ₱582.6 million revenue in 2021. This change is attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATES** from year to year are dependent upon the results of the operations of the associates. The share in net income for year 2021 is higher by ₱605.6 million from a share in net loss of ₱50.0 million to ₱555.6 million in 2021 due to higher rental revenue from increased occupancy rate in SMKL's property and fair value gain on its investment property, The Podium Complex.
- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱11.2 million from ₱15.5 million in 2020 to ₱26.7 million in 2021 mainly attributable to the increase in fees from SMKL. Fees are charged based on SMKL's net rental revenue which has increased in 2021.
- Decrease in **INTEREST INCOME** by ₱1.1 million from ₱1.4 million in 2020 to ₱0.3 million in 2021 due to the lower amount of placements and lower interest rates on time deposits.

**GENERAL AND ADMINISTRATIVE EXPENSES** decreased by ₱1.7 million from ₱60.8 million in 2020 to ₱59.1 million in 2021 mainly due to lower executives headcount resulting in a decrease in cost incurred for salaries and employee benefits.

**OTHER INCOME, NET** decreased by ₱4.9 million from ₱9.5 million in 2020 to ₱4.6 million in 2021 due to lower reversals of accruals in year 2021 as compared to year 2020.

As a result, the Group reported a net income of ₱525.7 million in 2021 from a net loss of ₱87.6 million in 2020.

#### Year Ended 31 December 2020 Compared To 2019

**TOTAL GROSS REVENUE (LOSS), NET** registered a reversal of ₱64.1 million from ₱30.9 million revenue in 2019 to ₱33.2 million loss in 2020. This is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATES** from year to year are dependent upon the results of the operations of the associates. There is a reversal of ₱59.9 million from ₱9.9 million share in net income in 2019 to ₱50.0 million share in net loss in 2020 mainly due to the decline in SMKL's rental revenue during the Community Quarantine in Metro Manila.
- Decrease in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱1.0 million from ₱16.5 million in 2019 to ₱15.5 million in 2020 mainly attributable to the decrease in fees from SMKL. Fees are charged based on SMKL's net rental revenue which has decreased in 2020.
- Decrease in **INTEREST INCOME** by ₱3.1 million from ₱4.5 million in 2019 to ₱1.4 million in 2020 due to the lower amount of placements and lower interest rates on time deposits.

**GENERAL AND ADMINISTRATIVE EXPENSES** decreased by ₱16.8 million from ₱77.6 million in 2019 to ₱60.8 million in 2020 mainly due to the lower management consultancy fees incurred in relation to the overseeing of SMKL's mixed-use development project which was completed in 2019. The decrease is also partly attributable to lower salaries and employee benefits due to the decrease in employee headcount.

**OTHER INCOME, NET** increased by ₱9.3 million from ₱0.2 million in 2019 to ₱9.5 million in 2020 mainly due to higher reversals of long outstanding accruals in 2020. Furthermore, there is a one-time loss incurred as a result of the sale of an associated company in 2019.

As a result, net loss increased by ₱39.4 million from ₱48.1 million in 2019 to ₱87.5 million in 2020.

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

**TOTAL GROSS REVENUE, NET** decreased by ₱86.4 million from ₱117.3 million in 2018 to ₱30.9 million in 2019. The net decrease is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATES** from year to year are dependent upon the results of the operations of the associates. Share in net income decreased by ₱93.6 million from ₱103.5 million in 2018 to ₱9.9 million in 2019 mainly due to the lower net fair value gain recognized on SMKL's investment properties in 2019 and higher interest expense from the completion of The Podium West Tower in September 2019, offset by improvements in SMKL's net revenue.
- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱6.8 million from ₱9.7 million in 2018 to ₱16.5 million in 2019 due to the improvement of SMKL's net rental

revenue from higher occupancy in The Podium and from the commencement of the operations of The Podium West Tower in 2019, on which these fees from SMKL are based.

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

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

## KEY PERFORMANCE INDICATORS

	2021	2020	2019	2018
Return on assets <sup>1</sup>	19.28%	(3.45%)	(1.85%)	1.64%
Earnings (loss) per share <sup>2</sup>	₱1.79	(₱0.30)	(₱0.16)	₱0.14
Net tangible asset value per share <sup>3</sup>	₱7.94	₱6.15	₱6.45	₱6.61
Working capital ratio <sup>4</sup>	2.9:1	2.4:1	2.3:1	3.3:1
Debt-to-equity ratio <sup>5</sup>	0.02:1	0.03:1	0.04:1	0.03:1

<sup>1</sup> Net income (loss) divided by Average total assets

<sup>2</sup> Net income (loss) divided by No. of common stock outstanding

<sup>3</sup> Total assets less liabilities, preferred shares and related share premium divided by No. of common stock outstanding

<sup>4</sup> Total current assets divided by current liabilities

<sup>5</sup> Total liabilities divided by total equity

## B. Financial Condition

### Year Ended 31 December 2021 Compared To 2020

**TOTAL ASSETS** increased by ₱495.5 million from ₱2,479.0 million in 2020 to ₱2,974.5 million in 2021. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱17.3 million due to the net cash used in operating and financing activities mainly for general and administrative expenses and rental payments.
- **RECEIVABLES** increased by ₱8.1 million due to higher accrual of management consultancy and franchise fees resulting from the higher gross rental revenue reported by the Company's associated company in 2021 as compared to 2020.
- **DUE FROM RELATED PARTIES** decreased by ₱43.2 million mainly due to the offsetting of ₱40.3 million payable to related parties in 2021.
- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** increased by ₱556.1 million due to the share in net income of associates in 2021.
- **PROPERTY AND EQUIPMENT, NET** decreased by ₱4.6 million due to the depreciation recognized during the year.
- **RIGHT-OF-USE ASSET, NET** decreased by ₱4.9 million due to the amortization recognized during the year.

**TOTAL LIABILITIES** decreased by ₱31.2 million from ₱77.3 million in 2020 to ₱46.1 million in 2021 due to the following:

- **ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES** increased by ₱5.5 million due to increase in taxes payable.
- **DUE TO RELATED PARTIES** decreased by ₱31.3 million mainly due to the offsetting of ₱40.3 million receivable from related parties in 2021.
- **LEASE LIABILITY** decreased by ₱5.3 million due to the rental payments made during the year.

**TOTAL EQUITY** increased by ₱526.6 million from ₱2,401.8 million in 2020 to ₱2,928.4 million in 2021 due to the net income during the year.

Year Ended 31 December 2020 Compared To 2019

**TOTAL ASSETS** decreased by ₱118.9 million from ₱2,597.9 million in 2019 to ₱2,479.0 million in 2020. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱57.3 million due to the net cash used in operating and financing activities mainly for general and administrative expenses, including rental payments incurred and partial settlement of payables to related parties.
- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** decreased by ₱50.2 million due to the share in net loss of associates in 2020.
- **PROPERTY AND EQUIPMENT, NET** decreased by ₱4.4 million due to the depreciation recognized during the year.
- **RIGHT-OF-USE ASSET, NET** decreased by ₱4.9 million due to the amortization recognized during the year.
- **DEFERRED INCOME TAX ASSETS, NET** decreased by ₱1.6 million due to the reversal of taxable accruals related to 2019.

**TOTAL LIABILITIES** decreased by ₱31.2 million from ₱108.5 million in 2019 to ₱77.3 million in 2020 due to the following:

- **ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES** decreased by ₱15.1 million due to the reversal of accruals no longer required.
- **DUE TO RELATED PARTIES** decreased by ₱11.4 million due to the partial settlement of payables to related parties.
- **LEASE LIABILITY** decreased by ₱4.7 million due to the rental payments made during the year.

**TOTAL EQUITY** decreased by ₱87.6 million from ₱2,489.4 million in 2019 to ₱2,401.8 million in 2020 due to the net loss incurred during the year.

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

- a) As at December 31, 2021:
- There are no known material commitments for capital expenditures.
  - 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.
  - There are no significant elements of income or loss that did not arise from the Group's continuing operations.
  - There are no seasonal aspects that had a material impact on the results of operations of Group.
- b) There are no events nor any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to Group.
- c) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Group with unconsolidated entities or other persons created during the reporting period.
- d) The Group is not a party to any lawsuit or claim arising from the ordinary course of business.
- e) The Philippines real estate industry is cyclical and is sensitive to changes in general economic conditions. COVID-19 pandemic affected the economy significantly since year 2020 but with the significant progress in the country's vaccine rollout and confidence in the public, the Group is cautiously optimistic about the outlook of its operations.
- *Demand* for office spaces is expected to remain robust as it was in the past despite the pandemic. With the easing of restrictions due to the pandemic, more office workers are expected to return to the office from their work from home arrangements. Hence, existing tenants are likely to renew their lease with the Company and new tenants are expected to come in. Demand for retail spaces is also expected to rebound with increased foot traffic resulting from the easing of quarantine restrictions and increased mobility.
  - *Rent rates* for office and retail spaces are expected to improve to pre-pandemic level aligned with the expected improvement in the economy.

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

Total audit fees paid by the Group to the external auditors amounted to ₱789,348 in 2021.

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

Other non-audit fees paid to the Group of external auditors for 2021 includes ₱223,200 for tax retainer services.

## **9. CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements and schedules listed in the accompanying Index to Consolidated Audited Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

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

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

## **PART III- CONTROL AND COMPENSATION INFORMATION**

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

### **Board of Directors**

#### **(1) Ng Kwang Keng Samuel Henry, 49**

Mr. Ng Kwang Keng Samuel Henry, 49, Singaporean, was elected as Director and President of KPPI effective 6 January 2022 succeeding the then President Mr. Oh Lock Soon who resigned effective 6 January 2022 due to retirement. Mr. Ng was also elected as Chairman of the Board of Directors effective 1 February 2022 succeeding the then Chairman Mr. Ng Ooi Hooi who resigned effective 27 January 2022 due to retirement. Mr. Ng shall serve for the remaining term of Mr. Ng Ooi Hooi until the election and qualification of his successor.

Mr. Ng joined Keppel Land in March 2011 and has spent ten (10) years with Keppel Land China wherein he assumed various functional and business roles, including Business Development, Marketing and City Head. One of the initiatives he led in Keppel Land China was to set up the Customer Experience team of the company. Over the past year, Mr. Ng has been driving the transformation journey in Keppel Land Indonesia as its President since February 2021. Mr. Ng is a graduate of National University of Singapore.

#### **(2) Ramon J. Abejuela, 72**

Mr. Ramon J. Abejuela, 72, Filipino, was elected as an Independent Director of KPPI from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit and Compliance Committee of KPPI. He is also an Independent Director of Keppel Philippines Holdings, Inc. since September 2017 and Keppel Philippines Marines, Inc. and Keppel Subic Shipyard, Inc. since June 2020. He also serves as Director and Vice Chairman of the Board of Philippine Nutri-Foods Corporation and NCP Publishing Inc. since 2004.

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

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

**(3) Celso P. Vivas, 75**

Mr. Celso P. Vivas, 75, Filipino, was elected as an Independent Director of KPPI since November 2004 and is a member of KPPI's Audit and Compliance Committee. He is also an Independent Director since June 2005 and is currently the Lead Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippine Holdings, Inc., as well as an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc., and an Independent Director of Keppel Subic Shipyard, Inc.

Mr. Vivas is also an Independent Director of Megawide Construction Corporation, Chairman of its Audit and Compliance Committee, and Member of both the Board Risk Oversight and Governance, Nomination and Remuneration Committee. He also serves as an Independent Director of Republic Glass Holdings Corporation, Chairman of its Governance, Nomination and Remuneration Committee, and Member of the Audit and Risk Management Committee. He is also an Independent Director of Goodsoil Marine Realty, Inc., Goodwealth Realty Development, Inc., Keppel Subic Shipyard, Inc. and Consort Land, Inc.

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

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

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

**(4) Leonardo R. Arguelles, Jr., 72**

Mr. Leonardo R. Arguelles Jr., 72, Filipino, was elected as an Independent Director of the Company in August 2020 and is a Member of KPPI's Audit and Compliance Committee. He is also an Independent Director of Keppel Philippines Holdings, Inc. since June 2020.

He was the Chief Executive Officer and Director of Unicapital Securities, Inc. from 2001 to March 2019, concurrently being a Member of its Strategic Planning Committee, Risk Management Committee, and Digital Committee. He was also an Independent Director from 2002 to 2009 at Royal Bank of Scotland, Manila Branch, being the Chairman of the Audit Committee and Member of its Governance Committee and Risk Management Committee. He has also held Executive, Advisory and Directorship positions in various Financial Institutions and Listed Entities.

Mr. Leonardo R. Arguelles Jr. graduated from Ateneo de Manila University with Bachelor's Degree in Economics. He also finished a certificate course in Strategic Business Economics from University of Asia and the Pacific, and completed his Advanced Management Program from University of Asia and the Pacific and IESE Business School of Barcelona.

**(5) Pang Chan Fan, 39**

Mr. Pang Chan Fan, 39, Singaporean, was elected as a Director of KPPI on 27 January 2022. Mr. Pang joined Keppel Land Group under Keppel Land Hospitality Management Pte. Ltd. and was assigned as the Financial Controller of Wiseland Investment (Myanmar) Ltd. in October 2015. He was then appointed as Financial Controller of KPPI in April 2017 and then as Treasurer in October 2017. Prior to joining Keppel Land Group, he has held positions as a Finance Manager and has started his professional career in audit firms in Singapore.

**(6) Stefan Tong Wai Mun, 49**

Mr. Stefan Tong Wai Mun, 49, Malaysian, was elected as a Director of KPPI in June 2007. He is also the Executive Vice President and Director of Keppel Philippines Marine, Inc., as well as a Director of Keppel Philippines Holdings, Inc., and of various Keppel companies in the Philippines.

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

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

**(7) Tan Boon Ping, 48**

Ms. Tan Boon Ping, 48, Singaporean, was elected as a Director of KPPI on 14 January 2019. Ms. Tan joined Keppel Land Limited in December 2008 as Financial Controller, overseeing the Group consolidation and reporting for the Keppel Land Group. She reported directly to the Chief Financial Officer, and she also assisted the Company Secretary on corporate secretarial matters. In December 2015, she was appointed the Chief Financial Officer of Keppel Land China Limited. In August 2018, she assumed the role of Chief Financial Officer, Keppel Land Limited.

Prior to joining Keppel Land, Ms. Tan has worked with established real estate companies in Singapore where she gained experiences in group consolidation, tax, financial and management reporting, forecasting and budgeting for large groups with regional presence. She started her career as an auditor with Ernst and Young and PricewaterhouseCoopers.

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

**(8) Yong Ngai Soon, 48**

Mr. Yong Ngai Soon, 48, Singaporean, was elected as a Director of KPPI on 29 May 2020. Mr. Yong joined Keppel Land Limited in January 2019 as Financial Controller. His professional background includes various industries such as Audit, Information Technology, and Real Estate.

Prior to joining Keppel Land, he held senior finance leader positions in the past ten years with established real estate companies in Singapore and China. He also has profound experience in group consolidation, financial reporting, business partnering, tax, and mergers and acquisitions.

Mr. Yong holds a Bachelor's Degree in Accountancy from Nanyang Technological University of Singapore. He is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

**Retired Members of the Board of Directors in year 2021 until the date of this report**

**(1) Ng Ooi Hooi, 62, resigned effective 27 January 2022**

Mr. Ng Ooi Hooi, 62, Singaporean, was re-elected on 23 December 2019 as Director and Chairman of the Board of Directors of KPPI effective 1 January 2020 and resigned effective 27 January 2022 due to retirement. Mr. Ng joined Keppel Land Group in 2007, and was President of Singapore & Regional Investments, overseeing the Group's real estate businesses in Singapore, Philippines, Myanmar and Malaysia. He was previously General Manager, Regional Head (and before that, General Manager, Business Development) of Keppel Land China Limited. From 2008 to 2011, Mr. Ng was deployed as Deputy Chief Executive Officer of the Sino-Singapore Tianjin Eco-City Investment and Development Co Ltd.



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

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

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

## **(2) Oh Lock Soon, 63**

Mr. Oh Lock Soon, 63, Singaporean, was elected as a Director and President of KPPI on 31 March 2017 and resigned effective 6 January 2022 due to retirement. Prior to his assignment in KPPI, Mr. Oh Lock Soon served as the President of Keppel Thai Properties Public Company Limited from January 2012 until June 2016. He served as an Executive Director at Keppel Thai Properties Public Company Limited from December 2011 until June 2016. Further, under Keppel Land International Ltd, Mr. Oh served as President (Thailand) under the Regional Investments Division.

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

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

## **Key Officers**

**(1) Ng Kwang Keng Samuel Henry, 49** *(See foregoing director's profile)*

**(2) Pang Chan Fan, 39** *(See foregoing director's profile)*

**(3) Atty. Ma. Melva E. Valdez, 61**

Atty. Ma. Melva E. Valdez, 61, Filipino, has been the Corporate Secretary of KPPI since 1999. Atty. Valdez also served as Director of KPPI from 24 June 2008 to 11 June 2009. She is a Senior Partner of the law firm Bello Valdez & Fernandez (JGLaw). Atty. Valdez is also the Corporate Secretary of Keppel Philippines Holdings, Inc., Mabuhay Vinyl Corporation (listed corporations) and Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Asian Institute of Management, Keppel Subic Shipyard, Inc., Keppel Batangas Shipyard, Inc. and various Keppel companies in the Philippines, EMS Resources Technology Inc., EMS Services Philippines, Inc., EMS Services International Inc., Creotec Philippines Inc., Wartsila Philippines Inc., Calamba Medical Center, Inc., Calamba Cancer Center, Inc., Kopiko Philippines Corporation, Hi-P Philippines Technology Corporation and Gruppo EMS Inc.; Director/Chairman/President of Servier Philippines, Inc. Atty. Valdez likewise holds directorship position in the following companies: Leighton Contractors (Phils), Inc., Suretrac Holdings Inc., Asia Contractors Holdings, Inc. Cambe Dental Billing Services, Inc., Logwin Air + Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-KE Properties, Inc., and Asia Control Systems Philippines, Inc. Deputy Chair, Membership Committee of Inter-Pacific Bar Association (IPBA) and Former Treasurer of UP Women Lawyers Circle (WILOCI). She is also a lecturer of the UP Law Center Paralegal Training Program.

Atty. Valdez graduated from the University of the Philippines with a Bachelor of Arts Degree in Political Science and a Bachelor's Degree in Law. She has over 35 years of working experience in her field of profession as a lawyer.

**(4) Atty. Pamela Ann T. Cayabyab, 39**

Pamela Ann T. Cayabyab, 39, Filipino, has been the Assistant Corporate Secretary of Keppel Philippines Properties, Inc. since June 2021. She is a Senior Associate at the Bello Valdez & Fernandez Law offices (JGLaw). She has been Assistant Corporate Secretary of Mabuhay Vinyl Corporation (listed company) since November 2020; Assistant Corporate Secretary of Keppel Philippines Holdings, Inc. (listed company) since May 2021 and various Keppel companies; Assistant Corporate Secretary of Brother International Philippines Corporation since May 2015; Assistant Corporate Secretary of Fujita Philippines Construction and Development, Inc. since April 2017; Assistant Corporate Secretary of PPG Coatings (Philippines) Inc. since March 2012; Assistant Corporate Secretary of Tosoh Polyvin Corporation since March 2011.

She obtained her Juris Doctor degree from the Ateneo de Manila University and Bachelor of Arts in Political Science from the University of the Philippines Diliman.

**Retired Key Officers in year 2021 until date of this report**

**(1) Oh Lock Soon, 63** *(See foregoing director's profile)*

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

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

**Significant Employees**

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

## Directorships in Other Reporting Companies

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

### **Ramon J. Abejuela**

- |                                   |                        |
|-----------------------------------|------------------------|
| Keppel Philippines Holdings, Inc. | - Independent Director |
| Keppel Philippines Marine, Inc    | - Independent Director |
| Keppel Subic Shipyard, Inc.       | - Independent Director |

### **Celso P. Vivas**

- |                                   |   |
|-----------------------------------|---|
| Keppel Philippines Holdings, Inc. | - Lead Independent Director and Chairman of the Audit and Risk Management Committee |
| Keppel Philippines Marine, Inc.   | - Independent Director and Chairman of the Audit Committee                          |
| Keppel Subic Shipyard, Inc.       | - Independent Director  |

### **Stefan Tong Wai Mun**

- |                                   |   |
|-----------------------------------|---|
| Keppel Philippines Holdings, Inc. | - Director                              |
| Keppel Philippines Marine, Inc.   | - Director and Executive Vice President |

### **Leonardo R. Arguelles, Jr.**

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

## Family Relationship

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

## Legal Proceedings

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

## 12. EXECUTIVE COMPENSATION

KPPI has five executive officers as at 31 December 2021:

- President
- Financial Controller
- Senior Manager – Human Resources
- Deputy Finance Manager – Finance and Accounting
- Internal Auditor – Internal Audit

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

Top four executive officers as a group unnamed	Salary	Bonus	Others	Total
	In ₱ Millions			
2022 (Estimate)	19.89	5.84	0.36	26.09
2021	18.94	5.56	0.34	24.84
2020	23.38	12.03	0.03	35.44

Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
	In ₱ Millions			
2022 (Estimate)	2.00	0.32	0.05	2.37
2021	0.42	-	-	0.42
2020	1.90	0.30	0.05	2.25

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

- b. KPPI's By-Laws provide that, by resolution of the Board, each Director shall receive a per diem allowance for his/her attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten (10%) of the net income before tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders. With respect to directors' remuneration, the directors are being paid directors' fees of ₱80,000 each per annum. Payment of directors' fee of ₱80,000 per director for 2021 will be presented to the stockholders for approval at the annual stockholders' meeting. Each director also receives an amount of ₱10,000 per diem for attendance at every board meeting.
- c. There are no other standard or special arrangements and no special consulting contracts awarded to any director or officer of KPPI by which they were compensated, or to be compensated, directly or indirectly, and there are no amounts payable to any of the directors arising from participation in any working committee or special assignments in the current fiscal year or in the coming year.
- d. There are no employment contract/s, termination and change in control arrangements including pension/s or retirement plan/s in which any of the directors and officers will participate.
- e. There are no outstanding warrants or options held by the registrant's chief executive officers, executive officers and all officers and directors as a Group.

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

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

As at 31 December 2021, KPPI has no knowledge of any individual or any party who beneficially owns Keppel Philippines Properties, Inc. stock in excess of 5% of KPPI's common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and relationship with KPPI	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Shares of Stock	Keppel Land Limited <sup>1</sup> 1 HarbourFront Avenue Level 2 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	148,365,050	50.49%
Common Shares of Stock	Kepwealth, Inc. <sup>2</sup> Unit 3-B Country Space I Bldg., Sen. Gil Puyat Avenue, Makati City (Stockholder)	Same as Record Owner	Filipino	51,033,178	17.37%
Common Shares of Stock	Keppel Corporation Limited <sup>3</sup> 1 HarbourFront Avenue Level 2 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	35,783,742	12.18%
Common Shares of Stock	PCD Nominee Corp. – Filipino <sup>4</sup> 37/F Enterprise Bldg. Ayala Avenue, Makati City 1226	Various <sup>5</sup>	Filipino	31,525,536	10.73%

1. Mr. Ng Kwang Keng Samuel Henry is authorized as proxy to vote for the shareholdings of Keppel Land Limited.
2. Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote in the shares of Kepwealth, Inc. in KPPI.
3. Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote for the shareholdings of Keppel Corporation Limited in KPPI.
4. PCD Nominee Corporation (PCNC) is a wholly-owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all the shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD. However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as the beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with in its name.
5. Molten Pte. Ltd is the beneficial owner of the following shares of KPPI as of 31 December 2021:

	<u>No. of shares held</u>	<u>% of class</u>
Molten Pte. Ltd	18,496,016	6.79%

(b) Security Ownership of Directors and Management:

As at 31 December 2021, the shareholdings of all Directors of KPPI are as follow:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Ng Kwang Keng Samuel Henry <i>(effective 6 January 2022)</i>	1	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1	Filipino	0.00%
Common Shares of Stock	Leonardo R. Arguelles, Jr.	1	Filipino	0.00%
Common Shares of Stock	Pang Chan Fan	1,000	Singaporean	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Tan Boon Ping	1	Singaporean	0.00%
Common Shares of Stock	Yong Ngai Soon	1	Singaporean	0.00%
Common Shares of Stock	Ng Ooi Hooi <i>(until 27 January 2022)</i>	1	Singaporean	0.00%
Common Shares of Stock	Oh Lock Soon <i>(until 6 January 2022)</i>	1	Singaporean	0.00%

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

(c) Voting Trust Holders of 5% or more

As at December 31, 2021, there are no individuals or parties who hold 5% or more of KPPI's common shares of stock under a voting trust or similar agreement.

(d) Changes in control

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

#### 14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

- Any director or executive officer of the Corporation;
- Any nominee for election as a Director;
- Any security holders;
- Any member of the immediate family of the preceding persons.

- b) The Parent Company of the registrant is KLL, who owns 50.49% of KPPI's capital stock.

Details of KPPI's related party transactions are explained in Note 11 of the Notes to the Consolidated Audited Financial Statements of KPPI.

## **PART IV – CORPORATE GOVERNANCE**

### **15. CORPORATE GOVERNANCE**

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

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

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

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

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

The Executive Committee meets regularly to perform tasks as delegated by the Board of Directors. As required by the Rules, three (3) members, consisting of the President, other officers and/or directors of KPPI.

The Audit and Compliance Committee meets regularly to review all financial reports to comply with the relevant accounting and regulatory standards, and performs oversight of financial management functions. As required by the Rules, three (3) independent directors are members of the Audit and Compliance Committee, with one (1) independent director serving as head of said Committee.

The Governance, Nomination and Compensation Committee complied with the provisions of KPPI's Amended Manual with regards to its oversight responsibility on corporate governance, nomination and compensation. The Committee has conducted pre-screening of all candidates nominated to become member of the Board of Directors. The qualifications of director mentioned in the Amended Manual have also been strictly followed.

All of the directors of KPPI, except for Mr. Ng, have attended and actively participated in the Corporate Governance Seminars held annually. Mr. Ng, being newly appointed as Director and President, has yet to attend a Corporate Governance Seminar in 2022.

KPPI has submitted its Annual Corporate Governance Report to SEC and PSE on 29 June 2021.

## **PART V- EXHIBITS AND SCHEDULES**

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

(a) Exhibits - See accompanying Index to Exhibits

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

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

(b) Reports on SEC Form 17-C

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

<u>Date</u>	<u>Events Reported</u>
16 April 2021	Board of Director's Approval of Audited Financial Statements, Annual Report, Sustainability Report and the conduct of the 2021 annual stockholder's meeting via remote communication on 15 April 2021
18 May 2021	Board of Director's Approval of Postponement and Setting of Annual Stockholder's Meeting Date and Record Date, and of the Integrated Annual Corporate Governance Report for year 2020 on 17 May 2021
29 June 2021	Board of Director's Approval of Re-appointment of External Auditor for year 2021, of Director's Remuneration, and of the New Manual of Corporate Governance
7 July 2021	Election of Assistant Corporate Secretary effective 29 June 2021
7 January 2022	Resignation of Director and President and Election of New Director and President effective 6 January 2022
27 January 2022 (Emergency Disclosure)/18 February 2022	Resignation of Director and Chairman and Election of New Director updating manual of Corporate Governance
30 March 2022	Board of Director's Approval of Audited Financial Statements, Annual Report and Sustainability Report on 20 March 2022
4 May 2022	Board of Director's Approval of Postponement and Setting of Annual Stockholder's Meeting Date and Record Date and Approval of Conduct of Annual Stockholders' Meeting via Remote Communication



## 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 Mandaluyong on March 29, 2022.

By:



Ng Kwang Keng Samuel Henry  
President



Pang Chan Fan  
Treasurer



Atty. Ma. Melva E. Valdez  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 05 2022 day \_\_\_\_\_ of 2022 affiant  
(s) exhibiting to me his/their Tax Identification Numbers, as follows:

<u>Names</u>	<u>TIN</u>
Ng Kwang Keng Samuel Henry	604-125-676
Pang Chan Fan	500-034-655
Ma. Melva E. Valdez	123-493-209

MANDALUYONG CITY

Doc. No. 789  
Page No. 79  
Book No. 78  
Series of 2022.

ATTY. JAMES K. ABUGAN  
Notary Public  
Appt. No. 0442-21  
Until Dec. 31, 2022  
IBP No. 175123 01/06/2022 Rizal Chapter  
Roll No. 26890 Lifetime  
MCLE No. VI-0012875 Until 4/14/2022  
FIN No. 116-239-956  
PTR No. 4871351 / 01-06-2022  
Tel. No. 02-85452321  
Mandaluyong City

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

**Financial Statements**

Statements of Management's Responsibility for Consolidated Financial Statements  
Report of Independent Public Accountants  
Consolidated Statements of Financial Position as at December 31, 2021 and 2020  
Consolidated Statements of Total Comprehensive Income for each of the three years in the period ended December 31, 2021  
Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2021  
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2021  
Notes to the Consolidated Financial Statements

**Supplementary Schedules**

	Report of Independent Public Accountants on Components of Financial Soundness Indicators
	Financial Ratios
	Report of Independent Public Accountants on Supplementary Schedules
	Map of the Relationships of the Company within the Group
	Reconciliation of Retained Earnings Available for Dividend Declaration
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements.
D	Long Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock

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

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

The management of Keppel Philippines Properties, Inc. and Subsidiaries ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at and for the years ended December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

A handwritten signature in black ink, appearing to read "K. K. S.", written over the name.

**NG KWANG KENG SAMUEL HENRY**  
Chairman of the Board and President

A handwritten signature in blue ink, appearing to read "P. C. F.", written over the name.

**PANG CHAN FAN**  
Treasurer

Signed this 29<sup>th</sup> day of March 2022

SUBSCRIBED AND SWORN TO BEFORE ME, this APR 01 2022, affiant exhibited to me their Tax Identification Number:

- |                               |             |
|-------------------------------|-------------|
| 1. Ng Kwang Keng Samuel Henry | 604-125-676 |
| 2. Pang Chan Fan              | 500-034-655 |

Doc. No. 124;  
Page No. 26;  
Book No. 38;  
Series of 2022.

MANDALUYONG CITY

ATTY. JAMES K. ABUGAN  
Notary Public  
APR 01 2022  
NOTARY PUBLIC  
IBP No. 175123 01/06/2022 Rizal Chapter  
Roll No. 26890 Lifetime  
MCLE No. VI-0012875 Until 4/14/2022  
TIN No. 116-239-956  
PTR No. 4871351 / 01-06-2022  
Tel. No. 02-85452321  
Mandaluyong City

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

P W - 3 0 5

### COMPANY NAME

K E P P E L P H I L I P P I N E S P R O P E R T I E S ,

I N C . A N D S U B S I D I A R I E S

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

1 8 t h F l o o r , U n i t s 1 8 0 2 B - 1 8 0 3 ,

T h e P o d i u m W e s t T o w e r , 1 2 A D B

A v e n u e , O r t i g a s C e n t e r ,

M a n d a l u y o n g C i t y

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

### COMPANY INFORMATION

Company's Email Address

keppel.prop@kepland.com.ph

Company's Telephone Number

8584-6170

Mobile Number

0917-8500380

No. of Stockholders

1,241

Annual Meeting (Month / Day)

06/10

Fiscal Year (Month / Day)

12/31

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Pang Chan Fan

Email Address

James.Pang@kepland.com.ph

Telephone Number/s

8584-6170

Mobile Number

0917-8500380

### CONTACT PERSON'S ADDRESS

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

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

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



## **Independent Auditor's Report**

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

### **Report on the audits of the consolidated financial statements**

#### ***Our Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Keppel Philippines Properties, Inc. and its subsidiaries (together, the "Group") as at December 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

#### ***What we have audited***

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2021;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2021;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### ***Basis for Opinion***

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

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

#### ***Independence***

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
Page 2

### ***Our Audit Approach***

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### ***Key audit matters***

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

---

#### Impairment of investments in associates and joint venture

Impairment assessment of investments in associates and joint venture requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. These investments in associates and joint venture represent ninety-three percent (93%) of the Group's total assets.

Refer to Note 6 for the details of the investments in associates and joint venture and to Note 19.2 (c) on the discussion of critical accounting judgement.

We addressed the matter by evaluating management's impairment assessment of its investments in associates and joint venture with a particular focus on whether the operating losses reported by some of the investees indicate impairment.

The evaluation was made by testing the assumptions and methodologies in management's cash flow forecast of the operations of the investee companies. We focused on key assumptions affecting the long term profit and cash flow generating capacity of the individual assets of the investees. The assumptions tested and procedures performed follow:

- The rental, escalation and vacancy rates for cash inflows were compared against the rates based on the existing lease contracts, historical experience of the Group and industry outlook.
  - Capital expenditures and non-recoverable expenses for cash outflows were compared with the historical financial experience of comparable companies with mall and office leasing activities.
  - Discount and terminal capitalization rates were compared with the market data and industry research.
-



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
Page 3

We also used the work and conclusions of external valuation experts engaged by management to corroborate our own conclusions.

Based on the procedures performed, we find that the assumptions used were consistent with historical results, market research and industry outlook.

Basis of preparation - impact of COVID-19

During the first quarter of 2020, COVID-19 spread throughout the world, creating an unprecedented pandemic.

As set out in Note 21 to the consolidated financial statements, management has updated their evaluation of the Group's ability to continue as a going concern to incorporate an assessment of the potential impact of COVID-19.

While the impact of COVID-19 is uncertain and unquantifiable, the Group continues to look for measures to mitigate and reduce any negative impact to its profitability or economic impact on its business. Given the inherent uncertainty associated with the impact of COVID-19 on the Group, we consider this to be a key audit matter in relation to going concern and related disclosure.

In challenging management's assessment of the impact of COVID-19 on their business, we addressed the matter through the following procedures:

- a) Conducted inquiries with key management to understand the Group's mitigating actions and contingency plans;
- b) Inspected minutes of meeting of Board of Directors with regard to the expected business impact;
- c) Checked the mathematical accuracy of management's cash flow forecasts and validated the cash position;
- d) Evaluated management's underlying cash flow projections by testing the assumptions and methodologies and agreeing data to other external and internal sources as necessary, including inspection of customer contracts, mainly lease contracts and loan agreements;
- e) Considered the financial condition of the Group's lessees and borrowers and the impact of a likely delay in their payments on the Group's cash flows; and
- f) Reviewed the adequacy and appropriateness of management's going concern disclosures in the notes to the consolidated financial statements.

Based on the procedures performed, we concluded that no change was required in respect of management's conclusions on going concern, and based on the current facts and circumstances, we believe that management's disclosures in relation to COVID-19 are appropriate. As management has disclosed, the Group continues to address the issues that directly affect its business operations and the Group is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Group's financials as evidenced by the overall increase in revenues and profit of the Group in 2021.





Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
Page 4

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A annual report, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A annual report are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
Page 5

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity with the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Isla Lipana & Co.

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Keppel Philippines Properties, Inc. and Subsidiaries  
Page 6

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

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

**Isla Lipana & Co.**

A handwritten signature in black ink, appearing to read "C Santos", written over a horizontal line.

Catherine H. Santos  
Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 6, 2022 at Makati City

SEC A.N. (individual) as general auditors 110097-SEC; Category A,  
valid to audit 2020 to 2024 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements

T.I.N. 211-726-564

BIR A.N. 08-000745-132-2020; issued on June 5, 2020; effective until June 4, 2023

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
March 29, 2022



Isla Lipana & Co.

Statements Required by Rule 68, Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Keppel Philippines Properties, Inc. and its subsidiaries as at and for the year ended December 31, 2021, on which we have rendered the attached report dated March 29, 2022. The supplementary information shown in the Reconciliation of Retained Earnings for Dividend Declaration and Map of Relationships of the Companies within the Group as required by Rule 68 of the SRC, and Schedules A, B, C, D, E, F and G as additional components as required by Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Rule 68 of the SRC.

**Isla Lipana & Co.**

Catherine H. Santos

Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 6, 2022 at Makati City

SEC A.N. (individual) as general auditors 110097-SEC; Category A,  
valid to audit 2020 to 2024 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements

T.I.N. 211-726-564

BIR A.N. 08-000745-132-2020; issued on June 5, 2020; effective until June 4, 2023

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City

March 29, 2022



Isla Lipana & Co.

**Independent Auditor's Report on  
Components of Financial Soundness Indicators**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Keppel Philippines Properties, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 29, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of the operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basis consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

**Isla Lipana & Co.**

Catherine H. Santos  
Partner  
CPA Cert. No. 0110097  
P.T.R. No. 0011422; issued on January 6, 2022 at Makati City  
SEC A.N. (individual) as general auditors 110097-SEC; Category A,  
valid to audit 2020 to 2024 financial statements  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
T.I.N. 211-726-564  
BIR A.N. 08-000745-132-2020; issued on June 5, 2020; effective until June 4, 2023  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
March 29, 2022

---

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

# Keppel Philippines Properties, Inc. and Subsidiaries

## Consolidated Statements of Financial Position As at December 31, 2021 and 2020 (All amounts in Philippine Peso)

	Notes	2021	2020
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	84,033,954	101,296,379
Receivables	3	9,362,549	1,293,030
Due from related parties	11	9,226,664	52,389,751
Prepayments and other current assets, net	4	29,547,319	26,484,289
Total current assets		132,170,486	181,463,449
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	5	79,512,230	79,512,230
Investments in associates and joint venture	6	2,758,317,653	2,202,189,380
Property and equipment, net	7	2,196,405	6,808,521
Right-of-use asset, net	8	1,627,717	6,510,871
Refundable deposits	8	53,300	1,513,812
Retirement benefit asset	16	535,102	274,459
Deferred income tax assets, net	14	89,990	753,352
Total non-current assets		2,842,332,397	2,297,562,625
<b>Total assets</b>		2,974,502,883	2,479,026,074
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities	9	21,611,172	16,144,926
Due to related parties	11	23,999,969	55,252,351
Lease liability, current portion	8	468,943	5,308,133
Income tax payable		-	77,998
Total current liabilities		46,080,084	76,783,408
<b>Non-current liability</b>			
Lease liability, net of current portion	8	-	468,943
<b>Total liabilities</b>		46,080,084	77,252,351
<b>Equity</b>	10		
Share capital		356,104,000	356,104,000
Share premium		602,885,517	602,885,517
Treasury shares		(2,667,645)	(2,667,645)
Other reserves		1,394,661	405,249
Retained earnings		1,970,706,266	1,445,046,602
Total equity		2,928,422,799	2,401,773,723
<b>Total liabilities and equity</b>		2,974,502,883	2,479,026,074

The notes on pages 1 to 45 are an integral part of these consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2021, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
<b>Gross revenue (loss)</b>				
Share in results of associated companies	6	555,646,785	(50,031,900)	9,922,597
Management consultancy and franchise fees	11	26,675,523	15,455,164	16,467,182
Interest income	2	310,301	1,409,005	4,544,282
Gross revenue (loss), net		582,632,609	(33,167,731)	30,934,061
General and administrative expenses	12	(59,139,193)	(60,782,804)	(77,635,265)
Other income, net	13	4,560,228	9,500,408	180,726
<b>Income (loss) before income tax</b>		528,053,644	(84,450,127)	(46,520,478)
Income tax expense	14	(2,393,980)	(3,082,074)	(1,609,110)
<b>Net income (loss) for the year</b>		525,659,664	(87,532,201)	(48,129,588)
<b>Other comprehensive income (loss)</b>				
Items that will not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on defined benefit plan	16	625,449	138,659	(330,705)
Deferred income tax relating to actuarial gain (loss)	16	(117,525)	(41,598)	99,212
Share in actuarial gains (losses) of an associate and joint venture	6	481,488	(189,980)	(278,920)
		989,412	(92,919)	(510,413)
<b>Total comprehensive income (loss) for the year</b>		526,649,076	(87,625,120)	(48,640,001)
<b>Basic and diluted income (loss) per share</b>	15	1.79	(0.30)	(0.16)

The notes on pages 1 to 45 are an integral part of these consolidated financial statements.

# **Keppel Philippines Properties, Inc. and Subsidiaries**

Consolidated Statements of Changes in Equity  
For each of the three years in the period ended December 31, 2021, 2020 and 2019  
(All amounts in Philippine Peso)

	Share capital		Other reserves				Retained earnings (Note 10)	Total equity
	Common (Note 10)	Preferred (Note 10)	Share premium (Note 10)	Treasury shares (Note 10)	Actuarial gain on defined benefit plan (Notes 10 & 16)	Share in actuarial gain (loss) of an associate and a joint venture (Notes 6 & 10)		
<b>Balances at January 1, 2019</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	678,150	330,431	1,580,708,391	2,538,038,844
<b>Comprehensive loss</b>								
Net loss for the year	-	-	-	-	-	-	(48,129,588)	(48,129,588)
Other comprehensive loss	-	-	-	-	(231,493)	(278,920)	-	(510,413)
Total comprehensive loss for the year	-	-	-	-	(231,493)	(278,920)	(48,129,588)	(48,640,001)
<b>Balances at December 31, 2019</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	446,657	51,511	1,532,578,803	2,489,398,843
<b>Comprehensive loss</b>								
Net loss for the year	-	-	-	-	-	-	(87,532,201)	(87,532,201)
Other comprehensive income (loss)	-	-	-	-	97,061	(189,980)	-	(92,919)
Total comprehensive income (loss) for the year	-	-	-	-	97,061	(189,980)	(87,532,201)	(87,625,120)
<b>Balances at December 31, 2020</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	543,718	(138,469)	1,445,046,602	2,401,773,723
<b>Comprehensive income</b>								
Net income for the year	-	-	-	-	-	-	525,659,664	525,659,664
Other comprehensive income	-	-	-	-	507,924	481,488	-	989,412
Total comprehensive income for the year	-	-	-	-	507,924	481,488	525,659,664	526,649,076
<b>Balances at December 31, 2021</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	1,051,642	343,019	1,970,706,266	2,928,422,799

The notes on pages 1 to 45 are an integral part of these consolidated financial statements.



## Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
For each of the three years in the period ended December 31, 2021, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	2021	2020	2019
<b>Cash flows from operating activities</b>				
Income (loss) before income tax		528,053,644	(84,450,127)	(46,520,478)
Adjustments for:				
Share in results of associated companies	6	(555,646,785)	50,031,900	(9,922,597)
Depreciation and amortization expense	7, 8, 12	9,710,968	9,846,245	6,428,397
Unrealized foreign exchange loss (gain)	18	372,850	(61,186)	(70,640)
Retirement benefit expense	12, 16	364,806	354,234	177,543
Interest expense on lease liability	8, 13	265,850	591,874	685,110
Loss on sale of shares in an associate	6, 13	-	-	3,725,169
Gain on sale of property and equipment	13	-	-	(7,143)
Gain on reversal of liabilities	13	(310,975)	(6,986,370)	(2,886,760)
Interest income	2	(310,301)	(1,409,005)	(4,544,282)
Operating loss before working capital changes		(17,499,943)	(32,082,435)	(52,935,681)
Decrease (increase) in:				
Receivables		(8,069,519)	758,577	(1,208,613)
Prepayments and other current assets		(4,989,171)	1,111,185	(3,641,110)
Due from related parties		2,491,730	(1,632,022)	23,938,405
Increase (decrease) in:				
Due to related parties		9,046,125	(11,404,823)	8,799,797
Accounts payable and other current liabilities		5,654,735	(7,772,483)	9,982,697
Net cash used in operations		(13,366,043)	(51,022,001)	(15,064,505)
Interest received		310,301	1,579,451	4,925,535
Contribution to the retirement plan	16	-	(130,002)	(54,677)
Income tax paid		-	(1,540,299)	(1,976,151)
Net cash used in operating activities		(13,055,742)	(51,112,851)	(12,169,798)
<b>Cash flows from investing activities</b>				
Decrease (increase) in refundable deposits		1,460,512	(74,538)	(1,366,974)
Return of investments from an associate	11	-	-	24,569,605
Proceeds from sale of shares in an associate	6, 11	-	-	26,773,679
Proceeds from sale of property and equipment		-	-	7,159
Acquisitions of property and equipment	7	(93,212)	(809,653)	(12,430,345)
Net cash provided by (used in) investing activities		1,367,300	(884,191)	37,553,124
<b>Cash flows from financing activities</b>				
Payments for the principal portion of lease liability	8	(5,308,133)	(4,716,660)	(4,155,723)
Payments for the interest portion of lease liability	8	(265,850)	(591,874)	(685,110)
Net cash used in financing activities		(5,573,983)	(5,308,534)	(4,840,833)
<b>Net increase (decrease) in cash and cash equivalents</b>		(17,262,425)	(57,305,576)	20,542,493
Cash and cash equivalents at January 1		101,296,379	158,601,955	138,059,462
<b>Cash and cash equivalents at December 31</b>	2	84,033,954	101,296,379	158,601,955

The notes on pages 1 to 45 are an integral part of these consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2021 and 2020

and for each of the three years in the period ended December 31, 2021, 2020 and 2019

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

### **Note 1 - Corporate information**

Keppel Philippines Properties, Inc. (KPPI or the “Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918 primarily to invest or acquire interest in, purchase, own or hold, directly or indirectly, shares of stocks and to undertake in property development activities through its associates and joint venture. The Parent Company’s corporate life was extended for another fifty (50) years starting February 7, 1968. On May 5, 2017, the Parent Company’s corporate life was further extended for another fifty (50) years from February 6, 2018.

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

As at December 31, 2021 and 2020, the top five shareholders of the Parent Company are the following:

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

\* 8% direct ownership and 6% through PCD Nominee Corporation as at December 31, 2021 and 2020.

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

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

As at December 31, 2021 and 2020, the Parent Company’s subsidiaries, associates and joint venture, which were all incorporated in the Philippines are as follows:

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

The Parent Company has 1,038 shareholders, each owning one hundred (100) or more shares, as at December 31, 2021 and 2020, respectively.

The Group's principal office address is 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The consolidated financial statements of the Group have been approved and authorized for issuance by the Board of Directors (BOD) on March 29, 2022.

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

Cash and cash equivalents as at December 31 consist of:

	2021	2020
Cash in bank	18,105,936	12,811,172
Cash equivalents	65,853,018	88,410,207
Cash on hand	75,000	75,000
	84,033,954	101,296,379

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns interest at the respective short-term deposit rates that range from 0.38% to 0.50% per annum in 2021 (2020 - 0.25% to 3.25% per annum).

Interest income from cash and cash equivalents amounted P0.3 million in 2021 (2020 - P1.4 million; 2019 - P4.5 million). Accrued interest receivable on money market placements is presented as part of Receivables (Note 3) and will form part of the investment carrying amount upon maturity.

## **Note 3 - Receivables**

Receivables as at December 31 consist of:

	Notes	2021	2020
Accrued income	11(c)	8,800,603	1,121,042
Non-trade		2,666,664	2,666,664
Receivables from employees		66,575	75,344
Accrued interest	2	4,669	12,810
Others		490,702	83,834
		12,029,213	3,959,694
Allowance for impairment loss		(2,666,664)	(2,666,664)
		9,362,549	1,293,030

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

Non-trade receivable pertains to the receivable arising from an agreement of the Group with a third party entered into on October 24, 2013 to sell its fully depreciated investment properties. As at December 31, 2021 and 2020, full allowance was provided for the receivable, subject to reversal until such time the Management can determine the probable amount to be recovered from the third party.

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

Other receivables pertain to withholding taxes receivable whose creditable withholding tax certificates have yet to be received and refunds from third parties for the cancellation of paid services in 2021.

No movement in allowance for impairment loss from 2019 to 2021.

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

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

	2021	2020
Prepaid income taxes	23,930,080	21,434,781
Input value added tax, net	3,486,703	4,266,174
Prepayments	2,072,381	724,549
Deferred input VAT	58,155	58,785
	29,547,319	26,484,289

Prepaid income taxes pertain to the amounts withheld by the Group's counterparties in relation to management fees. As at December 31, 2021 and 2020, Management has determined that these are recoverable and can be applied against future income taxes.

The current input VAT balance pertains to the excess of input VAT over output VAT as at December 31, 2021 and 2020. Deferred input VAT is the current portion of input tax credits on capital goods not yet claimable and were deferred during the year. The portion of the deferred input VAT on purchases of capital goods which will be amortized in the succeeding year is presented as deferred input tax.

Prepayments mainly include advance rentals and refundable deposits amounting to P0.4 million and P1.7 million, respectively, as of December 31, 2021 (2020 - P0.4 million and P0.3 million) related to the Parent Company's lease of office space and residential properties for its officers (Note 8).

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

Financial assets at fair value through other comprehensive income (FVOCI) as at December 31, 2021 and 2020 are presented below.

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

*(a) Preferred equity securities*

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

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

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

(b) Club shares

The original cost in investment in the Club Filipino Inc. de Cebu shares amounted to P225,000 as at December 31, 2021 and 2020. No movement in the fair value gains on financial assets at FVOCI was recognized by the Group for the years ended December 31, 2021, 2020 and 2019.

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

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

	2021	2020	2019
Cost			
At January 1	653,989,443	653,989,443	683,243,174
Disposal	-	-	(29,253,731)
At December 31	653,989,443	653,989,443	653,989,443
Accumulated share in results of associated companies presented in profit or loss			
At January 1	1,548,338,406	1,598,370,306	1,589,692,826
Share in net income (loss) of associated companies	555,646,785	(50,031,900)	9,922,597
	2,103,985,191	1,548,338,406	1,599,615,423
Disposal	-	-	(1,245,117)
At December 31	2,103,985,191	1,548,338,406	1,598,370,306
Presented in other comprehensive income			
At January 1	(138,469)	51,511	330,431
Share in other comprehensive income (loss)	481,488	(189,980)	(278,920)
At December 31	343,019	(138,469)	51,511
	2,758,317,653	2,202,189,380	2,252,411,260

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

	Percentage of ownership		Carrying amount	
	2021	2020	2021	2020
Associates				
OKEP	40%	40%	214,710,604	166,657,663
OVI	40%	40%	95,970,703	68,236,003
ORDC	40%	40%	58,895,774	42,347,771
Joint venture				
SMKL	40%	40%	2,388,740,572	1,924,947,943
			2,758,317,653	2,202,189,380

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

	Note	OKEP	OVI	ORDC	SMKL
December 31, 2021					
Net assets		594,234,009	117,267,802	13,358,425	5,619,631,652
Ownership interest		40%	40%	40%	40%
		237,693,604	46,907,121	5,343,370	2,247,852,661
Investments in redeemable preferred shares	5	(31,287,230)	(48,000,000)	-	-
Fair value adjustments		8,304,230	97,063,582	53,552,404	140,887,911
		214,710,604	95,970,703	58,895,774	2,388,740,572

	Note	OKEP	OVI	ORDC	SMKL
<i>December 31, 2020</i>					
Net assets		474,101,657	117,457,645	13,590,471	4,460,150,080
Ownership interest		40%	40%	40%	40%
		189,640,663	46,983,058	5,436,188	1,784,060,032
Investments in redeemable preferred shares	5	(31,287,230)	(48,000,000)	-	-
Fair value adjustments		8,304,230	69,252,945	36,911,583	140,887,911
		166,657,663	68,236,003	42,347,771	1,924,947,943

The associates and joint venture were accounted for using the equity method. For the years ended December 31, 2021 and 2020, there were no dividends received from the associates and joint venture. As at December 31, 2021 and 2020, there were no quoted prices for these investments.

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

*(a) Associates*

*(i) ORDC*

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

*(ii) OVI*

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

*(iii) OKEP*

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

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

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

Significant financial information of the associates follows:

<i>(In millions)</i>	OKEP	ORDC	OVI
<i>December 31, 2021</i>			
Current assets	36.4	3.7	0.4
Non-current assets	562.0	81.9	119.8
Total assets	598.4	85.6	120.2
Current liabilities	4.2	72.2	2.9
Non-current liabilities	-	-	-
Total liabilities	4.2	72.2	2.9
Net assets	594.2	13.4	117.3
Gross revenue	116.0	-	-
Net income (loss) for the year	115.8	(0.2)	(0.2)
Other comprehensive income	0.1	-	-
Total comprehensive loss for the year	115.9	(0.2)	(0.2)
<i>December 31, 2020</i>			
Current assets	77.3	3.9	0.4
Non-current assets	446.1	81.9	119.8
Total assets	523.4	85.8	120.2
Current liabilities	45.1	72.3	2.7
Non-current liabilities	-	-	-
Total liabilities	45.1	72.3	2.7
Net assets	478.3	13.5	117.5
Gross loss	(7.8)	-	-
Net loss for the year	(8.1)	(0.2)	(0.3)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	(8.1)	(0.2)	(0.3)

*(b) Joint Venture - SMK L*

SMKL's primary business activity is to operate and maintain office and shopping center spaces for rent, carpark operations and cinema ticket sales. SMK L is involved in a mixed-use development comprising of retail spaces in "The Podium Mall" and office spaces in "The Podium West Tower" which are located in Ortigas Center, Mandaluyong City.

The significant financial information of SMK L as at and for the years ended December 31, 2021 and 2020 is summarized in the table below.

<i>(in millions)</i>	SMKL	
	2021	2020
Current assets	2,047.3	1,861.8
Cash and cash equivalents	586.1	491.2
Non-current assets	14,694.7	13,584.9
Investment properties	14,635.2	13,500.0
Current liabilities	1,862.6	2,137.5
Non-current liabilities	9,259.7	8,849.1
Net assets	5,619.7	4,460.1
Gross revenue	2,101.6	673.8
Interest income	2.0	3.4
Depreciation and amortization	(14.1)	(14.0)
Interest expense	(272.1)	(351.8)
Income tax expense (benefit)	(214.7)	28.4
Net income (loss) for the year	1,158.5	(83.8)
Other comprehensive income (loss)	1.0	(0.4)
Total comprehensive income (loss) for the year	1,159.5	(84.2)

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

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

	Note	Office equipment	Furniture and fixtures	Leasehold improvements	Total
Cost					
At January 1, 2020		3,691,609	1,470,618	11,542,143	16,704,370
Additions		515,215	-	-	515,215
At December 31, 2020		4,206,824	1,470,618	11,542,143	17,219,585
Additions		215,698	-	-	215,698
At December 31, 2021		4,422,522	1,470,618	11,542,143	17,435,283
Accumulated depreciation					
At January 1, 2020		2,485,555	461,334	2,564,921	5,511,810
Depreciation	12	613,570	438,303	3,847,381	4,899,254
At December 31, 2020		3,099,125	899,637	6,412,302	10,411,064
Depreciation	12	847,809	132,624	3,847,381	4,827,814
At December 31, 2021		3,946,934	1,032,261	10,259,683	15,238,878
Net carrying amount					
At December 31, 2020		1,107,699	570,981	5,129,841	6,808,521
At December 31, 2021		475,588	438,357	1,282,460	2,196,405

Unpaid additions to property and equipment amounted to Po.1 million as at December 31, 2021 (2020 - Po.7 million).

As at December 31, 2021 and 2020, the Group's management has assessed that there is no objective evidence that indicators of impairment exist.

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

The Group has the following operating lease contracts:

*(a) Long-term lease agreements**(i) Office space*

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

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

*(ii) Parking space*

The Parent Company entered into an operating lease agreement for its parking space located in The Podium West Tower. The lease term is from January 1, 2020 to May 14, 2022 and is renewable subject to the terms and conditions to be mutually agreed upon by both parties. The monthly base rental will be subject to an increase of five percent (5%) per annum on the first annual anniversary of the commencement date and every annual anniversary thereof.



Total rent expense for the parking space charged to operations amounted to P0.1 million in 2021 and 2020 (2019 - nil). This rent expense is presented as part of "Rental" in the "General and administrative expenses" (Note 12).

*(b) Short-term lease agreements*

The Parent Company also entered into operating lease agreements for its officers' housing. These agreements will expire in various dates in 2022. Total rent expense charged to operations, that is presented as part of "Salaries, wages and employee benefits" in the "General and administrative expenses" (Note 12), amounted to P2.9 million in 2021 (2020 - P3.4 million; 2019 - P3.9 million).

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

Security deposits and advance rentals for long-term and short-term leases are presented in the statements of financial position as at December 31 as follows:

	Note	2021	2020
Prepayments and other current assets	4	2,055,998	669,474
Refundable deposits		53,300	1,513,812
		2,109,298	2,183,286

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

The carrying amount of the right-of-use asset as at December 31 is as follows:

	Note	2021	2020	2019
Cost				
At January 1		14,649,459	14,649,459	-
Additions		-	-	14,649,459
At December 31		14,649,459	14,649,459	14,649,459
Accumulated amortization				
At January 1		8,138,588	3,191,597	-
Amortization	12	4,883,154	4,946,991	3,191,597
At December 31		13,021,742	8,138,588	3,191,597
		1,627,717	6,510,871	11,457,862

There were no additions to the right-of-use asset in 2021 and 2020.

Movements in the lease liabilities for the years ended December 31 are as follows:

	2021	2020	2019
Lease liabilities			
At January 1	5,777,076	10,493,736	-
Additions	-	-	14,649,459
Principal payments	(5,308,133)	(4,716,660)	(2,739,750)
Advance payment	-	-	(1,415,973)
Interest payments	(265,850)	(591,874)	(685,110)
Interest expense	265,850	591,874	685,110
At December 31	468,943	5,777,076	10,493,736
Lease liabilities			
Current	468,943	5,308,133	4,716,660
Non-current	-	468,943	5,777,076
	468,943	5,777,076	10,493,736

### Discount rate

The lease payments for office space are discounted using the Parent Company's incremental borrowing rate, being the rate that the Parent Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions is at 7.8% in 2021 and 2020.

### Extension and termination options

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

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

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

	2021	2020
Taxes payable	13,214,409	8,348,671
Accrued expenses	7,448,843	7,088,987
Dividends payable	553,981	553,981
Accounts payable	393,939	153,287
	21,611,172	16,144,926

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

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

In 2021, 2020 and 2019, a portion of the bonus and other employee benefits accrued and other accruals in prior years amounting to P0.3 million, P7.0 million and P2.9 million, respectively, were reversed (Note 13). These amounts pertain to the outstanding accrual made over the actual amount paid to settle the liabilities.

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. and which as at December 31, 2021 and 2020, have not been claimed by the respective shareholders.

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

### **Note 10 - Equity**

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

Share capital as at December 31, 2021 and 2020 consist of:

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

Preferred shares, which were issued on November 11, 2003 at a price of P10 per share, are redeemable in full or in part at the option of the Parent Company, within a call period of seven (7) years from May 31, 2011, the date of approval of the SEC. On April 5, 2019, the SEC approved the extension of the redemption period for another five (5) years. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. The fairness of the annual premium rate must be confirmed by an independent financial advisor. No preferred shares have been redeemed in 2021 and 2020.

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

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

*(b) Share premium*

The details of share premium presented in the consolidated statements of financial position and consolidated statements of changes in equity as at December 31, 2021 and 2020 are as follows:

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

*(c) Retained earnings*

Under the Corporation Code of the Philippines (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the Code. In addition, pursuant to Bureau of Internal Revenue (BIR) Regulations No. 2-2001 (RR 2-2001), a tax equal to 10% of any improperly accumulated taxable income of corporations is imposed, except when a Corporation falls under any of the exempt corporations specified in RR 2-2001, such as publicly-held corporation or companies registered under special economic zones which enjoys special tax rates. On March 26, 2021, Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises or CREATE Act, was signed into law. Among the salient provisions of CREATE include the repeal of the improperly accumulated earnings tax.

The portion of retained earnings corresponding to the undistributed share in results of associated companies amounted to P2,104.0 million as at December 31, 2021 (2020 - P1,548.3 million; 2019 - P1,598.4 million) (Note 6). These amounts are not available for distribution as dividends until declared by the associates and joint venture. Retained earnings are further restricted to the extent of P2.7 million representing the cost of shares held in treasury as at December 31, 2021, 2020 and 2019.

*(d) Other reserves*

Other reserves pertain to items of other comprehensive income that will not be reclassified to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to P1.1 million as at December 31, 2021 (2020 - P0.5 million; 2019 - P0.4 million) and share in actuarial gain of an associate and a joint venture amounting to P0.3 million as at December 31, 2021 (2020 - negative P0.1 million; 2019 - P0.1 million) (Note 6).

(e) *Track record of registration of securities*

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

	Issue/ offer price	Date of approval	Number of shares registered	Number of holders of securities as at December 31		
				2021	2020	2019
Common	P1	September 11, 1989	293,828,900	1,241	1,242	1,242

**Note 11 - Related party disclosures**

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

Related party	2021		2020		Terms and conditions
	Transaction amount	Outstanding receivable (payable)	Transaction amount	Outstanding receivable (payable)	
Due from related parties					
Immediate parent company					
KLL					
Legal fees (a)	208,186	-	-	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Associates					
OKEP					
Operating advances (b,d)	(40,880,782)	4,068,736	206,711	44,949,518	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI					
Operating advances (b)	192,118	2,814,569	304,341	2,622,451	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC					
Operating advances (b)	(74,638)	71,288	723,840	145,926	Non-interest-bearing, unsecured, collectible in cash upon demand
Joint venture					
SMKL					
Operating advances (b)	(2,399,785)	2,272,071	4,449,975	4,671,856	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		9,226,664		52,389,751	
Receivables					
Joint venture					
SMKL					
Management fee (c)	19,053,945	6,100,094	11,039,403	800,744	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Franchise fee (c)	7,621,578	2,700,509	4,415,761	320,298	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		8,800,603		1,121,042	
Due to related parties					
Associates					
OKEP					
Advances (d)	40,298,507	-	-	(40,298,507)	Non-interest-bearing, unsecured, payable in cash on demand
Entities under common control					
SMPM					
Management fee (f)	8,072,149	(23,319,513)	5,987,027	(14,751,281)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(RI)					
Operating advances (e)	(600,548)	(680,456)	3,601,073	(79,908)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(IM)					
Operating advances (e)	122,655	-	(122,655)	(122,655)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		(23,999,969)		(55,252,351)	
Lease liabilities					
Joint Venture					
SMKL					
Rentals (g)	5,573,983	(468,943)	5,308,534	(5,777,076)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash

- (a) In 2021, the Parent Company charged Keppel Land Limited (KLL) for the amount paid on behalf of KLL for legal fees amounting to P0.2 million.
- (b) The Parent Company made operating advances for expenses incurred by associates and joint venture in 2021 and 2020. These operating advances represents expenses incurred in the normal operations paid on behalf of the Group's associates and joint ventures. These are recharged at cost.
- (c) The Parent Company provides management, advisory and consultancy services to SMK. The amount of management fees to SMK amounted to P19.1 million in 2021 (2020 - P11.0 million; 2019 - P11.8 million). The amount of franchise fees charged amounted to P7.6 million in 2021 (2020 - P4.4 million; 2019 - P4.7 million). 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. Outstanding receivables from SMK for management and franchise fees amounted to P8.8 million as at December 31, 2021 (2020 - P1.1 million) (Note 3).
- (d) On December 22, 2011, the BOD of Buena Homes (Sandoval), Inc. (BHSI), a former related party, approved BHSI's plan to decrease its authorized share capital. In relation to this and pending the SEC's approval of such plan, BHSI made partial advance returns of the investments to its shareholders which include BHI and OKEP. The initial partial returns of investments of BHI and OKEP amounting to P59.7 million and P40.3 million, respectively, were remitted to the Parent Company in 2012 instead of BHI and OKEP as form of advances from the two entities resulting to liabilities to BHI and OKEP. In 2014, the Group received additional advances of P24.0 million from BHSI, thereby increasing the Group's liabilities to BHSI to P83.7 million as at December 31, 2016.

On September 15, 2017, the SEC approved the amendments of BHSI's Articles of Incorporation and By-laws which include the decrease in its authorized, and issued and outstanding share capital. These were approved by SEC on September 15, 2017, thereby decreasing BHSI's share capital. As a result, the Group's investment in BHSI decreased by P123.1 million. The settlement of return of investment is consisted of offsetting of prior year advances from BHSI amounting to P83.7 million, as discussed above, and cash proceeds of P14.5 million resulting to unpaid balance amounting to P24.8 million presented as due from related parties in the statement of financial position as at December 31, 2017.

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

On October 11, 2019, the Group entered into a Memorandum of Agreement with Jetson Realty Development Corporation (JRDC) for the sale, transfer and conveyance of the Group's effective ownership in BHSI. At the date of sale, the Group hold 40% direct ownership or 29,253,731 shares held by BHI with a carrying amount of P30.5 million and was sold for a total consideration of P26.8 million payable immediately upon execution of the agreement (Note 6).

In 2021, the Parent Company and OKEP has agreed to apply the Parent Company's P40.3 million due to OKEP against its due from OKEP. This is considered a non-cash transaction.

- (e) Keppel Land (Regional Investments) Pte. Ltd. (KL(RI)) and Keppel Land International (Management) Pte. Ltd. (KLI(M)), entities under common control, provide support services to the Group. Operating advances for the expenses incurred by the Group from these entities totaled to P0.8 million for the year ended December 31, 2021 (2020 - P3.7 million). These are recharged at cost.
- (f) Straits Mansfield Property Marketing, Pte., Ltd. (SMPM), an entity under common control, provides consultancy, advisory and support services to the Parent Company and SMK. Consultancy fees charged by SMPM, which is based on the time spent by SMPM personnel in rendering service to the Parent Company, amounted to P8.1 million in 2021 (2020 - P6.0 million) (Note 12). Outstanding payables to SMPM amounted to P23.3 million as at December 31, 2021 (2020 - P14.8 million).

- (g) In 2019, the Parent Company entered into an operating lease agreement with SMKL for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to terms and conditions to be mutually agreed upon by both parties. Total payments related to this lease agreement amounted to P5.6 million in 2021 (2020 - P5.3 million) (Note 8).
- (h) Transactions and balances related to key management personnel of the Group as at and for the years ended December 31 are as follows:

	Note	2021	2020
Salaries and other short-term employee benefits		19,362,669	25,413,383
Bonuses and allowances		5,561,567	5,438,218
Retirement benefit expense	16	335,353	325,635
		25,259,589	31,177,236

There were neither share-based compensation, termination benefits nor other long-term benefits given to key management personnel as at and for the years ended December 31, 2021 and 2020. There were no outstanding balances with key management personnel as at December 31, 2021 and 2020.

- (i) Transactions with the retirement fund pertain to contributions in 2020 amounting to Po.1 million. There were no contributions made to the retirement fund in 2021 (Note 16).

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

Subsidiary	2021		2020		Terms and conditions
	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	
Due from subsidiaries					
BHI	(146,810)	82,587	229,397	229,397	Non-interest-bearing, unsecured, collectible in cash upon demand
CSRI	(147,682)	28,340	(230,445)	176,022	Non-interest-bearing, unsecured, collectible in cash upon demand
		110,927		405,419	
Due to a subsidiary					
BHI	-	59,701,493	-	59,701,493	Non-interest-bearing, unsecured, payable on demand

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

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

For each of the three years in the period ended December 31, 2021, 2020 and 2019, the Group has not made any provisions for doubtful accounts relating to amounts owed by related parties because of strong financial condition of concerned related parties. This assessment is undertaken each financial year through examination of the financial position of each related party and the market in which each operates.

**Note 12 - General and administrative expenses**

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

	Notes	2021	2020	2019
Salaries, wages and employee benefits		30,524,020	35,607,930	40,572,911
Depreciation and amortization	7, 8	9,710,968	9,846,245	6,428,397
Management consultancy fee	11	8,072,149	5,987,027	16,757,412
Professional fees		3,585,272	3,235,607	3,725,976
Utilities		1,685,866	803,156	596,576
Membership and dues		1,632,611	947,972	986,839
Insurance		653,250	759,780	654,835
Repairs and maintenance		640,922	423,192	607,593
Rental		392,042	414,362	1,360,624
Retirement benefit expense	16	364,806	354,234	177,543
Taxes and licenses		312,711	91,812	1,167,140
Transportation and travel		272,428	373,709	1,662,377
Postage, printing and advertising		161,436	225,262	402,340
Supplies		89,788	81,877	226,978
Bank and other charges		36,462	90,207	104,608
Staff recreation and others		35,728	44,974	402,292
Others		968,734	1,495,458	1,800,824
		59,139,193	60,782,804	77,635,265

Other expenses consist of storage costs, photocopy charges and notarial fees, among others.

**Note 13 - Other income, net**

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

	Notes	2021	2020	2019
Gain on reversal of liabilities	9	310,975	6,986,370	2,886,760
Interest income from staff loan		9,943	6,488	-
Gain on sale of property and equipment		-	-	7,143
Loss on sale of shares in an associate	6	-	-	(3,725,169)
Foreign exchange gains (losses), net	18.1a	(392,073)	25,514	(73,814)
Interest expense on lease liability	8	(265,850)	(591,874)	(685,110)
Others		4,897,233	3,073,910	1,770,916
		4,560,228	9,500,408	180,726

Other income mainly represents recovery of rentals from SMKIL for the shared use of office space.

**Note 14 - Income taxes**

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

	2021	2020	2019
Current	1,848,143	1,496,042	2,060,322
Deferred	545,837	1,586,032	(451,212)
	2,393,980	3,082,074	1,609,110

### *Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On March 26, 2021, Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises or CREATE Act, was signed into law. The CREATE Act took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. Among the salient provisions of CREATE include changes to the corporate income tax as follows:

- lowering of regular corporate income tax (RCIT) rate to 20% from 30% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- lowering of RCIT to 25% from 30% for all other domestic and foreign corporations from July 1, 2020; and
- for the period beginning July 1, 2020 until June 30, 2023, the minimum corporate income tax (MCIT) rate shall be 1%, instead of 2%.
- Improperly accumulated earnings tax is repealed

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period. Meanwhile, PAS 10, Events after the Reporting Period, identifies the enactment or announcement of a change in tax rates and laws after the end of the reporting period as an example of a non-adjusting event.

As at December 31, 2020, the CREATE Act was not considered as substantively enacted for financial reporting purposes. As such, the Group utilized the RCIT rate of 30%. For the year ended December 31, 2021, the CREATE ACT is considered substantially enacted for financial reporting purposes. As such, the Group utilized the RCIT rate of 20% - 25% or MCIT rate of 1%, for both financial and tax reporting purposes, whichever is applicable.

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

	2021	2020	2019
Statutory income tax expense (benefit)	132,055,266	(25,335,038)	(13,956,143)
Add (deduct) tax effects of:			
Share in results of associated companies	(138,911,696)	15,009,570	(2,976,779)
Change in unrecognized deferred income tax assets on net operating loss carryover (NOLCO) and excess MCIT	9,586,970	12,968,497	18,181,480
Final tax on interest income and franchise fee	1,713,832	1,212,608	1,784,473
Non-deductible expenses	21,505	1,091,809	810,874
Non-taxable income	(1,983,138)	(1,330,551)	(871,192)
Income subjected to final tax	(77,049)	(534,821)	(1,363,603)
Change in tax rate from adoption of CREATE	(11,710)	-	-
Effective income tax expense	2,393,980	3,082,074	1,609,110

#### *(a) Current income tax*

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

	2021	2020	2019
Final tax	1,713,832	1,212,609	1,784,474
MCIT	134,311	283,433	275,848
	1,848,143	1,496,042	2,060,322



*(b) Deferred income tax*

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

	2021	2020
Deferred income tax assets		
Accrued expenses	420,247	649,392
Unrealized foreign exchange loss, net	93,213	-
Right-of-use asset and lease liability, net	-	204,654
	513,460	854,046
Deferred income tax liabilities		
Retirement benefit asset	(289,694)	(82,338)
Right-of-use asset and lease liability, net	(133,776)	-
Unrealized foreign exchange gain, net	-	(18,356)
	(423,470)	(100,694)
	89,990	753,352

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

	2021	2020
Deferred income tax assets:		
Expected to be realized within 12 months	513,460	854,046
Deferred income tax liabilities:		
Expected to be settled within 12 months	(133,776)	(18,356)
Expected to be settled after 12 months	(289,694)	(82,338)
	(423,470)	(100,694)
	89,990	753,352

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

	Note	2021	2020
At January 1		753,352	2,380,982
Charged to profit or loss		(545,837)	(1,586,032)
Charged to other comprehensive income	16	(117,525)	(41,598)
At December 31		89,990	753,352

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

	2021	2020
NOLCO	134,710,767	157,823,566
Tax rate	20%/25%	30%
	33,652,509	47,347,070
MCIT	936,687	699,671
	34,589,196	48,046,741

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

	2021	2020
NOLCO		
At January 1	157,823,566	165,929,327
Additions	35,715,982	42,283,546
Adjustments	(2,974,200)	-
Expirations	(55,854,581)	(50,389,307)
At December 31	134,710,767	157,823,566

The Group is entitled to NOLCO benefit which can be applied to an entity's taxable income for three succeeding years from the year the loss was incurred.

Pursuant to RR No. 25-2020, Section 4 of Republic Act No. 11494 (Bayanihan to Recover as One Act), the Group is allowed to carry over the net operating loss incurred for taxable years 2020 and 2021 as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

In compliance with the Tax Reform Act of 1997, the Group is required to pay the MCIT or the normal income tax, whichever is higher. The MCIT can be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid.

The details of the Group's NOLCO, which can be claimed as deduction from regular corporate taxable income at December 31 are as follows:

Year incurred	Year of Expiry	2021	2020
2018	2021	-	55,854,581
2019	2022	59,685,439	59,685,439
2020	2025	39,309,346	42,283,546
2021	2026	35,715,982	-
		134,710,767	157,823,566

The details of the Group's excess MCIT over normal income tax for the years ended December 31 are as follows:

Year incurred	Year of Expiry	2021	2020
2018	2021	-	140,390
2019	2022	275,848	275,848
2020	2023	421,223	283,433
2021	2024	239,616	-
		936,687	699,671

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

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

	2021	2020	2019
Net income (loss)	525,659,664	(87,532,201)	(48,129,588)
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900	293,828,900
Basic and diluted income (loss) per share	1.79	(0.30)	(0.16)

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

The weighted average number of shares outstanding as at December 31, 2021, 2020 and 2019 is computed as follows:

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

#### **Note 16 - Retirement benefits**

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

Republic Act 7641, The New Retirement Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan. The latest actuarial valuation date of the Parent Company's retirement plan is as of December 31, 2021.

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

	2021	2020	2019
Current service cost	375,647	373,280	205,688
Net interest income	(10,841)	(19,046)	(28,145)
	364,806	354,234	177,543

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

	Note	2021	2020	2019
Remeasurements on defined benefit obligation		705,430	99,635	(256,048)
Remeasurements on plan assets		(79,981)	39,024	(74,657)
Remeasurement gain (loss)		625,449	138,659	(330,705)
Effect of changes in the corporate income tax rate	14	38,837	-	-
Deferred income tax expense	14	(156,362)	(41,598)	99,212
Remeasurement gain, net of tax		507,924	97,061	(231,493)

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

	Note	2021	2020	2019
At January 1, net of tax		543,718	446,657	678,150
Remeasurement gain (loss)		625,449	138,659	(330,705)
Deferred income tax expense	14	(117,525)	(41,598)	99,212
		507,924	97,061	(231,493)
At December 31, net of tax		1,051,642	543,718	446,657

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

	2021	2020
At January 1	274,459	360,032
Retirement benefit expense recognized in profit or loss	(364,806)	(354,234)
Remeasurements recognized in other comprehensive income (loss)		
Deviations of experience from assumptions	605,890	297,651
Changes in financial assumptions	99,540	(198,016)
Gain (loss) on plan assets	(79,981)	39,024
Contributions to the retirement fund	-	130,002
At December 31	535,102	274,459

*(a) Defined benefit obligation*

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

	2021	2020
At January 1	2,131,634	2,051,291
Current service cost included in net retirement benefit expense	375,647	373,280
Interest cost included in net retirement benefit expense	84,200	108,513
Remeasurements in other comprehensive income (loss):		
Actuarial loss (gain) on obligation resulting from:		
Changes in financial assumptions	(99,540)	198,016
Deviations of experience from assumptions	(605,890)	(297,651)
Benefits paid from retirement fund	-	(301,815)
At December 31	1,886,051	2,131,634

At December 31, 2021, the average duration of the defined benefit obligation is 21 years.

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

	2021	2020
Less than 10 years	896,730	941,534
More than 10 years to 15 years	5,467,954	5,741,160
More than 15 years to 20 years	-	-
More than 20 years	28,634,768	21,146,134
	34,999,452	27,828,828

*(b) Plan assets*

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

	2021	2020
Cash	732	130,865
Government securities	490,229	551,137
Investment in unit investments in trust funds (UITF)	1,928,000	1,717,342
Receivables	2,931	7,692
Trust fee payable	(739)	(943)
	2,421,153	2,406,093

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

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

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

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

	2021	2020
At January 1	2,406,093	2,411,323
Interest income included in net retirement benefit expense	95,041	127,559
Remeasurements in other comprehensive income (loss):		
Gain (loss) on plan assets	(79,981)	39,024
Contributions to the retirement fund	-	130,002
Benefits paid from retirement fund	-	(301,815)
At December 31	2,421,153	2,406,093

There are no plan assets invested in related parties of the Parent Company as at and for the years ended December 31, 2021 and 2020. The Parent Company's transactions with the retirement fund are limited to contributions. The fair value of the plan assets approximates their carrying amount as at December 31, 2021 and 2020.

The Parent Company's annual contribution to the fund consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Parent Company does not expect to contribute to the retirement fund in 2022.

There was no plan amendment, curtailment, or settlement for the years ended December 31, 2021 and 2020.

*(c) Actuarial assumptions*

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

	2021	2020
Discount rate	5.22%	3.95%
Future salary increase rate	5.00%	5.00%

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

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

	Rates		Increase (Decrease)	
	2021	2020	2021	2020
Discount rate	+1.0%	+1.0%	(62,563)	(154,157)
	-1.0%	-1.0%	76,180	316,091
Salary increase rate	+1.0%	+1.0%	73,226	296,485
	-1.0%	-1.0%	(61,415)	(150,722)

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

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

#### **Note 17 - Segment information**

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

Significant information on the reportable segment is as follows:

	2021	2020
Operating assets	2,974,502,883	2,479,026,074
Operating liabilities	46,080,084	77,252,351
Gross revenue (loss), net	582,632,609	(33,167,731)
Other income, net	4,560,228	9,500,408
General and administrative expenses	(59,139,193)	(60,782,804)
Segment net income (loss)	525,659,664	(87,532,201)

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

The Parent Company earned revenue of more than 10% of the total gross revenue from a single customer, SMKL, amounting to P26.7 million (2020 - P15.5 million).

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

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

##### **18.1 Financial risk management**

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, financial assets at FVOCI, amounts due to and from related parties and refundable deposits. The Group has various other financial assets and financial liabilities such as receivables, accounts payable and other current liabilities and lease liabilities, which arise from its operations.

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

*(a) Foreign currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency arises from consultancy fees due to SMPM and payables to KL(RI) and KLI(M).

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

	In SGD	
	2021	2020
Due to related parties	650,401	415,698
Year-end exchange rate	36.90	36.20
PHP equivalent	23,999,797	15,048,268

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

	Note	2021	2020	2019
Unrealized		(372,850)	61,186	70,640
Realized		(19,223)	(35,672)	(144,454)
	13	(392,073)	25,514	(73,814)

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

The following table demonstrates the sensitivity to a reasonably possible change of 1.96% and 3.36% in 2021 and 2020 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.

	Net income before tax increase (decrease) 2021	Net loss before tax increase (decrease) 2020
PHP against SGD		
- strengthened	463,196	505,622
- weakened	(463,196)	(505,622)

In 2021 and 2020, the Group used the average change in closing rates for the year in determining the reasonable possible change in foreign exchange rates.

*(b) Credit risk*

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties and refundable deposits. As at December 31, 2021 and 2020, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

There are no financial assets and liabilities that are offset and reported as net amount in the consolidated statement of financial position. There were no amounts subject to an enforceable master netting arrangement or similar agreement as at December 31, 2021 and 2020.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk. The Group's due from related parties are approximately ninety-seven percent (97%) of total receivables as at December 31, 2021 (2020 - 98%).

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

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

		Stage 1 - Performing	Stage 2 - Under- performing	Stage 3 - Non- performing	Total
<b>2021</b>					
Cash and cash equivalents*	(i)	83,958,954	-	-	83,958,954
Receivables	(ii)	9,362,549	-	2,666,664	12,029,213
Due from related parties	(ii)	9,226,664	-	-	9,226,664
Refundable deposits	(iii)	1,745,391	-	-	1,745,391
		104,293,558	-	2,666,664	106,960,222
<b>2020</b>					
Cash and cash equivalents*	(i)	101,221,379	-	-	101,221,379
Receivables	(ii)	1,293,030	-	2,666,664	3,959,694
Due from related parties	(ii)	52,389,751	-	-	52,389,751
Refundable deposits	(iii)	1,785,486	-	-	1,785,486
		156,689,646	-	2,666,664	159,356,310

\*Cash and cash equivalents exclude cash on hand.

\*\*Refundable deposits include the current portion of refundable deposits presented under prepayments and other current assets amounting to P1.7 million in 2021 (2020 - P0.3 million)

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

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at December 31, 2021 and 2020.

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



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

	Stage 1 - Performing	Stage 2 - Under- performing	Stage 3 - Non- performing	Total
<i>2021</i>				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	9,362,549	-	2,666,664	12,029,213
Loss allowance	-	-	2,666,664	2,666,664
<i>2020</i>				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	1,293,030	-	2,666,664	3,959,694
Loss allowance	-	-	2,666,664	2,666,664

The Group's receivable amounting to P2.7 million as at December 31, 2021 and 2020 is determined to be impaired and was provided with allowance for doubtful accounts in 2017.

(i) Cash in bank

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at December 31, 2021 and 2020.

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

(ii) Receivables

*Receivables from related parties*

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

The maximum credit risk exposure is equal to the carrying amount as at December 31, 2021 and 2020.

*Receivables from third parties*

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

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

(iii) Refundable deposits

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

(c) *Liquidity risk*

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

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

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

	On demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
<i>December 31, 2021</i>					
Accounts payable and other current liabilities*	553,981	7,842,782	-	-	8,396,763
Due to related parties	23,999,969	-	-	-	23,999,969
Lease liability**	-	471,991	-	-	471,991
	24,553,950	8,314,773	-	-	32,868,723
<i>December 31, 2020</i>					
Accounts payable and other current liabilities*	553,981	7,242,274	-	-	7,796,255
Due to related parties	55,252,351	-	-	-	55,252,351
Lease liability**	-	1,348,539	4,225,444	471,991	6,045,974
	55,806,332	8,590,813	4,225,444	471,991	69,094,580

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

\*\*Lease liability includes future interest payments.

## 18.2 Capital management

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

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

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

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

The percentages of debt to equity as at December 31, 2021 and 2020 are as follows:

	2021	2020
Liabilities	46,080,084	77,252,351
Equity	2,928,422,799	2,401,773,723
Percentage of debt to equity	1.57%	3.22%

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

### **18.3 Fair value estimation**

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at December 31, 2021 and 2020, except for financial assets at FVOCI.

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

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

#### *Fair value hierarchy*

The valuation of the financial assets at FVOCI is categorized as Level 3 measurement.

During the reporting period ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimates, assumptions, and judgments used in the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

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

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

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

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

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

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

For trade receivables and due from related parties, the expected loss rates are based on the payment profiles of revenue over a period of 36 months before December 31, 2021 and 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that the Philippine annual inflation and gross domestic product rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Trade receivables presented under receivables amounted to P8.8 million as at December 31, 2021 (2020 - P1.1 million). Due from related parties amounted to P9.2 million as at December 31, 2021 (2020 - P52.4 million). Allowance for impairment loss provided for the Group's receivable from a third party amounted to P2.7 million as at December 31, 2021 and 2020 (Note 3).

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

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

There were no changes in the estimated useful lives of property and equipment. As at December 31, 2021, property and equipment have a carrying value of P2.2 million (2020 - P6.8 million) (Note 7). As at December 31, 2021, right-of-use asset has a carrying value of P1.6 million (2020 - P6.5 million) (Note 8).

If the actual useful lives of the property and equipment differ by 10% (assessment threshold used by management), the carrying amount of property and equipment would have been higher by P1.3 million or lower by P1.2 million (2020 - higher by P1.2 million or lower by P0.9 million).

*(c) Determining incremental borrowing rate of leases*

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

If the incremental borrowing rate increases or decreases by 1%, income before tax for the year ended December 31, 2021 and 2020, would have been higher by P27,775 or lower by P28,673.

## 19.2 Critical judgments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2021 and 2020, the Group did not recognize any impairment loss on its investments in associates and joint venture since there are no impairment indicators identified in 2021 and 2020. The carrying value of investments in associates and joint venture as at December 31, 2021 amounted to P2,758.3 million (2020 - P2,202.2 million) (Note 6).

*(d) Recognition of deferred income tax assets*

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

As at December 31, 2021, the recognized net deferred income tax assets amounted to P0.5 million (2020 - P0.9 million). The amount of unrecognized deferred tax assets amounted to P33.6 million as at December 31, 2021 (2020 - P47.3 million) (Note 14).

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

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

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

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

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

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

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

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

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

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

**20.1 Basis of preparation**

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

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

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

**Changes in accounting policy and disclosures**

*(a) New standards and interpretation to existing standards adopted by the Group*

There are no other relevant standards, and interpretations to existing standard, which are effective on January 1, 2021 and adopted by the Group, that have or are expected to have a significant impact on the Group's consolidated financial statements.

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

A number of new standards, and amendments and interpretation to existing standards are effective for annual periods beginning after January 1, 2022, and have not yet been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

- *Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023).* The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- *Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (effective January 1, 2022).* The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- *Annual Improvements to PFRS Standards 2018 - 2020 (effective January 1, 2022).* The following improvements were finalised in May 2020:
  - PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

No other new standards, amendments to existing standards and interpretations that are effective beginning or after January 1, 2022 are expected to have a material impact on the Group's consolidated financial statements.

## **20.2 Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at December 31, 2021, 2020 and for each of the three years in the period ended December 31, 2021. Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.



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

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

#### *Assessment of control*

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

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

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

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

### **20.3 Financial instruments**

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

#### Financial assets

##### *(a) Classification*

The Group classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) and amortized cost. The Group did not hold financial assets under the category financial assets at FVPL as at December 31, 2021 and 2020.

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

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

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

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

## *(b) Recognition and measurement*

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

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

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

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

### *(ii) Subsequent measurement*

#### *Amortized cost*

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

#### *Equity investments*

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

### *(c) Impairment*

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

#### *Equity investments*

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

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

#### *(d) Derecognition*

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

#### Financial liabilities

##### *(a) Classification*

The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2021 and 2020.

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

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

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

##### *(b) Recognition and derecognition*

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

##### *(c) Measurement*

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

#### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. As at December 31, 2021 and 2020, there were no offsetting of financial assets and liabilities.

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

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

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

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

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

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

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

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

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

### *Fair value hierarchy*

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

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

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

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

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

## **20.5 Cash and cash equivalents**

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

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

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

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

The expected loss rates are based on the profiles of revenue over a period of 36 months before December 31, 2021 and 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and due from related parties. The Group has identified that the Philippine annual inflation and growth domestic product rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

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

### *(a) Prepayments*

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

### *(b) Prepaid income taxes*

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

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

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

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

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

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

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

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

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

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

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

## 20.9 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

## 20.10 Property and equipment

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

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

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

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

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

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

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

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in OCI. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

## **20.13 Provisions and contingencies**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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



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

## **20.14 Revenue recognition**

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

The Parent Company has entered into an agreement with its related party to provide management, advisory and consultancy services. Management consultancy fees and franchise fees related to this agreement are recognized by reference to the monthly completion of the services. Under this method, revenue is recognized in the accounting periods in which the services are rendered. The related party, as the customer, simultaneously receives and consumes the benefits provided by the Parent Company as the latter performs the service. Therefore, the Parent Company transfers control of service and recognizes revenue over time. The Parent Company submits invoice on a monthly basis to its customer. Management fee is charged at 2.5% of annual net revenues of the customer and franchise fee is charged at 1.0% of net revenues of the customer. The Parent Company determined that there's no disaggregation of revenue from this single contract with customer into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

### *(b) Interest income*

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

### *(c) Other income*

Other income is recognized when earned.

## **20.15 General and administrative expenses**

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

## **20.16 Equity**

### *(a) Share capital*

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

### *(b) Share premium*

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

### *(c) Other reserves*

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

*(d) Retained earnings*

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

*(e) Treasury shares*

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

## **20.17 Leases**

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

*(a) Measurement of lease liabilities*

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

### *(c) Extension and termination options*

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

### *(d) Residual value guarantees*

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

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

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

## **20.18 Foreign currency transactions and translation**

### *(a) Functional and presentation currency*

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

### *(b) Transactions and balances*

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

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

## **20.19 Employee benefits**

### *(a) Short-term employee benefits*

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

### *(b) Retirement benefits*

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

Defined retirement benefit costs comprise the following:

- (1) Service costs
- (2) Net interest on the net defined benefit liability or asset
- (3) Remeasurements of net defined benefit liability or asset

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

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

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

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

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

### *(a) Current income tax*

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

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

### *(b) Deferred income tax*

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

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

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

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

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

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

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

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

Expenses and assets are recognized net of the amount of VAT except:

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

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

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

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

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

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

## **20.23 Operating segments**

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 17.

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

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

## **Note 21 - Coronavirus disease (COVID-19) assessment**

During the first quarter of 2020, COVID-19 spread throughout the world, creating an unprecedented pandemic. As a response, the Philippines Government declared a nationwide community quarantine to mitigate the spread of COVID-19.

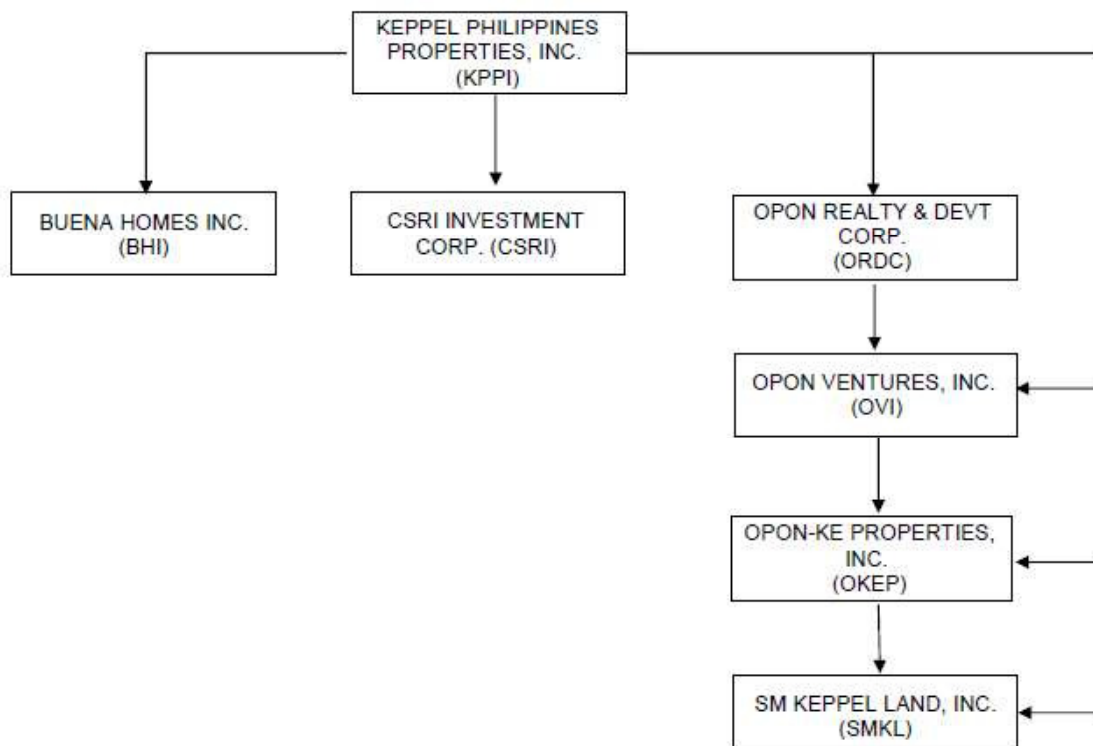
COVID-19 pandemic affected the economy significantly since year 2020 but with the significant progress in the country's vaccine rollout and confidence in the public, the Group is optimistic about outlook of its operations.

- *Demand* for office spaces is expected to remain robust as it was in the past despite the pandemic. With the easing of restrictions due to the pandemic, more office workers are expected to return to the office from their work from home arrangements. Hence, existing tenants are likely to renew their lease with SMKL and new tenants are expected to come in. Demand for retail spaces is also expected to rebound with increased foot traffic resulting from the easing of quarantine restrictions and increased mobility.
- *Rent rates* for office and retail spaces are expected to improve to pre-pandemic level aligned with the expected improvement in the economy.

Management will continue to address the issues that directly affect its business operations. Management is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Group's financials as evidenced by the overall increase in revenues and profit of the Group in 2021. The Group believes that with the ease in the restrictions imposed by the government it will be able to sustain its profitable operations. The Group believes that liquidity risk is low and have therefore no reason to assume that the situation at the level of the Group warrants disclosure of a specific material going concern uncertainty for the Group in preparing the December 31, 2021 consolidated financial statements.

**KEPPEL PHILIPPINES PROPERTIES, INC.  
SUBSIDIARIES AND ASSOCIATES**

As at December 31, 2021



**Subsidiaries**

Buena Homes, Inc. (BHI)  
CSRI Investment Corporation (CSRI)

**Percentage of Ownership**

100%  
100%

**Nature of Business**

Investment holding  
Investment holding

**Associates**

Opon Realty and Development Corp. (ORDC)  
Opon Ventures, Inc. (OVI)  
Opon-KE Properties, Inc. (OKEP)  
SM-Keppel Land, Inc. (SMKL)

**Percentage of Ownership**

40%  
40%  
40%  
40%

**Nature of Business**

Investment holding  
Investment holding  
Investment holding  
Lease of mall and office spaces, cinema ticket sales and carpark operation

## Keppel Philippines Properties Inc. and Subsidiaries

### Financial Ratios December 31, 2021, 2020 and 2019

Financial ratio	Calculation	2021	2020	2019
Liquidity/current ratio	Total current assets divided by total current liabilities  Total current assets 132,170,486 Divided by: Total current liabilities 46,080,084 2.87	2.87:1	2.36:1	2.33:1
Acid test ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities  Total current assets 132,170,486 Less: Prepayments and other current assets (29,547,319) 102,623,167 Divided by: Total current liabilities 46,080,084 2.23	2.23:1	2.02:1	2.06:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities  Net income after tax 525,659,664 Add: Depreciation and amortization 9,710,968 535,370,632 Divided by: Total liabilities 46,080,084 11.62	11.62:1	(1.01):1	(0.38):1
Debt-to-equity ratio	Total liabilities divided by total equity  Total liabilities 46,080,084 Divided by: Total equity 2,928,422,799 0.02	0.02:1	0.03:1	0.04:1
Asset-to-equity ratio	Total assets divided by total equity  Total assets 2,974,502,883 Divided by: Total equity 2,928,422,799 1.02	1.02:1	1.03:1	1.04:1
Interest rate coverage ratio	Net income before interest expense and tax divided by interest expense	N/A	N/A	N/A
Return on equity	Net income (loss) after tax divided by total equity  Net income after tax 525,659,664 Divided by: Average total equity 2,665,098,261 19.72%	19.72%	(3.58%)	(1.91%)
Return on assets	Net income (loss) after tax divided by average total assets  Net income after tax 525,659,664 Divided by: Average total assets 2,726,764,479 19.28%	19.28%	(3.45%)	(1.85%)
Net profit margin	Net income after tax divided by gross revenue (loss)  Net income after tax 525,659,664 Divided by: Total revenue and income 582,632,609 90.22%	90.22%	N/A	N/A
Earnings (loss) per share	Net income (loss) divided by number of common stock outstanding  Net income after tax 525,659,664 Divided by: Number of common stock outstanding 293,828,900 1.79	P1.79	(P0.30)	(P0.16)



# **Keppel Philippines Properties, Inc. and Subsidiaries**

## Schedule A Financial Assets As at December 31, 2021 (All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Income received and accrued
Financial assets at fair value through other comprehensive income			
Opon Ventures, Inc.	4,800,000	48,000,000	-
Opon-KE Properties, Inc.	3,128,722	31,287,230	-
Club Filipino Inc. de Cebu	12	225,000	-
Total financial assets at fair value through other comprehensive income		79,512,230	-
Cash and cash equivalents		84,033,954	310,301
Receivables		9,362,549	-
Due from related parties		9,226,664	-
Security deposits		1,692,091	-
Refundable deposits		53,300	-
<b>Total financial assets</b>		<b>183,880,788</b>	<b>310,301</b>

# **Keppel Philippines Properties, Inc. and Subsidiaries**

## **Schedule B**

Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)  
As at December 31, 2021  
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected, liquidated or reclassified	Amounts written off	Current	Non- current	Balance at end of year
Keppel Land Limited	-	208,186	(208,186)	-	-	-	-
Opon-KE Properties, Inc.	44,949,517	182,467	(41,063,248)	-	4,068,736	-	4,068,736
Opon Ventures, Inc.	2,622,452	192,117	-	-	2,814,569	-	2,814,569
Opon Realty and Development Corporation	145,926	220,458	(295,096)	-	71,288	-	71,288
SM Keppel Land, Inc.	5,792,898	33,335,354	(28,055,578)	-	11,072,674	-	11,072,674
Employees	75,344	134,229	(142,998)	-	66,575	-	66,575

**Keppel Philippines Properties, Inc. and Subsidiaries**

**Schedule C**

**Amounts Receivable from Related Parties which are Eliminated  
During the Consolidation of Financial Statements**

**As at December 31, 2021**

**(All amounts in Philippine Peso)**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts provided for/ written off	Current	Not current	Balance at end of year
Buena Homes, Inc.	229,397	216,622	(363,432)	-	82,587	-	82,587
CSRI Investment Corporation	176,022	153,095	(300,777)	-	28,340	-	28,340
Total	405,419	369,717	(664,209)	-	110,927	-	110,927

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule D  
Long Term Debt  
As at December 31, 2021  
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
<b>Not Applicable</b>			

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule E  
Indebtedness to Related Parties  
As at December 31, 2021  
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Opon-KE Properties, Inc.	40,298,507	-
Straits Mansfield Property Marketing Pte Ltd	14,751,281	23,319,513
Keppel Land (Regional Investments), Pte. Ltd.	79,908	680,456
Keppel Land International (Management), Pte. Ltd.	122,655	-

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule F  
Guarantees of Securities of Other Issuers  
As at December 31, 2021  
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
<b>Not Applicable</b>				

**Keppel Philippines Properties, Inc. and Subsidiaries**

Schedule G  
Capital Stock  
As at December 31, 2021

The details of authorized and paid-up capital stock are as follows:

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares of stock	375,000,000	296,629,900	-	-	-	-
Treasury stock		(2,801,000)	-	-	-	-
Outstanding common stock		293,828,900	-	255,133,693	11,007	38,684,200
Preferred stock	135,700,000	59,474,100	-	59,474,100	-	-
Total		353,303,000	-	314,607,793	11,007	38,684,200

**Keppel Philippines Properties, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration

As at December 31, 2021

(All amounts in Philippine Peso)

<hr/>	
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution (deficit), beginning of the year</i>	(54,261,743)
<b>Add: Net income actually earned/realized during the period</b>	
Net loss during the period closed to retained earnings	(29,252,357)
<b>Less: Non-actual/realized income net of tax:</b>	
Equity in net income of an associate/joint venture	-
Unrealized foreign exchange gain (after tax) except those attributable to cash and cash equivalents	-
Unrealized actuarial gain	-
Fair value adjustment (mark-to-market gains)	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
Sub-total	-
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Subtotal	-
<b>Net income (loss) actually earned during the year</b>	<b>(29,252,357)</b>
<hr/>	
<b>Add (Less):</b>	
Dividend declarations during the year	-
Appropriations of retained earnings during the year	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
Subtotal	-
<hr/>	
<b>Total retained earnings available, end of the year available for dividend (deficit)</b>	<b>(83,514,100)</b>
<hr/>	



# Keppel Philippines Properties, Inc.

## Contextual Information

Name of Organization	Keppel Philippines Properties, Inc.
Location of Headquarters	Units 1802B-1803 The Podium West Tower 12 ADB Avenue, Ortigas Center, Brgy. Wack-Wack- Greenhills East, 1550 Mandaluyong City, Metro Manila, Philippines
Location of Operations	Mandaluyong City, Philippines – The Podium Complex
Report Boundary	This report covers information on Keppel Philippines Properties, Inc. (KPPI or the Company), including the activities of The Podium Complex, which comprises The Podium West Tower and The Podium Mall. The Podium Complex is the sole property included within the boundary of this report.
Business Model, including Primary Activities, Brands, Products, and Services	Real estate development and property management.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Mr. James Pang Chan Fan Treasurer

## MATERIALITY PROCESS

KPPI identified its material topics through the AA1000 Standard's five-part Materiality Test comprising: (a) issues that have direct short-term impact, (b) issues where the Company has policy statements of a strategic nature, (c) issues that comparable organizations consider material, (d) issues important to stakeholders, and (e) issues that are considered to be social norms.

These topics were further filtered and compared with the topics in the Securities and Exchange Commission (SEC) reporting template, which the Company considers as issues that are important to the government as a regulator/stakeholder, and also common issues faced by the real estate industry. These topics were then reorganized to align with the Keppel Group's sustainability framework, which comprises the three strategic thrusts of Environmental Stewardship, Responsible Business, as well as nurturing People and Communities, wherever we operate.

The aforementioned material topics and sustainability framework were reviewed for this reporting period to ensure their relevance in serving the best interests of key stakeholders.

## KPPI SUSTAINABILITY FRAMEWORK

We place sustainability at the core of our strategy, delivering innovative solutions that enrich people and communities while creating enduring value for our stakeholders – through environmental stewardship, responsible business practices, and nurturing our people and the communities, wherever we operate.



**Note:** The sections in the report are arranged following KPPI's key pillars – Environmental Stewardship, Responsible Business, and People and Community – and some subtopics have been regrouped according to the key pillars in the Sustainability Framework. For example, the discussion on Climate-related risks and opportunities are incorporated in Climate Action, which is under the Environmental Stewardship pillar instead of Economic Performance, while Customer Management and Supply Chain sections are moved from Social to Economic Performance.

**STRATEGIC PILLAR:**  
**ENVIRONMENTAL STEWARDSHIP**

---

**CLIMATE ACTION**

KPPI, through Keppel Land, supports the Taskforce on Climate-related Financial Disclosures (TCFD) and have started incorporating its recommendations in its reporting framework. In this report, we voluntarily disclose our approach in four key areas as recommended by the TCFD.

Disclosure	Our Approach
<b>GOVERNANCE</b>	<p>The key material environmental, social, and governance (ESG) aspects, which include climate-related risks and opportunities, have been identified and are regularly reviewed by our management. These aspects are taken into consideration in decision-making in respect of our strategic directions and policies. Our Sustainability Steering Committee, comprising senior representatives from various business units, leads the implementation of initiatives on these ESG issues.</p> <p>Environmental sustainability has been integrated into our Corporate Scorecard, with performance indicators including energy efficiency and carbon emissions reduction linked to our environmental targets.</p>
<b>STRATEGY</b>	<p>KPPI's material ESG issues are integrated into its business objectives and strategy. As part of our environmental sustainability strategy, we will continue to develop new high-performance buildings, improve the resource efficiency of our operations and also tap renewable energy for our upcoming projects. To this end, Keppel Land has set a target to invest 2% of its profits in sustainable development endeavors by 2030. This includes the adoption of green construction technologies, the incorporation of smart designs, as well as features that promote occupant health and wellness.</p> <p>To ensure that climate-related risks are addressed at the design stage of its projects, Keppel Land has a set of Responsible Design Values, including design standards for sustainability that are adopted for all its new developments.</p> <p>Keppel Land has a robust supply chain management process that extends to its key suppliers and stakeholders in its value chain. This allows Keppel Land to manage climate-related impacts throughout the life cycle of its development.</p>
<b>RISK MANAGEMENT</b>	<p>Our Sustainability Risk Framework, which is aligned to the Keppel Group's Enterprise Risk Management Framework, guides us on the specific processes and methods to be applied in identifying, assessing and managing sustainability-related risks and opportunities.</p> <p>Risk assessments in the areas of sustainability, including environmental and social impacts, are incorporated in our Investment Review and Risk Assessment process. This assessment is used in the acquisition of major projects and submitted to the Board and management for approval.</p> <p>Keppel Land has an Integrated Management System for design, construction, and development, which ensuring ensures that all ESG-related risks and impacts at various stages are assessed and addressed optimally.</p>

## METRICS AND TARGETS

Keppel Land is a signatory of the United Nations Global Compact (UNGC), and annually communicates its progress in implementing these principles to the UNGC. KPPI has integrated six United Nations Sustainable Development Goals (SDGs) in its business goals, and these serve as the supporting framework to guide the Company's sustainability strategy. More details about the Keppel Land's Sustainability Report can be found at this link: <https://www.keppelland.com/intl/en/about-us/sustainability.html>

To align our objectives with Keppel Land's sustainability initiatives, we are committed to reducing our carbon emission intensity by 100% by 2030 from a 2020 base year, in addition to reducing energy and water intensity by 30% over the same period. The Company has also committed to reduce its Scope 3 greenhouse gas (GHG) emissions from purchased goods and services by 20% per square meter by 2030 from a 2020 base year. We are also committed to developing properties that meet international green building rating standards, such as the US Green Building Council's LEED and the BCA Green Mark standards.

To this end, we have established stretch targets in the areas of environmental certification, energy, water, landscaping, and materials used to improve resource efficiency and building productivity. Additionally, in measuring and reporting GHG emissions, we reference global standards (including the GHG Protocol Corporate Accounting and Reporting Standard) and use the operational control approach in accounting for our emissions.

## ENVIRONMENTAL MANAGEMENT

### ENERGY CONSUMPTION

Disclosure	Units	2020	2021
Renewable sources	GJ	N/A	N/A
Gasoline	GJ	N/A	N/A
LPG	GJ	N/A	N/A
Diesel	GJ	50.83	320.308
Electricity	kWh	15,053,244.54	22,090,447.92

### Impacts and Management Approach



#### Energy and cost efficiency

As businesses resumed operations post-lockdown, occupancy in The Podium Complex saw a marked increase that led to an increase in electricity utilization by more than 30% compared to 2020. In addition, significantly longer monthly genset load testing led to a spike in diesel consumption in 2021 as compared to 2020.

**Impact:** One of the direct impacts of electricity and diesel consumption is increased costs and higher energy consumption in The Podium Complex. The management of these direct impacts in an optimal manner would therefore lead to cost efficiency and also put less pressure on the local natural resources that we use to generate electricity.

**Management Approach:** The Podium Complex was designed in accordance with the Building and Construction Authority of Singapore's (BCA) Green Mark Gold Standard and the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) Gold standard, making the building more energy and cost efficient compared to the average building in Metro Manila. Our specific energy efficiency initiatives include:

- Green roof and double-glazed facade to help in minimizing solar heat gain and cooling energy load.
- Application of skylights to introduce natural light into the building.
- Use of energy efficient air-conditioners or variable refrigerant volume air-conditioning equipment, LED lights, efficient chiller units, air supply fans with different speeds and dynamic power metering.
- Regular monitoring and maintenance of all equipment to ensure that the features continue to work optimally.

In 2021, additional steps were taken as part of KPPI's environmental initiatives, which include the installation of a minimum number of strategic socket outlets to reduce power consumption inside the office, as well as placing workstations near glass walls for better illumination from natural light during the day.

## Risks and Management Approach



### Tenant awareness on energy efficient practices

An obstacle that we face is our building tenants' lack of awareness of the long-term benefits of energy efficiency and hence not participating actively in energy saving practices.

**Rationale:** Even though our buildings are energy and cost efficient, the longer term benefits of such energy savings initiatives (including cost efficiency) are not considered by tenants over and above short-term cost saving – which affects participation rates in such initiatives.

**Management Approach:** Before tenants occupy our buildings, we explain the features of the building in detail to them and require them to sign a form acknowledging their understanding of such features before occupying the building.

## Opportunities and Management Approach



### Renewable Energy Adoption

We plan to use renewable energy technologies in the future (as highlighted in the Climate Action section), in order to further minimize our environmental footprint. This is an opportunity to increase our contribution as a company to a cleaner and greener environment in the Philippines, and in our region.

**Management Approach:** As we move to adopt renewable energy as a source of energy for our projects, we seek to conduct a baseline assessment of where such alternative energy sources could be used.

## **AIR EMISSIONS AND GHG**

Disclosure	Units	2020	2021
Direct (Scope 1) GHG Emissions	Tonnes CO <sub>2</sub> e	3.02	11.70
Energy indirect (Scope 2) GHG Emissions	Tonnes CO <sub>2</sub> e	8,275.00	13,968.60
Emissions of ozone-depleting substances (ODS)	Tonnes	N/A	N/A

## Impacts and Management Approach

### Cleaner environment

Based on the recorded data for the year 2021, there was around a 40% increase in Scope 1 and Scope 2 GHG emissions. This was mainly associated with the increase in KPPI's energy consumption – diesel and purchased electricity as a result of the increase in occupancy related to the improved COVID situation. Despite the increase, the Ozone Depleting Substance (ODS) equipment within the facilities, which were relatively new, mitigated the impact and there was no generation of leakages and ODS emissions in 2021.

**Impact:** By optimizing our GHG emissions, we will not only ensure cleaner air within our premises, but also ensure that areas surrounding our buildings do not face the negative impact of GHG emissions.

**Management Approach:** The initiatives that we implement to adhere to the BCA Green Mark Gold Standard and the LEED Gold Standard ensure better energy efficiency of our buildings, and therefore, lower emissions.

## Risks and Management Approach

### Protection of human health

Besides the impact on climate change, an added risk of not managing our GHG emissions is air pollution within and outside our buildings, which could affect the health of our tenants as well as surrounding communities by causing respiratory issues, eye/throat irritation, and other discomforts.

**Rationale:** This risk could lead to lower tenant satisfaction which could impact community trust on our business.

**Management Approach:** We regularly monitor our GHG emissions, which helps us keep an eye on a spike in emissions, if any, in order to take action on it if required.

### Emissions from equipment

GHG emissions may also be released from obsolete equipment, and this might cause pollution within the building environment.

**Rationale:** This risk is identified as significant since it could go unnoticed and could create a significant negative environmental footprint.

**Management Approach:** Our facility management team consistently reviews and monitors equipment performance and maintenance reports, and proactively addresses any issues that might come up. This ensures that we keep a close eye on emissions from obsolete equipment as well.

## Opportunities and Management Approach

### Expansion of customer base

We believe that our plans to make our buildings more environmentally friendly (through adoption of renewable energy and energy efficiency initiatives) could help us gain access to more customers who prefer green buildings with sustainable practices. This could help us build our reputation as a sustainability-focused company, which will increase our goodwill in the long run.

**Management Approach:** We seek to develop a roadmap of initiatives to integrate sustainability into our design plans, so that we can implement initiatives annually towards achieving our larger and long-term goals. For example,

we plan to engage in tree planting drives to offset emissions, since one mature tree can absorb 0.0218 tonnes of CO<sub>2</sub>/year.

## AIR POLLUTANTS

Disclosure	Units	2020	2021
NO <sub>x</sub>	kg	N/A	2.5626
Sox	kg	N/A	N/A
Persistent Organic Pollutants (POPs)	kg	N/A	N/A

KPPI releases a negligible amount of air emissions through our operations. Our impacts, risks and opportunities in this area therefore are not very significant.

The main source of air pollutants arises from vehicular emissions at The Podium Complex's parking area. In 2021, KPPI started to regulate air pollution at The Podium Complex. We conduct regular indoor air quality monitoring to ensure that fugitive emissions are within limits set by the Department of Environment and Natural Resources (DENR), and we also seek to plan awareness drives for tenants and building occupants to reduce vehicular emissions (for example, by encouraging them to use electric vehicles and installing charging points for them in our buildings). In addition, atriums and kitchen areas have exhaust fans for proper ventilation, while in the parking area, fans and blowers are used to regulate and expel air pollutants. Our efforts help to ensure that The Podium Complex maintains air pollution is below regulatory limits and is compliant with green building standards.

## WATER CONSUMPTION

Disclosure	Units	2020	2021
Water Withdrawal	m <sup>3</sup>	104,600.00	348,854.10
Water Consumption	m <sup>3</sup>	72,025.00	348,854.10
Water Recycled and Reused	m <sup>3</sup>	162,789.76	15,301.00

### Impacts and Management Approach

#### Responsible water use

There was an almost 80% increase in KPPI water consumption in 2021 in comparison with 2020. This spike was associated with the reopening of the mall, offices, as well as the increase in occupants and tenants. Due to the lessening of community restrictions, there was a noticeable increase in stakeholders utilizing The Podium Complex - thus contributing to the increased use of resources. The water source of The Podium Complex is from one of the private water providers in Manila.

**Impact:** Our water consumption practices have a direct impact on the sustainability of water resources surrounding our operations, and an indirect impact on the availability of these resources for communities that live in areas around our buildings. The lack of conscious water use by our business can impact the availability of safe and clean drinking water for these communities significantly – and therefore, we believe in unwavering commitment to water efficiency in our operations.

**Management Approach:** Our buildings are equipped with water-efficient fittings that lead to at least 30% water savings annually. Water-efficient fixtures are placed in toilets with a centralized sewage treatment plant to process wastewater. The management of water consumption in a responsible manner could generate a positive impact on

water resources in our local area, and in the long term, ensure more equitable distribution of water resources for the communities around us.

## Risks and Management Approach

### Water availability in the region

Irresponsible use of water on our part could contribute to the local water resources and supply, in the long-run.

**Impact:** Water shortages could affect everyone including the communities around us, the families of our employees and workers, and our tenants. This could lead to poorer quality of life and therefore, affect our reputation as a business.

**Management Approach:** In our buildings, greywater is collected and treated for reuse while rainwater is harvested to ensure we reduce purchase from a third-party provider. The monitoring and maintenance of water facilities is done regularly to detect and prevent problems such as leaks.

## Opportunities and Management Approach

### Water Recycling

We seek to adopt more water recycling and reuse initiatives in the future, so that we can return the water that we have used back into our operations. We believe that this is a good opportunity to optimize our water use in the long run.

**Management Approach:** Apart from existing water efficient fixtures and rainwater harvesting structures, we seek to introduce more water savings initiatives across our water use value chain.

## **EFFLUENTS**

Disclosure	Units	2020	2021
Total Volume of Water Discharges	m <sup>3</sup>	32,575.00	282,272.65
Percent of Wastewater Recycled	%	80.00	20.42

## Impacts and Management Approach

### Minimal pollution

Water consumption within The Podium Complex has increased significantly in 2021 by almost 5 times and effluents increased by almost 4 times following the resumption of operations. Data on the percentage of water recycled was not available throughout the year, since the installation of the meter measuring the amount of water recycled was completed only in January 2022.

**Impact:** The release of harmful effluents through our operations also affects the availability of safe and potable water for communities surrounding our buildings – due to both atmospheric and water pollution. Recycling most of the wastewater in our operations and disposing the rest of it as per norms are therefore significant priorities for us.

**Management Approach:** We comply with the wastewater effluent standards of the Clean Water Act and also recycle our wastewater



## Risks and Management Approach

### Data monitoring gaps

As highlighted above, issues such as a delay in water meter installation could lead to gaps in monitoring data on a regular basis. This could result in an inaccurate picture of the amount of effluents that we release into the environment.

**Rationale:** This risk could lead to the possibility of overlooking a high percentage of effluent release, for example. This is a potential risk to the health and safety of the host community where the organization operates. It also means that we may be at a risk of not meeting regulatory requirements on effluent release standards.

**Management Approach:** A Pollution Control Officer regularly monitors our buildings' water systems and ensures its compliance with the Department of Environment and Natural Resources (DENR) requirements.

## Opportunities and Management Approach

### Recycling of wastewater

We believe that we can explore the potential to increase the amount of wastewater recycled, reducing the quantity of hazardous effluents released into the environment.

**Management Approach:** We have already started establishing initiatives towards reducing raw water consumption (such as introducing the provision of non-potable water for flushing and ensuring minimum water flow for potable water at wash basin and Bib-taps), which in turn will reduce our effluent release and help us in our journey towards recycling more wastewater. Data monitoring gaps were completely addressed in January 2022 when the meters that measure recycling activity were completely installed.

## **MATERIALS**

Disclosure	Units	2020	2021
Materials Used by Weight/Volume	Kg	67,000.00	252,000.00
Renewable	Kg	-	-
Non-Renewable	Kg	67,000.00	252,000.00
Percentage of Recycled Input Materials Used to Manufacture the Organization's Primary Products and Services	%	N/A	N/A

## Impacts and Management Approach

### Health and Safety

In 2020, KPPI operations were greatly affected by the COVID-19 pandemic, causing a decrease in materials used for renovation and maintenance. Following the resumption of operations in 2021, mall operations and office renovations increased, and material use also increased by more than 70%.

**Impact:** The impact of materials used to construct our buildings extends up to the stage when tenants occupy our buildings, and affects multiple stakeholders in between – including workers, our own staff, and communities surrounding our buildings. Lack of adherence to the highest environmental and social quality standards (that we currently have in place) will create a negative health and safety impact on all these stakeholders and affect our relationships with them in the long run.

**Management Approach:** To comply with green building and regulatory requirements, we have rigorous technical specifications for materials, which we comply with strictly to ensure minimal health and safety impacts on customers and workers.

## Risks and Management Approach



### **Supplier compliance**

The suppliers failing to comply with our environmental, technical and safety requirements for the raw materials sourced from them exposes a significant risk.

**Rationale:** This risk could arise as and when we engage new suppliers, or when we change our material specifications in response to more environmental/safety specifications that we may adopt in the future. This could lead to suppliers not being conversant with such specifications and thereafter supplying raw materials of different specifications than requested, leading to lowering of health and safety standards.

**Management Approach:** There is a designated certified Pollution Control Officer (PCO) who fulfills the responsibility of managing compliance to all applicable environmental laws, rules, and regulations – including those on materials. We also have a stringent supplier selection policy wherein we specify technical, environment and safety requirements for materials that we source from them. In case the materials do not meet these specifications, we return the materials to them.

## Opportunities and Management Approach



### **Alternative Material**

In addition to having environment and safety requirements for our raw materials, we seek to explore more alternative input materials in the future, as well as to recycle a higher percentage of the input materials used in our construction.

**Management Approach:** In the near future, we plan to engage in a stock-taking exercise of all existing raw materials used and how these could be replaced with alternative materials, or recycled. This will help us in gradually adopting the use of a higher proportion of alternative materials in the years to come.

## **SOLID WASTE**

Disclosure	Units	2020	2021
<b>Total Solid Waste Generated</b>	Kg	210,500.00	486,738.00
<b>Reusable</b>	Kg	6,500.00	15,004.00
<b>Recyclable</b>	Kg	64,000.00	147,822.00
<b>Composted</b>	Kg	-	-
<b>Incinerated</b>	Kg	-	-
<b>Residuals / Landfilled</b>	Kg	140,000.00	323,912.00

## Impacts and Management Approach

### Low waste generation

There is a considerable increase of total solid waste generated by almost 60% for the year 2021, due to the various changes with restrictions leading to an increase in customers and occupancies, compared to 2020. As the market started to recover in January 2021, further improvement took place during the last quarter of the year when General Community Quarantine (GCQ) alert level 3 and level 2 were announced. Due to this, food and beverage services as well as supermarket businesses bounced back slightly in 2021. Likewise, our tower tenants started to recommence their work-in-office arrangements.

The solid waste generated comes from office space tenants, mall tenants and restaurants. Disposal of solid waste has an impact on operating cost, although minimal. The bulk of residual waste is disposed through engineered landfills.

## Risks and Management Approach

### Waste management

Improper solid waste management practices may lead to penalties and/or regulatory ramifications.

**Rationale:** Should biodegradable waste not be handled and disposed properly, this would lead to poor environmental hygiene, which would affect our employees, tenants and communities surrounding our offices.

**Management Approach:** Solid waste generated by The Podium Complex is segregated and stored in the building's own materials recovery facility. A DENR-accredited hauler or transporter collects the waste for disposal. This process is monitored by the Pollution Control Officer to ensure the process is in compliance with government requirements.

## Opportunities and Management Approach

### Waste diversion

Exploring options to divert wastes away from the landfill is a significant opportunity we seek to tap into in the future. To this end, a more secure segregation system may be put in place to further increase the collection of recyclable and reusable waste.

**Management Approach:** We aim to enhance our solid waste management program, which includes augmenting our recycling program, that could also lead to cost savings in the future.

## **HAZARDOUS WASTE**

Disclosure	Units	2020	2021
Total Weight of Hazardous Waste Generated	Kg	470.00	98,250.00
Total Weight of Hazardous Waste Transported *	Kg	1,555.00	80,000.00

\*Transported hazardous wastes in 2020 were generated in 2019 (1,085kg) and 2020 (470kg)

## Impacts and Management Approach

### Minimising ecological impact

80% of The Podium Mall's hazardous waste, including fats, oils and grease (FOG) waste was transported and disposed of by a DENR-accredited transporter in 2021. The remaining 20% will be transported as soon as Permit to Transport from DENR is released.

**Impact:** The proper management of hazardous waste will reduce the environmental impact and thereafter, any adverse impact on human health. This will increase community and customer trust in our business.

**Management Approach:** The management team of The Podium Mall ensures strict compliance to regulations in handling hazardous wastes. Proper storage of hazardous waste is strictly carried out in accordance with the DENR requirements. Only DENR-accredited transporters are employed for the disposal of hazardous waste. The Pollution Control Officer monitors such compliance closely as well.

## Risks and Management Approach

### Tenant compliance

Tenants – especially commercial occupants – not complying to hazardous waste disposal requirements is a probable risk.

**Rationale:** Tenants not adhering to hazardous waste disposal requirements could impact the health of tenants in our building and the communities in our surrounding environment negatively, and in extension, could impact the public impression on how our organization disposes hazardous waste, affecting our Company image.

**Management Approach:** Tenants are given clear guidelines on hazardous waste management by the property management office during tenant orientation. Through these, tenants are required to properly dispose of their own hazardous waste in accordance with the DENR policies.

## Opportunities and Management Approach

### Reducing disposal costs

The cost of disposal of hazardous waste accounts for the bulk of the waste management expenditure of the organization. Evaluating the options that can reduce hazardous waste disposal costs is therefore a significant opportunity for us.

**Management Approach:** We seek to explore waste donation project options with NGOs such as Bantay Langis and WEE Collection and Recovery.

## **ECOSYSTEMS AND BIODIVERSITY**

This topic is considered immaterial to KPPI since it does not have operations in or adjacent to protected areas or areas of high biodiversity value.

## ENVIRONMENTAL COMPLIANCE

Disclosure	Units	2020	2021
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	0	0
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	0	0
No. of Cases Resolved through Dispute Resolution Mechanism	#	0	0

### Impacts and Management Approach

#### Long-term goodwill

There were no recorded and reported events of non-compliance with environmental laws and regulations from FY2020 to 2021. We followed all relevant environmental laws strictly in all stages of the building's development, from construction to operations.

**Impact:** An immediate and significant impact of not adhering to environmental laws and regulations is the imposing of fines and restraining orders upon us; and also negative environmental impact that affects all our stakeholders (highlighted in previous sections). This will also impact our goodwill in the long term.

**Management Approach:** Strict adherence to, and monitoring of environmental laws and regulations is ensured. Additionally, we also regularly maintain and monitor our fixtures and equipment to ensure that there is no chance of slip-ups on compliance.

### Risks and Management Approach

We strictly believe in adhering to the law of the land, and hence see the potential of risks pertaining to non-compliance as insignificant.

### Opportunities and Management Approach

#### Advocacy

In the long run, we seek to promote awareness among stakeholders associated with us on the importance of sustainability and environmental initiatives and programs.

**Management Approach:** KPPI will continue to regularly monitor and conduct maintenance of all facilities to comply with environmental laws. All hired contractors will be monitored to ensure compliance and the green mark standards will continue to be upheld. Other opportunities to improve the building's environmental management will be sought when regular operations resume.

## STRATEGIC PILLAR: RESPONSIBLE BUSINESS

### ECONOMIC SUSTAINABILITY

#### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Disclosure	Units	2020	2021
Direct Economic Value Generated (Revenue)	PHP	15,455,164.00	26,349,298.00
Direct Economic Value Distributed:		60,023,645.43	49,428,225.00
a. Payments to Suppliers, Other Operating Costs	PHP	25,174,874.31	18,556,765.00
b. Employee Wages and Benefits	PHP	34,756,959.12	30,524,020.00
c. Dividends given to Stockholders and Interest Payments to Loan Providers	PHP	-	-
d. Taxes given to Government	PHP	91,812.00	312,711.00
e. Investments to Community (e.g. Donations, CSR)	PHP	-	34,729.00

#### Impacts and Management Approach

The table above represents KPPI's current contribution to the local economy and the stakeholders that are relevant to our business. The following section describes how we create sustainable economic value in the long run.



#### Economic Contribution

KPPI's revenues have increased by almost 70% in 2021 in comparison with 2020. The Company's revenue consists of management and franchise fees. The Podium Mall was directly affected by the restrictions brought by COVID-19 with reduced occupancy in 2021, in contrast with The Podium West Tower which had a significant increase in the number of tenants in the same year. This is in line with the steady growth of the real estate sector in the last year.

**Impact:** Revenue generation fosters contribution to local consumption and income generation in Manila and the Philippines, thereby leading to an increase in Gross Domestic Product.

**Management Approach:** We report the details of our financial performance through our annual reports each year in a transparent manner, and we have reinforced our position as a responsible business by starting to report on our non-financial performance such as environmental and social compliance.



#### Employee Salary and Wages

In 2021, 54% of the economic value distributed was to employee wages and benefits, compared to 58% in 2020.

**Impact:** Our efforts to sustain the salaries and wages paid to employees and workers over the past three years, despite the various challenges, fulfills expectations of KPPI as a responsible employer.

**Management Approach:** We ensure that the wages we offer to our employees are competitive and in line with market standards. To do this, we constantly benchmark ourselves with our peers in the sector and strictly adhere to the required laws and regulations.

## **Corporate Social Responsibility (CSR) Spending**

Due to the slowdown in activities in 2020, our CSR spending was negligible. However, in 2021, we resumed our contributions (described in the “People and Communities” section).

**Impact:** Our CSR activities contribute to local community development and improvement of livelihoods.

**Management Approach:** We abide by the clauses of the Corporate Social Responsibility Act.

## **Tax Payments**

In line with our increased revenue, our taxes have also proportionally increased. We remain committed to paying taxes to the government in a timely and consistent manner.

**Impact:** This signifies our commitment as an organization to comply with the law of the land, which in turn sets a good example for our stakeholders and the society.

**Management Approach:** Our finance team strictly monitors all taxes and dues and ensures that these are paid on time.

## **Risks and Management Approach**

In the past two years, the risks in the real estate sector have multiplied due to government-imposed quarantines – this has resulted in economic challenges. Based on KPPI’s experience in the sector, we have identified the following risks as paramount to us:

### **Market Fluctuations**

Market risks pertaining to changing demand and supply of commercial and retail spaces are very significant for us, especially after recent uncertainties arising due to lockdowns and work-from-home arrangements.

**Rationale:** These risks will affect the Company’s ability to generate revenues, and in extension, its value.

**Management Approach:** We plan to sustain office and retail occupancy by implementing measures such as offering quality and premium services to our customers, and offering flexible payment options to retain tenants.

### **Natural Disasters and Shocks**

Natural disasters and shocks (such as the recent pandemic) caused risks to the smooth functioning of operations and to the lives and livelihoods of our employees and workers. These also affect the durability of our retail and office buildings.

**Rationale:** Such disasters and shocks will cause human and physical capital losses, and thereafter, may negatively impact the income of the business.

**Management Approach:** We have standard operating procedures in our safety trainings and policy which are followed as and when natural disasters occur in areas close to our office, and have trained employees and workers with standard drills on earthquakes and other natural disasters. Additionally, we ensure that our buildings meet the highest quality standards for durability and minimal damage in the event of natural disasters.

## Opportunities and Management Approach

As a company in a sector that houses economic activity hubs such as offices and commercial spaces, we foresee a lot of potential opportunities for growing our market in the future and doing it responsibly.

### **Expanding economic contribution**

Improving the economic contribution of KPPI through expansion of revenues and markets is a continual priority at KPPI, given that this is vital to our survival and sustenance. We also believe that exposure to newer markets and revenue streams will help us evolve as a business and offer more customer-friendly options.

**Management Approach:** In order to expand our revenues and markets, maintaining our current position in the market is crucial – and retaining building occupancy is the most important purpose that we pursue in this regard. Ensuring utmost safety and creating memorable experiences in our buildings for tenants, and keeping them aware and informed about all building features are the steps we follow to ensure sustained building occupancy.

### **Cost Efficiency**

Reducing operational costs by ensuring efficiency is one of the key opportunities that we foresee, especially since we have experienced a hybrid model of working during the past two years and observed that the cost benefits are also significant.

**Management Approach:** We plan to re-assess existing operations for improving efficiency, and we also plan to conduct awareness sessions in the future among building tenants on how they can play a role on improving the building's durability and life - and measures to be adopted for the same.

## **CORPORATE GOVERNANCE AND RISK MANAGEMENT**

### **TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES**

Disclosure	Units	2020	2021
Percentage of Employees to whom the Organization's Anti-Corruption Policies and Procedures have been Communicated to	%	100	100
Percentage of Business Partners to whom the Organization's Anti-Corruption Policies and Procedures have been Communicated to	%	100	100
Percentage of Directors and Management who have Received Anti-Corruption Training	%	100	100
Percentage of Employees who have Received Anti-Corruption Training	%	100	100

### **INCIDENTS OF CORRUPTION**

Disclosure	Units	2020	2021
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	#	0	0
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	#	0	0



## Impacts and Management Approach

### Anti-Corruption

We strictly enforce anti-corruption on an everyday basis, and our anti-corruption training programs cover employees at all levels in the Company.

**Impact:** Our anti-corruption endeavors have led to zero incidents of corruption at KPPI, and all employees have undergone anti-corruption training programs in the Company.

**Management Approach:** We impart training on the Corporate Governance Manual and the Code of Business Conduct and Ethics during the onboarding of each employee, in order to communicate our stand on anti-corruption clearly to all our people.

## Risks and Management Approach

### Equitable Economic Value

To prevent incidents of corruption or internal or external conflicts within the Company, building awareness on company policies and Code of Conduct is a key measure to protect the creation of equitable value for employees, customers, service providers and government.

**Management Approach:** Strict implementation and awareness creation on the Employee Code of Conduct and adherence to the Corporate Governance Manual is encouraged and monitored within the Company.

## Opportunities and Management Approach

### Readiness for the future

We believe that an ethics-driven organizational culture is fundamental in ensuring our sustained performance and healthy relationships with our stakeholders – chiefly, our customers, investors, partners and the government. In this regard, our entry into new markets as well as our commitment to ascribe to more sustainability standards and frameworks in the future will provide us the opportunity to refresh our governance structure and commit to fulfilling the ethical and moral responsibilities that follow.

**Management Approach:** To ensure that we are ready to adapt to new compliance requirements as we expand, we seek to monitor global and local trends and mandates that apply to us closely, and gradually work towards putting in place the systems for them. We will also increase our efforts in policies and training on anti-corruption to make it much more comprehensive and rigorous.

## **CYBERSECURITY AND DATA PROTECTION**

### **CUSTOMER PRIVACY**

Disclosure	Units	2020	2021
No. of Substantiated Complaints on Customer Privacy	#	0	0
No. of Complaints Addressed	#	N/A	N/A
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

## DATA SECURITY

Disclosure	Units	2020	2021
No. of Data Breaches, including Leaks, Thefts and Losses of Data	#	0	0

### Impacts and Management Approach



#### Customer Trust

In this reporting year, there were zero incidents of complaints on customer privacy, and customer data was not misused.

**Impact:** Our vigilant approach to monitoring customer data privacy has helped us achieve significant levels of customer trust. We believe that this, in extension, would help us retain our position in the market and improve our financial performance as well.

**Management Approach:** We conduct regular awareness programs on cybersecurity and related policies that govern end-users and those who manage the safeguarding of sensitive information. These are supported by an IT Disaster Recovery Plan to handle various scenarios that may arise.

### Risks and Management Approach



#### Privacy breach

Despite IT advancements today, there are still possible risks of customer data leaks and privacy breaches that could damage the Company's reputation and disrupt operations, and may even lead to penalties in the unlikely event of a cybersecurity incident.

**Management Approach:** We regularly review and audit our IT systems to ensure alignment to IT policies and procedures. We also regularly test and review our IT Disaster Recovery Plan in order to strengthen the robustness of the IT system.

### Opportunities and Management Approach



#### Innovation

As restrictions around customer privacy and security strengthen, we realize the need to innovate and drive continuous improvement for customer data protection. The opportunity lies in strengthening control over customer data and maintaining their trust in us.

**Management Approach:** We seek to include more training programs to train employees about the importance of customer privacy and the importance of customer consent in using their data, and to modify our policies and approach in this regard.

## SUPPLY CHAIN AND RESPONSIBLE PROCUREMENT

### SUPPLY CHAIN MANAGEMENT

The following criteria are considered as compulsory for supplier selection and relationships:

- Track record (of successful and on-time delivery, minimal defaults on contract terms)
- Financial strength (consistent or growing revenues in the past few years, no financial defaults)
- Commitment towards environment, health, and safety
- Signing of Keppel's Supplier Code of Conduct by all suppliers and adoption of Keppel Group's sustainability principles.
- Presence of ISO 9001, ISO 14001 and ISO 45001 certifications is a preference; we also encourage our suppliers to adopt good ESG practices.

More details on Keppel Group's Supplier Code of Conduct can be found in this link:

<https://www.kepcorp.com/en/file/sustainability/our-focus-areas/keppel-group-supplier-code-of-conduct.pdf>

Topic	Y / N	Reference
Environmental Performance	Y	Included in construction specifications and written in the Keppel Supplier Code of Conduct (pages 4-5)
Forced Labor	Y	KPPI complies with all government requirements wherever it operates. These are mentioned in bidding Terms of Reference and in the Keppel Supplier Code of Conduct (pages 3-4)
Child Labor	Y	
Human Rights	Y	
Bribery and Corruption	Y	Stated in the Keppel Supplier Code of Conduct (page 2)

### PROCUREMENT PRACTICES

Disclosure	Units	2020	2021
Percentage of Procurement Budget Used for Significant Locations of Operations that is Spent on Local Suppliers*	%	100	100

*\*Includes materials and service for property operations and maintenance*

### Impacts and Management Approach

#### Supporting local businesses

At KPPI, we define “local” as within the Philippines. We spend 100% of our procurement budget on local suppliers within the country.

**Impact:** Our commitment towards sourcing all our supplies and services locally supports the growth of local businesses and reduces the environmental footprint of sourcing from abroad. It also builds local community trust in our business due to their knowledge of local brands.

**Management Approach:** As highlighted above, we have a stringent supplier selection process that helps us identify local suppliers. Post-identification, our supplier engagement and interaction processes are enhanced by our knowledge of the vernacular and the local context, which the vendors are already familiar with. This aids us in assessing their capabilities and risks, helping us work more efficiently with them to source quality materials including fixtures and equipment.

## Positive ESG Impact

We incorporate an environmental impact assessment right at the design stage of our buildings and during construction, which include specifications for Quality and Safety in design as well.

**Impact:** By identifying materials at the design stage, including fixtures and equipment that are more cost and resource efficient, we ensure that we create a positive ESG impact along the value chain, making our buildings more durable and environmentally friendly than those with standard designs. This leads to a pleasant experience for our tenants and the communities around our developments.

**Management Approach:** We set high BCA Green Mark targets for our new developments. We also share Responsible Design Values with the design team and consultants for incorporation into proposals, ensuring that we take ESG issues into consideration at the building design stage as well as incorporate them into the supplier selection process as well.

## Risks and Management Approach

### Awarding contracts to compliant suppliers

KPPI ensures that we award contracts only to suppliers who comply to our Code of Conduct and other internal requirements. Stringent measures are taken to prevent any possible misrepresentation of information by suppliers.

**Rationale:** The risk of non-compliance could have a ripple effect on the quality of services provided, and in turn, the quality of all our projects. This could have physical and financial adverse impacts on our tenants, and damage our company's reputation and image – in addition to causing delays and financial losses for us as well.

**Management Approach:** We have a competitive bidding process to select suppliers, in which we include rigorous checks and balances. Additionally, all steps in procurement require management approval for completion, and we release payments to suppliers only after we ensure their adherence to our supplier compliance checklist. We also have policies on Whistle Blowing, Conflict of Interest, Insider Trading, and Related Party Transactions to prevent such risks.

## Opportunities and Management Approach

### Harnessing the power of data

We believe that the existing supplier data that we have could be used optimally to ensure more cost efficiency and resource efficiency in operations, such as number of transactions, number of trips, etc.

**Management Approach:** We plan to establish a database or tracker for regular monitoring of all the transactions of suppliers including the details of materials (inventory, etc) or services being delivered. It will also serve as the master list of all approved suppliers. The regular updating or recording of transactions may also improve the materials and services purchase projection.

## **Strengthening supplier engagement**

Our procurement staff maintain a harmonious relationship with suppliers and regularly coordinate with them. However, in future, we see the development of a structured supplier engagement process as a potential opportunity, because it could lead to a more in-depth understanding of supplier capacities and performance.

**Management Approach:** To start with, we seek to establish a regular frequency of interaction with suppliers, both formal and informal – and track these interactions proactively. Gradually, we will expand the frequency and modes of interaction, putting in place events such as annual supplier meets, supplier capacity building workshops (e.g. for green building oriented materials), supplier feedback meetings and others.

## **PRODUCT QUALITY AND SAFETY**

### **CUSTOMER SATISFACTION**

Disclosure	Score	Third-party conduct the customer satisfaction study (Y/N)
Customer satisfaction	No customer satisfaction survey conducted yet	N

### **Impacts and Management Approach**

#### **\*\*\* Customer Relationship Management**

We do not conduct customer satisfaction surveys, but we interact informally with our customers to obtain their feedback on a regular basis.

**Impact:** Customer satisfaction and management has a direct impact on the success of our business, and thereafter, our financial performance.

**Management Approach:** Customer feedback is relayed to the Property Management Office as soon as tenants begin their operations in The Podium Complex.

#### **Transparent and Open Communication**

We believe in retaining our tenants by ensuring transparency and openness in our communications with them.

**Impact:** Transparent and open communication with our tenants conveys a good impression on our business dealings with them, which in turn improves our tenant retention and partnership with them.

**Management Approach:** Tenant expectations are managed by introducing the Company's Leasing Process Flow which sets guidance on any transactions dealt with them. They are required to acknowledge and sign this as soon as they reserve a space.

### **Risks and Management Approach**

#### **Lack of visibility on customer expectations**

A risk stemming from not having a formal customer satisfaction survey is that we might not be able to understand changes in their expectations or their negative feedback.

**Rationale:** This is a significant risk since this could increase tenant attrition rates and affect our brand image, and also impact our standing in the market in the long run – as a result of not being able to meet customer expectations

**Management Approach:** Our commitment to ethical and transparent business, and our processes described above help us to manage customer expectations. However, as a precursor to introducing a formal customer satisfaction survey, we might conduct a dipstick assessment of customer experience in order to help us structure the survey.

### Opportunities and Management Approach

#### 😊 Customer satisfaction surveys

We aim to introduce customer satisfaction surveys in the future in order to improve our tenant experience and to aid their growth and development as a business in our spaces.

**Management Approach:** We plan to introduce capacity building workshops and sessions on structuring robust customer satisfaction surveys, as well as on conducting interviews (online / offline) with them.

## HEALTH AND SAFETY

Disclosure	Units	2020	2021
No. of Substantiated Complaints on Product or Service Health and Safety	#	0	0
No. of Complaints Addressed	#	N/A	N/A

### Impacts and Management Approach

#### 👤 Tenant Retention

The Company values safety and health within the work environment for its building occupants and tenants which covers the physical condition of workers and their actions within The Podium Complex.

**Impact:** With respect to tenants, our care for their health and safety also ensures their prolonged occupancy and increases their trust in us.

**Management Approach:** KPPI adopts the "Keppel Zero Fatality Strategy" that helps us maintain zero incidents of workplace fatalities. The five strategic thrusts are:

**Note: Health and Safety Measures During the Pandemic:** The Company put in place additional safety precautions and measures to protect the customers and tenants of The Podium Complex during the COVID- 19 pandemic, such as frequent cleaning and sanitization, ensuring compliance of visitors and residents on safe checks, maintaining social distancing, and promoting the use of face masks and shields. This was strictly monitored by the Protocol Officer to ensure compliance by all employees, tenants and mall



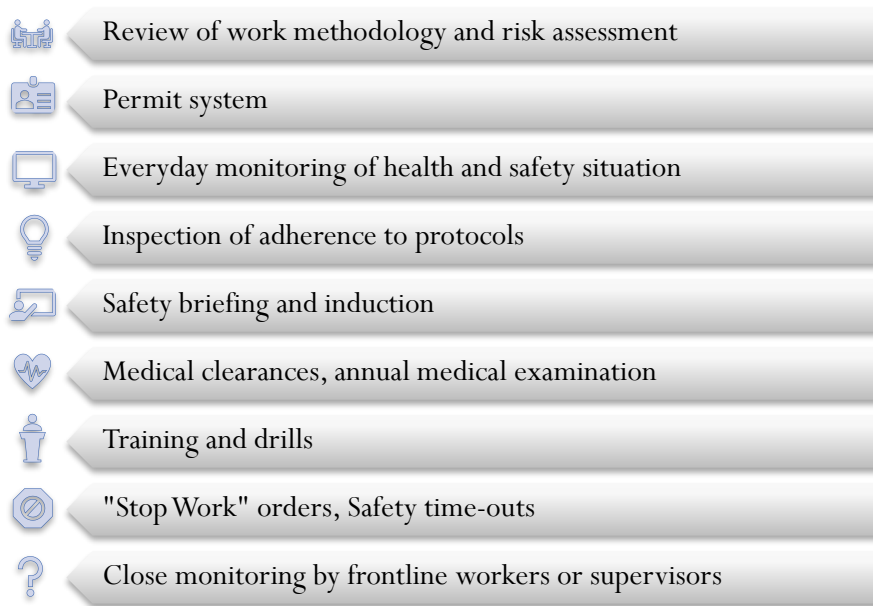
## Risks and Management Approach

### **⌘ Tenants not following Health and Safety protocols**

A key risk is some tenants not following health and safety protocols, especially for COVID-19 .

**Rationale:** This could endanger the health and safety of other tenants in the building.

**Management Approach:** We put in place a safe check-in tracking system to track adherence to temperature checking, sanitization and the use of face masks in our spaces. This ensured that protocols were followed strictly by all the tenants. We also implemented the following nine-point system to ensure adherence:



## Opportunities and Management Approach

The high standards of health and safety that the Company upholds during the pandemic are extended to the tenants and customers as well. In addition, the Company has put in place new programs to promote its five key safety principles, and has informed tenants about safety best practices.

The five key safety principles are:

- ☐ Every incident is preventable;
- ☐ Health, Safety and Environment (HSE) is an integral part of our business;
- ☐ HSE is a line responsibility;
- ☐ Everyone is empowered to stop any unsafe work; and
- ☐ A strong safety culture is achieved through teamwork.

In addition to this, because the COVID-19 pandemic has required specific safety measures, KPPI strictly follows the new health regulations imposed by the national and local government. Please refer to Health and Safety Measures During the Pandemic listed under Impact Section in Health and Safety.

## MARKETING AND LABELLING

Disclosure	Units	2020	2021
No. of Substantiated Complaints on Marketing and Labelling	#	0	0
No. of Complaints Addressed	#	N/A	N/A

### Impacts and Management Approach

#### **Goodwill and sustained occupancy**

Our main channels of marketing include advertisements and other communication materials (such as publishing announcements on the website).

**Impact:** We believe that representing marketing information in a transparent and authentic manner will increase societal trust on us and improve our goodwill. This will thereafter ensure sustained occupancy.

**Management Approach:** Fact verification and accuracy of content is ensured through third party checks and management approval before public dissemination of information.

### Risks and Management Approach

#### **Misinformation or mislabeling**

A key risk is wrong information about our projects being dispersed on the media, or in our labels. This could also mean statements that are misleading or not reflective of our actual services.

**Rationale:** This could turn away customers and tenants and lead to regulatory intervention from the government.

**Management Approach:** To prevent any issues regarding mislabeling or miscommunication, the expectations of tenants are properly managed prior to contract signing. The space is toured by tenants beforehand and the landlord communicates to the potential client about the policies that safeguard their interests. The standards of a green building and expectations of the landlord are also explained in detail to the tenants. Administrative controls are put in place to ensure that the marketing materials accurately capture the Company's offerings and what customers can expect.

### Opportunities and Management Approach

#### **Exploration**

Exploring new marketing techniques is a definite opportunity that we foresee. This would help us reach new markets and expand our horizon with respect to marketing and communications.

**Management Approach:** We plan to expand our marketing techniques by attending seminars and workshops. We also plan to benchmark ourselves against best practices in the country and sector, which will help us adopt and tailor marketing techniques to our context.



**STRATEGIC PILLAR:**  
**PEOPLE AND COMMUNITIES**

**LABOR PRACTICES, TALENT MANAGEMENT AND HUMAN RIGHTS**

**EMPLOYEE DATA**

Disclosure	Units	2020	2021
Total Number of Employees	#	33	31
a. Number of Female Employees	#	18	20
b. Number of Male Employees	#	15	11
Attrition Rate	Rate	-14.10%	-9.68%
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	1.67:1.00	1.60:1.00

**EMPLOYEE BENEFITS**

Disclosure	Y / N	Female Employees Who <b>Availed</b> for the Year (%)	Male Employees Who <b>Availed</b> for the Year (%)
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
PAG - IBIG	Y	100%	100%
Parental Leaves	Y	0%	0%
Vacation Leaves	Y	100%	100%
Sick Leaves	Y	100%	100%
Medical Benefits (Aside from PhilHealth)**	Y	100%	100%
Housing Assistance (Aside from PAG-IBIG)	N	N/A	N/A
Retirement Fund (Aside from SSS)	Y	0%	9%
Further Education Support	N	N/A	N/A
Company Stock Options	N	N/A	N/A
Telecommuting	Y	100%	100%
(Others) Rice allowance, medical & reimbursement	Y	100%	100%

\*\* Includes HMO, Group life & Accident Insurance. Probationary not covered by HMO until they are regularized. Expats have separate coverage.

**Impacts and Management Approach**

We believe that our employees play a significant role in determining KPPI's brand image and reputation, through the quality of their work and behavior. Therefore, one of our key priorities is to hire candidates who can carry the shared vision of our company, and ensure that these employees have a positive experience while working with KPPI.



**Employee Retention**

Our attrition rate was -9.68% in 2021, as compared to -14.1% in 2020.

**Impact:** The uncertainty that Covid-19 has fueled in the business environment has contributed to lower employee attrition. In addition, our efforts to extend support and benefits to our employees during these tough times have supported the retention of employees. A consistent two-year negative attrition rate indicates our commitment

towards employee welfare, which impacts our workplace culture positively.

**Management Approach:** We conduct an employee satisfaction survey every year at the Group level, wherein grievances or issues raised are addressed and employee feedback is recorded. Additionally, we ensure that there is a free flow of communication between the HR department, supervisors and employees.

### **Employee Benefits**

All employees receive competitive benefits through the Social Security System, medical insurance and a retirement fund. At the peak of the pandemic, KPPI also enabled telecommuting to facilitate employees working from remote locations.

**Impact:** Providing all government mandated benefits and additional ones such as flexible work hours ensure that our employees are satisfied and productive at work. This improves their performance and contribution at the workplace.

**Management Approach:** We provide all government-mandated benefits to all our employees without any compromise, as the table above reflects. This is closely monitored by the HR team and governed by the HR Policy.

## **Risks and Management Approach**

### **Employee Satisfaction**

While KPPI has adopted the hybrid working model to sustain the Company's operations during the pandemic, we need to ensure that this would not lead to lower employee satisfaction due to fewer interactions at the workplace.

**Management Approach:** To better support our employees' greater need for moral and emotional fulfilment during the pandemic period, we have conducted wellness programs and sessions for their benefit:

**October 13, 2021:** Diet and Mental Health – The Food-Mood Connection

**October 20, 2021:** Health and Fitness Goals – In the New Normal

### **Fair Hiring Process**

Preferential hiring of ineligible candidates is a practice that must be avoided so that the quality of deliverables and customer satisfaction would not be affected as a result.

**Management Approach:** We have a structured recruitment process that is merit-based, and our hiring principles are reflective of equal employment opportunities for all.

## **Opportunities and Management Approach**

### **Streamlining Communication**

A definite potential opportunity we foresee is an improvement in our employee engagement approach. We believe this could improve employee satisfaction further, and impact both our employees and the business positively due to increased productivity.

**Management Approach:** Development of a framework for regular communication with employees, such as quarterly newsletters, email campaigns, one-to-one interactions of each employee with the leadership and other team-building activities.

## EMPLOYEE TRAINING AND DEVELOPMENT

Disclosure	Units	2020	2021
Total Training Hours Provided to Employees		250	278
a. Female Employee	Hours	148	188
b. Male Employee	Hours	102	90
Average Training Hours Provided to Employees		7.58	8.97
a. Female Employees	Hours/Employee	8.22	9.40
b. Male Employees	Hours/Employee	6.8	17.09

### Impacts and Management Approach

We believe that the training and development of employees is a significant step towards ensuring both their career progression and their growth at the Company. Currently, we provide training on technical aspects that aid improved work productivity, and we seek to include more ESG-oriented training in the future, apart from the health and wellness workshops and safety training already in place.

#### Innovation at Work

The number of average training hours per employee that we provide increased by approximately 18% between 2020 and 2021. The jump between 2020 and 2021 is explained by the convenience and ease of access of online training modules.

**Impact:** A visible benefit of providing training to employees to update their knowledge is the effect of this on their ability to be creative and innovative at work. This helps us offer more unique solutions as a Company, thereby helping us carve our own niche in the local market and earning customer and community goodwill and trust.

**Management Approach:** Our HR team continuously monitors the availability of online and offline courses and training programs offered by industry leaders, research and development organizations, and the academia. Employees are required to attend the training programs identified by the HR Team.

### Risks and Management Approach

#### On-the-Job Training

While it has been customary to conduct on-the-job training especially for new employees, such a practice needs to be well-structured and executed so that the tasks and responsibilities will be properly performed.

**Management Approach:** We seek to put in place a mentoring system wherein employees are assigned senior buddies or mentors to whom they can direct their clarifications in case they have any questions. We plan to train these mentors beforehand, through a train-the-trainers program, on how to approach possible clarifications posed by newer employees.

## Opportunities and Management Approach

### Training Calendar

One opportunity that could benefit us greatly is the preparation of a training calendar to ensure a structured training approach, and to customize, to a certain extent, the training programs to the needs and interests of each individual employee. We already conduct informal needs assessments for all workshops or sessions that we organize, and we seek to adopt an individualized assessment system to achieve individual career succession in parallel. We believe this could improve employee loyalty and performance at work.

**Management Approach:** We have a structured performance appraisal approach in place that helps supervisors assess technical knowledge and conduct of all employees. We plan to use these learnings to assess capacities and need for training, and conduct surveys to understand individual interest areas.

## DIVERSITY AND EQUAL OPPORTUNITY

Disclosure	Units	2020	2021
Female Workers in the Workforce	%	54.50%	64.52%
Male Workers in the Workforce	%	45.50%	35.48%
Employees from Indigenous Communities and/ or Vulnerable Sector	#	0	0

*\*includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, single parents, and low-income earners or the Base of the Pyramid (BPO: Class D and E)*

## Impacts and Management Approach

KPPI provides equal opportunities to all potential candidates during the hiring process, regardless of ethnicity, gender, religious beliefs, nationality, age, or any physical disability.

**Management Approach:** The Keppel Group adheres to the principles of non-discriminatory and merit-based employment practices. The Keppel Group's Employee Code of Conduct, which covers KPPI, also prohibits discrimination on any basis.

## Risks and Management Approach

### Variety of Culture in Workforce

In adherence with Keppel Group's stance on no discrimination as well as promotion of diversity and inclusion, KPPI ensures that equal opportunity during hiring process is always observed in all levels of the organization.

**Management Approach:** Unethical labor practices are strictly prohibited at any of KPPI's operations. KPPI supports the eradication of all exploitative work conditions stated in the Labor Code of the Philippines.

## Opportunities and Management Approach

The Company will continue to promote equality and ensure that there is no discrimination within its operations. Applicants undergoing the hiring process will only be judged based on their merits and how well they fit the job requirements.

## LABOR LAWS AND HUMAN RIGHTS

Disclosure	Units	2020	2021
No. of Legal Actions or Employees Grievance involving Forced or Child Labor	#	0	0

Topic	Y / N	Reference in Company Policy
Forced Labor	Y	As stated in the Health and Safety specifications for contractors, the Company prohibits any form of unethical labor practices such as child or forced labor, and human right clauses.
Child Labor		
Human Rights		

### Impacts and Management Approach

#### Employee/Worker Happiness

In 2021, there were no employee grievances involving forced or child labor.

**Impact:** Our rigorous approach towards monitoring and prohibiting any unethical labor practices ensures that we have a healthy environment at the workplace, with workers and employees treated with respect and equality. This improves morale which in turn, influences productivity.

**Management Approach:** We have a strict stand against forced or child labor, and against breaches of human rights clauses. These are clearly spelled out in our HR Policy.

#### Stakeholder Relationship Strengthening

By ensuring adherence to human rights clauses, we send out a clear message to the public about our commitment towards ensuring compliance to the law and our endeavors to create a congenial work environment.

**Impact:** This will increase regulatory and investor trust in the business, and over time, increase public and community trust in our business, since our employees and workers are locals as well.

**Management Approach:** We have published data on zero instances of child or forced labor in our Company since 2019, in the sustainability report that accompanies our annual report.

### Risks and Management Approach

#### Adherence to labor laws

At all times, the Company maintains a safe working environment for all its employees. Unsafe work environment created by subtle forms of forced labor (such as coercion of employees to stay despite unfavorable conditions by providing informal credit) is greatly unacceptable and highly monitored by the management to prevent any untoward incident.

**Management Approach:** Our HR staff and Property and Operations Managers are well-trained on monitoring potential issues at the workplace. Employees and workers are also encouraged to speak up and report such issues. Our business code of conduct strictly prohibits harassment that resembles subtle forms of forced labor.

## Opportunities and Management Approach

### Expanding Our Voice Outside Our Business

Given our strict measures in place to prevent child or forced labor, we aim to extend our learnings to raise our voices against child or forced labor in our community as well. As a Company with a fair amount of goodwill in the local area, we aim to contribute to the abolishment of child or forced labor in our society.

**Management Approach:** We plan to do this through our corporate social responsibility activities, by partnering with eligible non-governmental organizations for implementation.

## OCCUPATIONAL HEALTH AND SAFETY

Disclosure	Units	2020	2021
Safe Man-Hours*	Man-Hours	653,824	457,332
No. of Work – Related Injuries	#	0	0
No. of Work – Related Fatalities	#	0	0
No. of Work – Related Ill-Health	#	0	0
No. of Safety Drills**	#	4	4

\* Data includes Base-build construction group, SMKL (Keppel) Project Team, Tower Property Personnel (PMO, Guard, Housekeeping)

\*\* Drills conducted include Pandemic Response Drills (simulating three different scenarios for three major groups of The Podium West Tower) and Emergency Evacuation Drill for The Podium West Tower

## Impacts and Management Approach

### Zero Incident Rates

Our Health and Safety Policy covers physical conditions and actions of our workers, health and safety aspects in construction, and during turnover and building operations. The number of safe man hours in the year 2021 was 457,332, compared to 653,824 hours in 2020. The decline in this number is primarily due to the completion of the building construction phase and the operation's shift to building management and maintenance.

**Impact:** We continued our strong track record in safety with zero incidents of injury, ill-health and fatalities in 2021. Sustaining a zero incident/injury rate improves the trust of our employees and workers in us, and helps us work more effectively together.

**Management Approach:** We have a Zero Fatality Strategy which outlines a five-principle approach (described in the “Responsible Business” section) that entails engagement in a continuous learning and improvement process to ensure a zero incident rate.

### Safety as a Culture

We conduct safety drills at frequent intervals every year, to ensure that employees and workers are conversant with safety practices. In 2021, we conducted four safety drills, same as in 2020.

**Impact:** Through our regular and consistent initiatives on safety awareness and training, we seek to create a culture

of occupational health and safety wherein response to safety concerns is proactive and not reactive. This will sustain our zero-incident trend in the long term.

**Management Approach:** We conduct a host of safety trainings each year, in order to supplement the safety drills that happen every quarter. A list of the trainings conducted in 2021 is provided below:

*I. Emergency Preparedness Trainings:*

- 1.1 Fire Emergency – May 2021 & December 2021
- 1.2 Earthquake – May 2021 & December 2021
- 1.3 Civil Disturbance & Bomb Threat- November 2021
- 1.4 Pandemic – September 2021

*II. Occupational First Aid and Basic Life Support*

*III. Basic Incident Command System Training Course – October 2021*

### **Risks and Management Approach**

The Company has identified the following high-risk activities during construction –

1. Hot-works – could cause scalding and burning
2. Working in a confined space – could cause claustrophobia or infections
3. Work-at-heights – could lead to falls and injuries or death as a result
4. Vehicle operations – could lead to accidents
5. Electrical works and lifting – could lead to shocks or injuries due to lifting heavy weights

**Rationale:** These activities may result in injury, ill health, or even death. Accidents may also lead to a loss of trust among stakeholders including employees and workers and their families.

**Management Approach:** Training on all these topics and on handling all these situations / preventing them is covered during the year's safety townhalls, workshops, and drills.

### **Opportunities and Management Approach**

The Company put in place additional safety precautions and measures to protect the customers and tenants of The Podium Complex during the COVID-19 pandemic, such as frequent cleaning and sanitization, ensuring compliance of visitors and residents on safe checks, maintaining social distancing and promoting use of face masks and shields. This was strictly monitored by the Protocol Officer to ensure compliance by all employees, tenants and mall visitors. The Company continuously adapts to the changes on the minimum health protocols of the government.

## COMMUNITY DEVELOPMENT

### OPERATIONS WITH SIGNIFICANT POSITIVE IMPACTS ON LOCAL COMMUNITIES

Operations with Significant (Positive or Negative) Impacts on Local Communities (Exclude CSR Projects; This has to be Business Operations)	KPPI has built The Podium Complex with special building features that made it accessible for persons with disabilities.
Location	Ortigas Center, Pasig City
Vulnerable Groups	Persons with Disabilities (PWDs)
Does the Particular Operation have Impacts on Indigenous People	None
Collective or Individual Rights have been Identified or that Particular Concerns for the Community	PWDs are able to access services available in The Podium Complex's retail stores.
Mitigating Measures (If Negative) or Enhance Measures (If Positive)	The Company will ensure that it maintains the accessibility of its facilities for PWDs and the elderly, so that they may use the building facilities safely and conveniently.

Disclosure on Free and Prior Informed Consent is immaterial for KPPI since we have no operations within or adjacent to areas owned by indigenous groups.

Our CSR activities for 2021 include the following:





1. We donated items to meet the basic needs and requirements of children (amounting to around ₱34,729.40) at the Bukid Kabataan orphanage on 15 July 2021, such as canned goods, rice, laundry soap, powdered juice, powdered milk, dishwashing soap, biscuits and cooking oil).
2. To share the Christmas spirit, we donated similar items on 22 December 2021 to the Bukid Kabataan orphanage and purchased some products to support the beneficiaries.







## Product or Service Contribution to UN Sustainable Development Goals

Key products and services and their contribution to sustainable development.

Six SDGs are integrated into KPPI's business and serve as the supporting framework to guide the Company's sustainability strategy. These apply to The Podium West Tower and The Podium Mall.

SDGs	Material Issues	Approach	Highlights and Contribution to the UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>ENVIRONMENTAL STEWARDSHIP</b>					
   	Climate Action  Environmental Management	<p>KPPI is focused on creating properties that foster co-existence of building occupants with the environment.</p> <p>The Company is committed to minimizing its environmental impact and is focused on sustainable management and efficient use of natural resources.</p> <p>We aim to reduce wastage from our operations through resource efficiency, reuse of natural resources, and recycling.</p>	<p>To support the climate change agenda, KPPI is committed to developing green properties, optimizing resource efficiency in its operations, as well as tapping on the potential of renewable energy.</p> <p>In line with its sustainability strategy, the Company targets to reduce its carbon emissions intensity, as well as energy and water consumption intensities.</p> <p>An eco-icon, The Podium Complex was developed in accordance with the BCA Green Mark Gold Standard and the LEED Gold standard. The site consumes 14% less energy and 30% less water annually, compared to standard building designs.</p>	<p>Had the building followed standard designs, it would consume more energy and water, leading to more GHG emissions and effluents.</p>	<p>To reduce resource consumption, The Podium Complex has fixtures such as a double-glazed glass façade to minimize solar heat gain, a green roof to reduce cooling energy load, LED lighting, variable refrigerant volume air conditioning equipment, high efficiency chiller units and dynamic power metering. Water-efficient fixtures are also used in toilets with a centralized sewage treatment plant; rainwater is harvested and grey water is treated for reusing.</p>

SDGs	Material Issues	Approach	Highlights and Contribution to the UIN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>RESPONSIBLE BUSINESS</b>					
 	Economic Sustainability	<p>The Company regards its contribution to sustainable urbanization both as a corporate responsibility and a source of business opportunities. We are committed to apply knowledge and skills to drive innovation and support economic development, and in turn, support the well-being of our community.</p> <p>We conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. Our stance on regulatory compliance is clear and consistently reiterated by the top management. The Company has zero tolerance for fraud, bribery, corruption and violation of laws and regulations.</p> <p>We work closely with our suppliers to make a positive impact on their sustainability performance.</p> <p>We exercise due care and diligence in the design, construction and use of our products and services to ensure that they do not pose hazards to customers.</p>	Our business operations generate employment, opportunities for suppliers and tax revenues for governments.	There may be risks of corruption in the operations.	We continue to be firm in our zero-tolerance stance against corruption, and will continue to implement more safeguards against it.
	Corporate Governance		All suppliers of KPPI are required to sign a Keppel Supplier Code of Conduct which requires them to perform well in the ESG aspects of their businesses.	Suppliers, by not adopting ESG clauses, could impact our entire value chain of operations – thereby impacting our financial standing in the long run.	We will continue to implement our zero-tolerance stance against unethical labor practices and also ensure that suppliers follow the Keppel Supplier Code of Conduct strictly.
	Risk Management		We do not tolerate unethical labor practices in any of our operations and strongly support the elimination of exploitative work conditions as provided for in the Labor Code of the Philippines. These actions are also supported by Keppel Corporation's Employee Code of Conduct, which we also follow.	The product design may not meet the standards of Responsible Design Values which could compromise product quality.	We will continue our due diligence from the design and construction stages to the operations stage, to ensure that our products meet all design specifications.
	Supply Chain & Responsible Procurement				
	Product Quality & Safety		We adopt a set of Responsible Design Values, including Design for Quality and Design for Safety, to ensure quality and safety principles are incorporated into designs right from the start of our value chain.		

SDGs	Material Issues	Approach	Highlights and Contribution to the UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
PEOPLE AND COMMUNITY					
 	Occupational Safety & Health	Providing a safe and healthy working environment for all stakeholders is fundamental to our commitment to conduct business responsibly.	We achieved zero fatalities in 2020 and 2021. We are committed to maintaining an incident and injury-free work environment.	Poor building design could put workers and customers' health and safety at risk.	We adhere to strict building design standards and follow all health and safety regulations.
	Labour Practices, Talent Management & Human Rights	We are a strong advocate for safety and health in the broader community, and champion national and industry initiatives to raise standards and drive innovation in these aspects.	We adhere to the Keppel Group's stance on human rights. We also believe in the importance of promoting an inclusive and harmonious workplace, and give equal opportunities to all during the hiring process, regardless of background, gender or race.	If the site is not properly selected, it could result in displacement of residential communities.	The location of The Podium Complex is built on a site of a former building and not on a residential area, and as such, no displacement and relocation occurred during construction. Moreover, stringent measures were put in place to ensure that the building meets green building standards.
	Community Development	<p>Our business sparks economic growth, productivity and jobs. Our hiring policies ensure equal employment opportunities for all.</p> <p>We uphold human rights principles and adhere to fair employment practices. We provide equal opportunities with regard to the recruitment and career development of our employees.</p> <p>We share knowledge and best practices, as well as financial and human resources with all our stakeholders to support the achievement of the SDGs in the Philippines as a whole.</p>	We are committed to continue our efforts in collaborating with partners and stakeholders to create value for our stakeholders and the wider community.		

**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	see last page
(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%