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(Company's Full Name)

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

<b>Pang Chan Fan</b>
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(Contact Person)

8584-6170
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(Company Telephone Number)

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Month

Day

Fiscal Year

<b>SEC FORM 20-IS (DEFINITIVE INFORMATION STATEMENT)</b>
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Form Type

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Month

Day

Annual Meeting

N/A
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Secondary License Type, If Applicable

M	SR	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

1,242 as of 30 April 2021
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Total No. of Stockholders

Total Amount of Borrowings

-
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Domestic

-
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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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# **Keppel Philippines Properties**

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

Tel: (632) 85846170  
(632) 85846171  
(632) 85843913  
Fax: (632) 85843915

## NOTICE OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF KEPPEL PHILIPPINES PROPERTIES, INC.

### TO ALL STOCKHOLDERS:

Notice is hereby given that the Annual Stockholders' Meeting (Meeting) of Keppel Philippines Properties, Inc. (Company) will be held on 29 June 2021, Tuesday, 11:00 a.m., at 18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City. The Meeting shall be held through remote communication via WebEx virtual conferencing due to the COVID-19 global pandemic.

The Agenda of the Meeting shall be as follows:

1. Call to Order
2. Proof of Notice of Meeting and Certification of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 13 August 2020
4. Chairman's Address
5. Presentation and Approval of Y2020 Annual Report and Audited Financial Statements
6. Ratification of Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation during the Year under Review
7. Election of Directors
8. Presentation of Directors' Remuneration for Y2020
9. Appointment of External Auditor for Y2021
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business on 9 June 2021 are entitled to notice of and to vote at this Meeting.

If appointing a proxy, kindly date, sign, and submit your proxy form to the Corporate Secretary at Keppel Philippines Properties, Inc., 12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 on or before 25 June 2021. All proxies received will be validated on 25 June 2021. Please note that Management is not soliciting proxies.

Stockholders who will participate should register by confirming their attendance via e-mail to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) on or before 25 June 2021. Guidelines for registration and participation by remote communication is available on the Company's website (<http://keppelland.com.ph>) and on its PSE Edge Company Disclosures page (<https://edge.pse.com.ph>).

  
**MA. MELVA E. VALDEZ**  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter: **KEPPEL PHILIPPINES PROPERTIES, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Mandaluyong City, Philippines**

4. SEC Identification Number: **PW-305**

5. BIR Tax Identification Code: **000-067-618**

6. Address of principal office: **12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 (business office address changed to: 18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City, 1550)**

7. Registrant's telephone number, including area code: **(02) 8584-6170**

8. Date, time and place of the meeting of security holders:

Date: **29 June 2021, Tuesday**  
Time: **11:00 A.M.**  
Place: **18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower,  
12 ADB. Avenue, Ortigas Center,  
Mandaluyong City**

9. Approximate date on which the Information Statement is first to be sent to security holders:

**6 June 2021**

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

<u>Title of Each Class</u>	<u>Authorized Capital Stock</u>	<u>Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding</u>
<b>Common Stock</b>	<b>375,000,000</b>	<b>293,828,900</b>

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes   /   No       

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange**

## PART I

### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### A. GENERAL INFORMATION

##### Item 1. Date, Time and Place of Meeting of Security Holders

- (a) The stockholders' meeting shall be held on:

Date: **29 June 2021, Tuesday**  
Time: **11:00 A.M.**  
Place: **18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City, 1550; ASM via Webex Virtual Conferencing**

Complete Mailing Address of the Principal Office of the Registrant

12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 (business office changed to: **18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City, 1550**)

- (b) The approximate date on which the Information Statement is first to be sent or given to security holders shall be **6 June 2021**. *Pursuant to SEC Notice dated 16 March 2021 providing for alternative mode for distributing and providing copies of Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders' Meeting, the same will be available at KEP's website [www.keppelland.com.ph](http://www.keppelland.com.ph) and via Philippine Stock Exchange (PSE)'s website – PSE Edge Portal.*

##### Item 2. Dissenter's Right of Appraisal

The matters to be discussed in the Annual Stockholders' Meeting subject of this Notice do not give rise to any appraisal right in favor of the stockholders.

Title X, Section 80 and Title IV, Section 41 of the Revised Corporation Code of the Philippines ("RCCP") allow a shareholder to exercise his right of appraisal in the following instances: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such shareholder or otherwise extend or shorten the term of the company; (2) in case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the company's properties; (3) in cases of merger or consolidation; or (4) in case the company decides to invest its funds in another corporation or business.

As required by Title X, Section 81 of the RCCP, a dissenting stockholder who voted against a proposed corporate act may exercise the right of appraisal, when available, by making a written demand on the corporation for the payment of the fair value of the shares held within thirty (30) days from the date on which the vote was taken.

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

- a) There are no transactions or matters known to the registrant to be taken up in the meeting in which the Directors, Executive Officers, Nominees or Associate/s have any interest other than the election of Directors.
- b) No Director or Officer of the registrant has informed the registrant of any intention to oppose any action intended to be taken up at the meeting.



## **B. CONTROL AND COMPENSATION INFORMATION**

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

a) Class of Voting Shares (as of **30 April 2021**)

<b>Class of Voting Shares</b>	<b>No. of Shares Outstanding</b>	<b>No. of Vote/s Each Share is Entitled</b>
Common Shares	293,828,900	One (1) vote per share

b) The record date is **09 June 2021** for purposes of determining the stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

c) The election of directors shall be taken up at the meeting and pursuant to Section 23 of the RCCP, each stockholder shall have the right to cumulate his votes in favor of any nominee(s) for director. There are no conditions precedent for the exercise of the cumulative voting rights in the election of directors. A stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

d) Security Ownership of Certain Record and Beneficial Owners and Management:

1) *Security Ownership of Certain Record and Beneficial Owners of more than 5% as of **30 April 2021**:*

The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than 5% of the registrant's voting securities as of **30 April 2021** are as follows:

<b>Title of Class</b>	<b>Name and Address of Record Owner and relationship with The Company</b>	<b>Name of Beneficial Owner and relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent of Class</b>
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 #18-01 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	31,527,536	10.73%

- 1 Mr. Ng Ooi Hooi or Ms. Tan Boon Ping 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 the Company.
- 3 Mr. Ng Ooi Hooi, or in his absence, Mr. Stefan Tong Wai Mun, is duly authorized as proxy to vote for the shareholdings of Keppel Corporation Limited ("KCL") in the Company.
- 4 PCD Nominee Corporation ("PCNC") is a wholly owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD. However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with it in its name.
- 5 Molten Pte., Ltd. is the beneficial owner of the following shares of the Company as of 30 April 2021:

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

2) *Security Ownership of Directors and Management as of 30 April 2021:*

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ng Ooi Hooi	1 (direct)	Singaporean	0.00%
Common	Yong Ngai Soon	1 (direct)	Singaporean	0.00%
Common	Ramon J. Abejuela	1 (direct)	Filipino	0.00%
Common	Celso P. Vivas	1 (direct)	Filipino	0.00%
Common	Stefan Tong Wai Mun	10,000 (direct)	Malaysian	0.00%
Common	Tan Boon Ping	1 (direct)	Singaporean	0.00%
Common	Oh Lock Soon	1 (direct)	Singaporean	0.00%
Common	Leonardo Arguelles Jr.	1 (direct)	Filipino	0.00%

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

The total security ownership of all directors and officers as a group unnamed is 10,007 shares or 0.00% of total shares outstanding.

3) *Voting Trust Holders of 5% Or More*

As of 30 April 2021, there are no individuals or parties who hold 5% or more of the Company's common stock under a voting trust or similar agreement.

4) *Changes in control*

There were no events or arrangements which may result in a change in control of the Company. No change in control of the registrant has occurred since the beginning of its last fiscal year.

- e) As of 31 May 2021, 251,059,424 or 70.5% of the total outstanding voting shares of KPPI are owned by foreigners as follows:

Nationality	Foreign-owned Shares	Rank
American	791,142	0.22%
British	7,756	0.00%
Canadian	16,085	0.00%
Chinese	107,563	0.03%
Hong Kong	62	0.00%
Luxembourg	3,250	0.00%
Malaysian	57,251	0.02%
Netherland	35	0.00%

Nationality	Foreign-owned Shares	Rank
Singaporean	245,644,691	68.98%
Spanish	108	0.00%
Taiwanese	41	0.00%
PDC Nominee Corporation (Foreign)	4,431,440	1.24%

## Item 5. Directors and Executive Officers

### 1) Directors, Executive Officers, Promoters and Control Persons

#### (a) Nominees to the Board of Directors

At present, there are eight seats to the Board of Directors. The term of office of each member is one (1) year. The directors are elected annually during the annual stockholders' meeting, to serve as such, until the next annual stockholders' meeting and until their successors shall have been duly elected and qualified. The incumbent members of the Board of Directors are as follows:

Name / Position	Age	Citizenship
1. Ng Ooi Hooi <i>Chairman, Director</i>	61	Singaporean
2. Yong Ngai Soon <i>Director</i>	47	Singaporean
3. Ramon J Abejuela <i>Independent Director</i>	71	Filipino
4. Celso P. Vivas <i>Independent Director</i>	74	Filipino
5. Stefan Tong Wai Mun <i>Director</i>	48	Malaysian
6. Tan Boon Ping <i>Director</i>	47	Singaporean
7. Oh Lock Soon <i>Director</i>	62	Singaporean
8. Leonardo Arguelles, Jr. <i>Independent Director</i>	71	Filipino

The following are the incumbent members of the Screening Committee as of 30 April 2021:

Ng Ooi Hooi, *Chairman*  
Celso P. Vivas, *Member (Independent Director)*  
Stefan Tong Wai Mun, *Member*

The Screening Committee approved the following nominees for election to the Board of Directors at the upcoming Annual Stockholders' Meeting and said nominees have accepted their nomination:

1. Ng Ooi Hooi
2. Oh Lock Soon
3. Celso P. Vivas – Independent Director
4. Yong Ngai Soon
5. Ramon J. Abejuela – Independent Director
6. Tan Boon Ping
7. Stefan Tong Wai Mun
8. Leonardo R. Arguelles, Jr. - Independent Director

The Company's Amended By-Laws, as approved by the SEC on 30 March 2007, provides for the procedure on the nomination and election of Independent Directors, consistent with Rule 38 of the Securities Regulation Code. The Screening Committee receives recommendations for independent directors, signed by the nominating stockholders with the conformity of the would-be nominee. After pre-screening the qualifications of the nominees, the Committee prepares the Final List of Candidates ("List"). Only the

names of nominees appearing in the List shall be eligible for election as independent director at the annual stockholders' meeting.

The nominees for Independent Director for the ensuing year are as follows:

Nominee for Independent Director	Person who Nominated the Candidate	Relationship Between the Parties
Mr. Celso P. Vivas	Mr. Ng Ooi Hooi	None
Mr. Ramon J. Abejuela	Mr. Oh Lock Soon	None
Mr. Leonardo R. Arguelles, Jr.	Mr. Stefan Tong Wai Mun	None

No relationship exists as between the nominees and the person who nominated them.

The nominees for Independent Directors were advised of SEC Memorandum Circular No. 5, Series of 2017 regarding the required Certificate of Qualification of Independent Directors. They were likewise informed of SEC Memorandum Circular No. 15, Series of 2017 on the term limit of Independent Directors.

While Mr. Vivas and Mr. Abejuela have served as Independent Directors for a cumulative term of nine (9) years, it is essential to note that their extensive experience and unquestionable familiarity on the operations of the Company, render them most qualified to provide impartial advice and guidance. Further, the intention of the law in providing the maximum period of service of Independent Directors to a cumulative period of nine (9) years is "to ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balances of competing demands of the corporation." The excellent track record of the nominees, their advocacy for corporate governance, dedication and general professional approach to all matters at the Committee and the Board of Directors' level, contributed immensely in ensuring that adequate mechanisms for proper checks and balances in the Company are in place, as well as in securing objective judgement on corporate affairs. As such, despite maximizing the 9-year term, the re-election of the nominees for another term will prove beneficial in even strengthening Board independence.

**(b) Profile of Incumbent Directors, Nominees, and Officers**

- 1) **Mr. Ng Ooi Hooi**, 61, Singaporean, was re-elected on 23 December 2019 as Director and Chairman of the Board of Directors of KEP effective 1 January 2020. Mr. Ng joined Keppel Land Group in 2007, and is currently President, Singapore & Regional Investments, overseeing the Group's real estate businesses in Singapore, 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) **Ms. Tan Boon Ping**, 47, Singaporean, was elected as a Director of KEP on 14 January 2019. Ms. Tan joined Keppel Land Limited in December 2008 as Financial Controller, overseeing the Group consolidation and reporting for the Keppel Land Group. She reported directly to the Chief Financial Officer, and she also assisted the Company Secretary on corporate secretarial matters. In December 2015, she was appointed the Chief Financial Officer of Keppel Land China Limited. In August 2018, she assumed the role of Chief Financial Officer, Keppel Land Limited.

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

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

- 3) **Mr. Yong Ngai Soon**, 47, Singaporean, was elected as a Director of KEP 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.

- 4) **Mr. Oh Lock Soon**, 62, Singaporean, was elected as a Director and President of KEP on 31 March 2017. Prior to his election, Mr. Oh Lock Soon served as the President of Keppel Thai Properties Public Company Limited from January 2012 until June 2016. He served as an Executive Director at Keppel Thai Properties Public Company Limited from December 2011 until June 2016. Further, under Keppel Land International Ltd, Mr. Oh served as President (Thailand) under the Regional Investments Division.

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

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

- 5) **Mr. Ramon J. Abejuela (Independent Director)**, 71, Filipino, was elected as an Independent Director of KEP from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit Committee of KEP. 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.

- 6) **Mr. Celso P. Vivas (Independent Director)**, 74, Filipino, was elected as an Independent Director of KEP since November 2004 and is a member of KEP's Audit Committee. He is also an Independent Director since June 2005 and is currently the Lead Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippine Holdings, Inc., as well as an Independent Director and Chairman of the Audit 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.

- 7) **Mr. Stefan Tong Wai Mun**, 48, Malaysian, was elected as a Director of KEP 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.

- 8) **Leonardo R. Arguelles, Jr.**, 71, Filipino, was elected as an Independent Director of the Company in August 2020 and is a Member of KEP's Audit 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.

### (c) Key Officers

The Company's Officers are elected or appointed annually by the Board of Directors at its Organizational 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 elected/appointed and shall have qualified.

The Company's key executive officers as of 30 April 2021 are as follows:

Ng Ooi Hooi	Chairman
Oh Lock Soon	President
Pang Chan Fan	Treasurer
Ma. Melva E. Valdez	Corporate Secretary/Corporate Information & Compliance Officer

1. **Oh Lock Soon**, 62, Singaporean. (See *Director's profile in page 8*)
2. **Pang Chan Fan**, 39, Singaporean, was appointed Treasurer of KEP in October 2017. Mr. Pang joined Keppel Land Group under Keppel Land Hospitality Management Pte., Ltd. and was assigned as the

Financial Controller of Wiseland Investment (Myanmar), Ltd. in October 2015. Mr. Pang was then transferred to Keppel Land International Limited and was assigned as Financial Controller of KEP in April 2017. Prior to joining Keppel Land Group, Mr. Pang has held positions as a Finance Manager and has started his professional career in audit firms in Singapore. Mr. Pang is a member of the Association of Chartered Certified Accountants.

3. **Atty. Ma. Melva E. Valdez**, 61, Filipino, has been the Corporate Secretary of KEP since 1999. Atty. Valdez also served as Director of KEP from 24 June 2008 to 11 June 2009. She is a Senior Partner of the law firm Bello Valdez & Fernandez (JGLaw). Atty. Valdez is also the Corporate Secretary of Keppel Philippines Holdings, Inc., and Mabuhay Vinyl Corporation (listed corporations), Keppel Philippines Marine, Inc. 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.

**(d) 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. The contribution of each of the Company's employees is valued. Each employee is expected to do his share in achieving the Company's goals.

**(e) Family Relationship of Directors and Officers**

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 the company to become directors or executive officers, any security holder of certain record, beneficial owner or management.

**(f) Involvement in Certain Legal Proceedings**

As of 30 April 2021, to the knowledge the Corporation, none of the Company's Directors or Executive Officers have been involved in any legal proceedings during the last five (5) years that are material to an evaluation of their ability or integrity to act as such.

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

To the knowledge of the Corporation, none of the Directors and Executive Officers of the Corporation is involved in any of the following in the past five (5) years:

- (i) A bankruptcy petition by or against any business of which a such person was a general partner or Executive Officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (ii) A conviction by final judgement in a criminal proceeding, domestic or foreign, or is being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- (iii) An order, judgement, or decree, not subsequently reversed, suspended, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; nor
- (iv) A conviction by a domestic or foreign court of competent jurisdiction in a civil action, the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated securities or commodities law or regulation, and the judgement has not been reversed, suspended, or vacated.

**(g) Certain Relationships and Related Transactions**

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

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

- i. Any director or executive officer of the Corporation;
- ii. Any nominee for election as a director;
- iii. Any security holders; and
- iv. Any member of the immediate family of the preceding persons.

The parent company of the registrant is Keppel Land Limited ("KLL"). KLL owns 50.49% of the Company's capital stock.

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

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

The Company has four (4) executive officers as of 30 April 2021.

- a. The aggregate annual compensation, including salary and benefits, paid to the four (4) most highly compensated executive officers as of 31 December 2020 is summarized in the table below:

<b>SUMMARY COMPENSATION TABLE</b>					
Annual Compensation (in Pesos)					
Name and Principal Position	Year	Salary	Bonus	Others	Total
		In Php Millions			
Oh Lock Soon (Director and President) James Pang Chan Fan (Chief Finance Officer and Treasurer) Faye Monique Valderrama (Deputy Finance Manager) Janel Michelle Dazo (Senior HR Manager)					
	2021 (Estimate)	22.03	10.43	0.03	32.49
Aggregate compensation of the top four Executive Officers	2020	23.38	12.03	0.03	35.44
	2019	24.59	12.34	0.03	36.96
Aggregate for all other Officers as a group	2021 (Estimate)	2.74	0.40	0.06	3.20
	2020	1.90	0.30	0.05	2.25
	2019	3.16	0.35	0.07	3.58



Note: Only the abovementioned officers are considered most highly compensated. Other than the abovementioned Executive Officers, the rest of the employees are the rank-and-file employees. The Corporate Secretary is not considered as an executive officer of the company.

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

- b. The Company's By-Laws provide that, by resolution of the Board, each Director shall receive a per diem allowance for his 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. Each director also receives an amount of ₱10,000 per diem for attendance at every board meeting.

For the year 2020, the directors did not receive any compensation except for the directors' fee amounting to ₱80,000 each per annum and the same amount is budgeted for 2021 as annual directors' fee. There is no bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as director, or executive officers of the registrant will participate.

- c. There are no other standard or special arrangements and no special consulting contracts awarded to any director or officer of the Company 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.

#### **Item 7. Independent Public Accountant**

- a) The Board of Directors has yet to approve the appointment of the Corporation's external auditor based on the recommendation of the Audit Committee, for the year 2021, for a fee to be approved by the Board of Directors. The same will be submitted to the stockholders at the upcoming Annual Stockholders' Meeting for approval.

The following are the members of the Audit Committee as of 30 April 2021:

Ramon J. Abejuela – *Chairman, Independent Director*  
Celso P. Vivas – *Member, Independent Director*  
Leonardo R. Arguelles, Jr. – *Member, Independent Director*  
Stefan Tong Wai Mun – *Member*

The Audit Committee evaluates proposals based on the quality of service, commitment for deadline, and fees. The Committee may require a presentation from each proponent to clarify some issues.

- b) Isla Lipana & Co., represented by Ms. Catherine H. Santos as partner-in-charge, was the Company's external auditor for the year ended 31 December 2020. Pursuant to SRC Rule 68(b)(iv) of the Amended Implementing Rules and Regulations of the SRC re rotation of external auditors, the Company has not engaged Ms. Catherine H. Santos for more than five (5) years.
- c) Representatives of Isla Lipana & Co. will be present at the stockholders' meeting and are expected to be available to respond to appropriate questions. The representatives of the External Auditor will have the opportunity to make a statement if they desire to do so.

- d) The aggregate annual external audit fees billed for each of the last two (2) fiscal years from the audit of the Company's annual financial statements or services that are normally provided by the external auditor are as follows:

Total audit fees paid by the Group to the external auditors amounted to ₱ 444,000 in 2019. The 2020 audit fees are yet to be finalized.

	<u>2020</u>	<u>2019</u>
1. Audit and other assurance or related services by the external auditor that are reasonably related to the performance of the auditor's review	To be finalized	₱444,000
2. Tax Fees	₱223,200	₱167,400
3. All Other Fees	₱50,000	₱100,000

- e) During the registrant's two most recent fiscal years or any subsequent interim period:

- 1) No independent accountant who was previously engaged as the principal accountant to audit the registrant's financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary has resigned (or indicated it has declined to stand for reelection after the completion of the current audit) or was dismissed; and,
- 2) No new independent accountant has been engaged as either the principal accountant to audit the registrant's financial statement or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary.

#### **Item 8. Compensation Plans**

- a. The Company has no plan or action to be taken with respect to any stock options, warrants or rights plan.
- b. The Company has no plan or action to be taken with respect to non-cash compensation to be paid or distributed other than the compensation stated in Item 6.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

No action will be presented for stockholders' approval at this year's Annual Stockholders' Meeting that involves any of the following: (a) authorization or issuance of securities other than for the Exchange; (b) modification or exchange of the class of securities; (c) merger, consolidation, acquisition of securities of another person, sale or transfer of all or any substantial part of the assets of the Corporation; (d) liquidation or dissolution of the Corporation; or (e) restatement of any of the Corporations' assets, capital, or surplus accounts.

## **D. OTHER MATTERS**

### **Item 15. Actions with Respect to Reports**

The approval of the stockholders on the following matters will be taken:

- a) Annual Report/Audited Financial Statements of the Company for the year ending 31 December 2020. Approval of the Annual Report/Audited Financial Statements constitutes a ratification of the company's performance during the previous fiscal year as contained therein.
- b) Minutes of the 13 August 2020 Annual Meeting of the Stockholders.

Approval of the Minutes of the Y2020 Annual Meeting of the Stockholders constitutes ratification of the accuracy and faithfulness of the minutes as to the events that transpired during the said meeting such as

- (1) Approval of the Minutes of the Stockholders' Meeting held on 13 June 2019;
- (2) Chairman's address;
- (3) Presentation and Approval of the Y2019 Annual Report and Audited Financial Statements;
- (4) Ratification of the Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation during the Year under Review;
- (5) Election of Directors;
- (6) Approval of Directors' Remuneration for Y2019; and
- (7) Appointment of External Auditor for Y2020.

This does not constitute a second approval of the same matters taken up at the Y2020 Annual Stockholders' Meeting which have already been approved.

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

The Company does not intend to submit to a vote of its stockholders any action/s which is/are not required to be submitted to stockholders' vote.

### **Item 17. Amendment of Charter, Bylaws or other Documents**

There is no action to be taken with respect to the Company's Charter, By-Laws or other documents.

### **Item 18. Other Proposed Action**

- a) Ratification of all acts and proceedings of the Board of Directors, Officers and Management covering the period from the date of the last annual stockholders' meeting up to 18 May 2021. These acts and proceedings are covered by resolutions of the Board of Directors duly adopted in the course of business such as: appointment of signatories, approval of signing authorities and limits, treasury matters related to opening of bank accounts, and appointment of officers.
- b) Election of the Members of the Board of Directors for the ensuing calendar year 2021.
- c) Approval of Directors' Remuneration for Y2020.
- d) Appointment of External Auditor for Y2021.

#### Item 19. Voting Procedures

Except on the election of directors, an affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholders' action.

The holders of a majority interest of all outstanding stock of the company entitled to vote at the meeting, in person or by proxy, shall constitute a quorum for the transaction of business.

The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees.

The shares shall be voted/casted by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, the counting of votes will be done through the regular method (or voting by raising of hands). For the election of directors, the counting will be cumulative. The Corporate Secretary shall be responsible for the counting/validation of votes.

#### SIGNATURE

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

KEPPEL PHILIPPINES PROPERTIES, INC.

  
MA. MELVA E. VALDEZ  
Corporate Secretary

Upon the written request of the stockholder, the Company undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge, except for exhibits attached thereto which shall be charged at cost. Please direct all requests to the Corporate Secretary, Atty. Ma. Melva E. Valdez, at the following address: *Keppel Philippines Properties, Inc., 18<sup>th</sup> Floor Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City.*

## MANAGEMENT REPORT

### ❖ INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

#### External Audit Fees and Services

##### **Audit and Audit Related Fees**

Isla Lipana & Co. was the external auditor of the registrant for the year ended 31 December 2020. The Company was billed for the audit of its Annual Financial Statements in the aggregate amount of ₱444,000.00 in 2019. The 2020 fees are yet to be finalized.

The Audit Committee reviews and pre-approves all audit plans and other services to be performed by the external auditors prior to submission to the Board of Directors for approval. The Audit Committee's approval policies and procedures comprise of assessing the proposed scope of audit work to be conducted, evaluating if there are material audit issues to be resolved, and then determining whether the fee charged is commensurate with the work carried out.

Other non-audit fees paid to Isla Lipana & Co. for 2020 includes ₱50,000.00 for Buena Homes Inc.'s partial redemption of redeemable preferred shares to KEP and ₱223,200.00 for the Group's tax retainer services.

**Tax Fees** : ₱223,200

**All Other Fees** : ₱50,000

#### Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There have been no disagreements with the independent accountants relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure for the last two (2) fiscal years.

### ❖ BUSINESS AND GENERAL INFORMATION

#### **BUSINESS**

##### The Company

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

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

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

### **Subsidiaries**

CSRI Investment Corporation ("CSRI") was incorporated in the Philippines on 25 October 1990. CSRI, a wholly owned subsidiary of KEP, 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 KEP, was previously engaged in property holding and development.

### **Associates**

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

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

Opon-KE Properties, Inc., 40% owned by KEP, 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 KEP, was incorporated in the Philippines on 11 January 1994 to develop, operate and manage the property thereafter.

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

### **Business**

KEP, through its associated companies, 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.

❖ **MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

**Comparative Financial Update and Analysis**

**A) For First Quarter ended 31 March 2021**

<b>For The Quarter Ended</b>	<b>31 March 2021 (Unaudited)</b>	<b>31 March 2020 (Unaudited)</b>	<b>% Change</b>
Return On Assets	0.30%	(0.80%)	137.50%
Loss Per Share	₱0.03	(₱0.07)	142.86%
<b>As At</b>	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>	<b>% Change</b>
Net Tangible Asset Value Per Share	₱6.18	₱6.15	0.49%
Working Capital Ratio	2.34:1	2.36:1	(0.85%)
Debt-to-equity ratio	0.03:1	0.03:1	0.00%

- A. Return On Assets** - It indicates how effectively the assets of the Group are utilized in generating profit. Net income after tax for the first quarter of 2021 amounted to ₱7.5 million as compared to a ₱20.7 million net loss in the same period in 2020. The favorable performance is mainly due to the improvement in the share in results of associated companies and lower general and administrative expenses incurred in the first quarter of 2021 as compared to the same period in 2020.

	<u>First Quarter 2021</u>	<u>First Quarter 2020</u>
Net Income (Loss) After Tax (a)	₱7,461,480	(₱20,681,925)
Total Assets At Beginning (b)	₱2,479,026,074	₱2,597,931,411
Return On Assets (a/b)	0.30%	(0.80%)

- B. Basic Earnings (Loss) Per Share** – It represents the equivalent apportionment of net income (loss) to each share of the common stock outstanding. For the first quarter of 2021 and 2020, basic earnings (loss) per share amounted to ₱0.03 and (₱0.07), respectively. The favorable performance is due to the net profit results in the first quarter of 2021 as compared to the net loss results in the same period in 2020

	<u>First Quarter 2021</u>	<u>First Quarter 2020</u>
Net Income (Loss) After Tax (a)	₱7,461,480	(₱20,681,925)
Number of Common Stock (b)	293,828,900	293,828,900
Earnings (Loss) Per Share (a/b)	₱0.03	(₱0.07)

- C. Net Tangible Asset Value Per Share** - It measures the equivalent entitlement of each share of the common stock outstanding in the tangible assets. The tangible value per share increased by 0.49% compared to the previous year due to the increase in retained earnings resulting from the net income generated as of the first quarter of 2021.

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

	<u>31 March 2021</u>	<u>31 December 2020</u>
Net Tangible Assets	₱2,409,235,203	₱2,401,773,723
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock	₱1,814,494,203	₱1,807,032,723
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.18	₱6.15

- D. Working Capital Ratio** - The Group's ability to meet current obligations is measured by computing the ratio of current assets over current liabilities. The Working Capital Ratio decreased by (0.85%) as at the end of first quarter of 2021 as compared to December 31, 2020.

	<u>31 March 2021</u>	<u>31 December 2020</u>
Current Assets (a)	₱177,300,928	₱181,463,449
Current Liabilities (b)	₱75,630,600	₱76,783,408
Working Capital Ratio (a/b)	2.34 : 1	2.36 : 1

- E. Debt-to-Equity Ratio** - The Group's ability to maintain a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. The Debt-to-Equity ratio remains the same as at 31 March 2021 as compared to 31 December 2020.

	<u>31 March 2021</u>	<u>31 December 2020</u>
Total Liabilities (a)	₱75,630,600	₱77,252,351
Total Equity (b)	₱2,409,235,203	₱2,401,773,723
Debt-to-Equity Ratio (a/b)	0.03 : 1	0.03 : 1



**B) For the Years Ended 31 December 2020 and 2019**

For The Year Ended	December 2020	December 2019	% Change
Return On Assets	(3.37%)	(1.84%)	(83%)
Loss Per Share	₱0.30)	₱0.16)	(88%)
Net Tangible Asset Value Per Share	₱6.15	₱6.45	(5%)
Working Capital Ratio	2.4:1	2.3:1	4%
Debt-to-equity ratio	0.03:1	0.04:1	(25%)

- A. Return On Assets** - This indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax amounted to ₱87.5 million in 2020 which is higher than the ₱48.1 million net loss in 2019. The higher net loss was mainly due to the share in net losses of associated companies.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Net Loss After Tax (a)	(₱87,532,201)	(₱48,129,588)
Total Assets At Beginning (b)	2,597,931,411	2,619,145,552
Return On Assets (a/b)	(3.37%)	(1.84%)

- B. Earnings (Loss) Per Share** – This represents the equivalent apportionment of net income (loss) to each share of common stock outstanding. The unfavorable performance is due to the higher net loss incurred in 2020 as compared to 2019

	<u>31 December 2020</u>	<u>31 December 2019</u>
Net Loss After Tax (a)	(₱87,532,201)	(₱48,129,588)
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	(₱0.30)	(₱0.16)

- C. Net Tangible Asset Value Per Share** - It measures the equivalent entitlement of each share of common stock outstanding in the tangible assets. The tangible value per share decreased by 5% compared to 2019 due to the decrease in retained earnings resulting from the significant loss incurred during the year.

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Net Tangible Assets	₱2,401,773,723	₱2,489,398,843
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock	1,807,032,723	1,894,657,843
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.15	₱6.45

- D. Working Capital Ratio** - The Group's ability to meet current obligations is measured by determining current assets over current obligations. The Working Capital ratio increased by 4% as compared to 2019.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current Assets (a)	₱181,463,449	₱239,177,211
Current Liabilities (b)	₱76,783,408	₱102,755,492
Working Capital Ratio (a/b)	2.4:1	2.3:1

- E. Debt-to-Equity Ratio** - The Group's ability to maintain a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. The Debt-to-Equity ratio decreased by 25% as at 31 December 2020 as compared to 31 December 2019.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total Liabilities (a)	77,252,351	108,532,568
Total Equity (b)	2,401,773,723	2,489,398,843
Debt-to-Equity Ratio (a/b)	0.03 : 1	0.04 : 1

**C) For the Years Ended 31 December 2019 and 2018**

For The Year Ended	December 2019	December 2018	% Change
Return On Assets	(1.84%)	1.66%	(210.84%)
Earnings (Loss) Per Share	(₱0.16)	₱0.14	(214.29%)
Net Tangible Asset Value Per Share	₱6.45	₱6.61	(2.42%)
Working Capital Ratio	2.3:1	3.2:1	(28.13%)
Debt-to-equity ratio	0.04:1	0.03:1	33.33%

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Net Loss After Tax (a)	(₱48,129,588)	₱42,368,990
Total Assets At Beginning (b)	2,619,145,552	2,554,300,512
Return On Assets (a/b)	(1.84%)	1.66%

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Net Loss After Tax (a)	(₱48,129,588)	₱42,368,990
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	(₱0.16)	₱0.14

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

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Net Tangible Assets	₱2,489,398,843	₱2,538,038,844
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock	1,894,657,843	1,943,297,844
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.45	₱6.61

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Current Assets (a)	₱239,177,211	₱263,249,770
Current Liabilities (b)	102,755,492	81,106,708
Working Capital Ratio (a/b)	2.3:1	3.2:1

- E. Debt-to-Equity Ratio** - The Group's ability to maintain a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. The Debt-to-Equity ratio increased by 33% as at 31 December 2019 as compared to 31 December 2018.

	<u>31 December 2019</u>	<u>31 December 2018</u>
Total Liabilities (a)	₱108,532,568	₱81,106,708
Total Equity (b)	₱2,489,398,843	₱2,538,038,844
Debt-to-Equity Ratio (a/b)	0.04 : 1	0.03 : 1

**D) For the Years Ended 31 December 2018 and 2017**

<b>For The Year Ended</b>	<b>December 2018</b>	<b>December 2017</b>	<b>% Change</b>
Return On Assets	1.66%	51.18%	(96.76%)
Earnings Per Share	₱0.14	₱3.03	(95.38%)
Net Tangible Asset Value Per Share	₱6.61	₱6.47	2.16%
Working Capital Ratio	3.2:1	5.1:1	(37.25%)
Debt-to-equity ratio	0.03:1	0.02:1	50.00%

- A. Return On Assets** – This indicates how effectively the assets of the Group are utilized in generating profit. Net income after tax decreased from ₱889.1 million in 2017 to ₱42.4 million in 2018. The decrease is mainly from the lower share in results of associates from the lower fair value gain recognized and higher interest expense incurred by SMKIL.

	<u>31 December 2018</u>	<u>31 December 2017</u>
Net Income After Tax (a)	₱42,368,990	₱889,093,785
Total Assets At Beginning (b)	2,554,300,512	1,737,255,335
Return On Assets (a/b)	1.66%	51.18%

- B. Earnings Per Share** – This represents the equivalent apportionment of net income to each share of common stock outstanding. The unfavorable performance is due to the lower net income recognized in 2019 as compared to 2018.

	<u>31 December 2018</u>	<u>31 December 2017</u>
Net Income After Tax (a)	₱42,368,990	₱889,093,785
Number of Common Stock (b)	293,828,900	293,828,900
Earnings Per Share (a/b)	₱0.14	₱3.03

- C. Net Tangible Asset Value Per Share** - It measures the equivalent entitlement of each share of common stock outstanding in the tangible assets. The tangible value per share increased by 2% compared to 2017 due to the increase in retained earnings resulting from the net income recognized during the year.

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Net Tangible Assets	₱2,538,038,844	₱2,495,014,940
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock	1,943,297,844	1,900,273,940
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.61	₱6.47

- D. Working Capital Ratio** - The Group's ability to meet current obligations is measured by computing the current assets over current obligations. The Working Capital Ratio decreased by 37% as compared to 2017.

	<u>31 December 2018</u>	<u>31 December 2017</u>
Current Assets (a)	₱263,249,770	₱302,391,530
Current Liabilities (b)	81,106,708	59,285,572
Working Capital Ratio (a/b)	3.2:1	5.1 : 1

- E. Debt-to-Equity Ratio** - The Group's ability to maintain a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. The Debt-to-Equity ratio increased by 50% as at 31 December 2018 as compared to 31 December 2017.

	<u>31 December 2018</u>	<u>31 December 2017</u>
Total Liabilities (a)	₱81,106,708	₱59,285,572
Total Equity (b)	₱2,538,038,844	₱2,495,014,940
Debt-to-Equity Ratio (a/b)	0.03 : 1	0.02 : 1

## **Results of Operations**

### **First Quarter of 2021 Compared To Same Period in 2020**

**GROSS REVENUE (LOSS)** registered an income of ₱18.1 million in the first quarter of 2021 as compared to a loss of by ₱5.6 million in the same period in 2020. This is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. The first quarter of 2021 showed a share in net income of ₱12.4 million as compared to a share in net loss of ₱12.0 million in the same quarter in 2020. The improvement in the share in net results is mainly due to SMKL's operating cost cutting initiatives and lower interest cost on its outstanding loans payable.
- Decrease in **INTEREST INCOME** by ₱0.6 million from ₱0.7 million in the first quarter of 2020 to ₱0.1 million in the same period of 2021 due to the lower amount of cash placements and lower interest rates on time deposits in 2021.

**GENERAL AND ADMINISTRATIVE EXPENSES** decreased by ₱5.7 million from ₱16.9 million in the first quarter of 2020 to ₱11.2 million in the same period of 2021 mainly due to the lower salaries, wages and benefits from lower headcount.

**OTHER INCOME, NET** decreased by ₱2.4 million from ₱3.3 million in the first quarter of 2020 to ₱0.9 million in the same period in 2021 due to the reversal of long outstanding accruals no longer required in 2020.

As a result, **First Quarter of 2021** resulted to a ₱7.5 million net income as compared to a ₱20.7 million net loss in the same period in 2020.

KEP's financial performance is mainly driven by the results of the operations of its subsidiaries, associates and mainly from its joint venture, SMKL. Currently, SMKL's performance is improving despite the pandemic situation from cost reduction initiatives and reduction of interest market rates for loans. Further, the completion of its office tower prior to the pandemic provided an edge from its competitors in the business district in terms of readily available office spaces for lease. With the upcoming years, SMKL is still projecting better occupancy rates in its retail and office spaces that will result to a more profitable position by 2022 as the economic conditions progresses back to normal. This in return, will impact significantly KEP's financial performance.

### **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 ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. 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 from The Podium Mall 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 due to the decrease in SMKL's net revenue on which these fees from SMKL are based.
- 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 related to overseeing SMKL's mixed-use development project which was completed in 2019, and lower salaries, wages and 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 and 2019 includes loss incurred on the sale of an associate.

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

- Changes in **Share In Results of Associated Companies** from period to period are dependent upon the results of the operations of the associated companies. Share in net income decreased by ₱93.6 million from of ₱103.5 million in 2018 to ₱9.9 million in 2019 mainly due to the lower net fair value gain recognized on SMKL's investment properties in 2019 and higher interest expense from the completion of The Podium West Tower in September 2019, offset by improvements in SMKL's net revenue.
- Increase in **Management Consultancy and Franchise** by ₱6.8 million or 70% from ₱9.7 million in 2018 to ₱16.5 million in 2019 due to the improvement of SMKL's net revenue from higher occupancy in The Podium and from the commencement of the operations of The Podium West Tower in 2019, on which these fees from SMKL are based.

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

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

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

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

- Changes in **Share In Results of Associated Companies** from period to period are dependent upon the results of the operations of the associated companies. Share in net income decreased by ₱837.2 million or 89% from ₱940.7 million in 2017 to ₱103.5 million in 2018, mainly due to the lower net fair value gain recognized on SMKL's investment properties in 2018, higher interest expense incurred in 2018, and loss contributed from the closure of the old wing of The Podium in October 2017 for renovation which was completed in December 2018.
- Increase in **Management Consultancy and Franchise Fees** by ₱4.3 million or 80% from ₱5.4 million in 2017 to ₱9.7 million in 2018 due to increase in The Podium's rental income on which these fees from SMKL are based.
- Increase in **Interest Income** by ₱1.0 million or 31% from ₱3.2 million in 2017 to ₱4.2 million in 2018 due to higher interest rates on deposit placements.

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

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

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

### **FINANCIAL POSITION**

#### **First Quarter Ended March 2021 Compared to 31 December 2020**

**TOTAL ASSETS** increased by ₱5.8 million to ₱2,484.8 million in 2021 from ₱2,479.0 million in 2020. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱7.3 million due to the net cash used in operating and financing activities mainly from general and administrative expenses, including rental payments, incurred in the first quarter of 2021.
- **DUE FROM RELATED PARTIES** increased by ₱2.6 million due to the operating advances incurred in the first quarter of 2021 on behalf of the Group's associates and joint venture.
- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** increased by ₱12.4 million due to the positive share in results of associated companies in the first quarter of 2021.
- **PROPERTY AND EQUIPMENT, NET** decreased by ₱1.2 million due to the depreciation recognized for the three months ended March 31, 2021.
- **RIGHT-OF-USE ASSET, NET** decreased by ₱1.2 million due to the amortization recognized for the three months ended March 31, 2021.

**TOTAL LIABILITIES** decreased by ₱1.6 million from ₱77.2 million in 2020 to ₱75.6 million in 2021 mainly due to the reduction in lease liability from office rental payments for the first quarter of 2021.

**TOTAL EQUITY** increased by ₱7.4 million to ₱2,409.2 million in 2021 from ₱2,401.8 million in 2020 due to the net income recognized for the first quarter ended March 31, 2021.

#### **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 associated companies 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 ₱11.5 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.

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

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

- **CASH AND CASH EQUIVALENTS** increased by ₱20.5 million from the proceeds from the sale of shares in an associate and collection of receivables, offset by net cash used in operations, acquisitions of property and equipment and financing activities.



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

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

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

#### **Year Ended 31 December 2018 Compared to 2017**

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

- **CASH AND CASH EQUIVALENTS** decreased by ₱40.6 million due to the net cash used in operating activities, mainly from general and administrative expenses, offset by interest income received and collections from receivables and return of investments from an associate.
- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱1.6 million due to the renewal of leases in 2018 that required prepayments and advance rentals.
- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** increased by ₱103.7 million due to the positive share in results of associated companies for 2018, mainly from the net fair value gain recognized for 2018 after offsetting the interest expense incurred for the investment properties of the joint venture.

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

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

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

## **Competition**

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

	Comprehensive Income YTD 3Q2020 In Php Billions
SM Prime Holdings, Inc.	14.47
Ayala Land Inc.	7.51
Robinson's Land Corporation	4.40

*Source: Published corporate disclosures.*

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

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

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

## **Major Risk Factors**

KEP'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 KEP to changes in the Philippine economy. The Group is also exposed to financial, operating and administrative risks which are normal in the course of business.

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

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

## **Known Trends, Events or Uncertainties**

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 sales or revenues or income from continuing operations, other than the below:

The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. The COVID-19 situation is forecasted to impact the following:

- *Demand* for office spaces are expected to slow down until the first half of 2021, with some closure of businesses in the traditional and outsourcing firms as they shift to remote working on a short-to medium term. Likewise, demand for retail spaces are expected to decline, mostly affecting non-essential retailers as they shift to online selling due to decreased consumer traffic.
- *Rent rates* for office spaces are expected to decline due to rent negotiations and concessions from existing and prospect tenants. Likewise, rent rates for retail spaces are projected to decline due to decreased consumer spending brought about by the economic slowdown. Rent rates are expected to recover by the second half of 2021 and 2022 for office and retail sectors, respectively.
- *Vacancy* for office and retail spaces are expected to increase due to slowed leasing activities over Metro Manila as offices have been rationalizing on remote working and as non-essential consumption and foot traffic remains subdued. Vacancies are forecasted to improve by 2022.

The Group believes that liquidity risk is low and have therefore no reason to assume that the situation at the level of KEP and its subsidiaries warrants disclosure of a specific material going concern uncertainty for the Group.

**Events that will trigger direct or contingent financial obligations**

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

**Material off-balance sheet transactions, arrangement or obligation**

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

**Material commitments for capital expenditures, its general purpose and expected sources of funding**

There is no known material commitments for capital expenditures.

**Significant Elements of Income or Loss**

There is no significant element of income that arose from continuing operations.

❖ **REGISTRANT'S DIRECTORS AND EXECUTIVE OFFICERS INCLUDING THEIR PRINCIPAL OCCUPATION OR EMPLOYMENT, NAME AND PRINCIPAL BUSINESS OF ANY ORGANIZATION BY WHICH SUCH PERSONS ARE EMPLOYED:**

<b>Name of Directors and Officers</b>	<b>Position</b>	<b>Principal Occupation/Name and Principal Business of Organization</b>
Ng Ooi Hooi	Director / Chairman	President, Keppel Land Singapore & Regional Investments
Ramon J. Abejuela	Independent Director	Director and Vice Chairman of the Board, Philippine Nutri-Foods Corp. and NCP Publishing Corp.
Celso P. Vivas	Independent Director	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
Stefan Tong Wai Mun	Director	Director & Executive Vice President, Keppel Philippines Holdings, Inc.
Leonardo R. Arguelles, Jr.	Independent Director	Independent Director, Keppel Philippines Properties, Inc. and Keppel Philippines Holdings, Inc.
Oh Lock Soon	Director/President	President, Keppel Philippines Properties, Inc.
Tan Boon Ping	Director	Chief Financial Officer, Keppel Land limited
Yong Ngai Soon <sup>2</sup>	Director	Financial Controller. Keppel Land Limited
Pang Fan Chan	Treasurer	Financial Controller, Keppel Philippines Properties, Inc.
Ma. Melva E. Valdez	Corporate Secretary	Senior Partner, Bello Valdez & Fernandez Law Offices

➤ Please see Part I, pages 7 to 11 for the directors' and officers' profiles.

## ❖ MARKET PRICE

The common equity of KEP is traded in the Philippine Stock Exchange. KEP has no restriction for any cash dividends declared that limit the ability to pay on common equity or that are likely to do so in the future. However, no cash dividends were declared from 2003 to 2020.

STOCK PRICES	2021		2020		2019	
	High	Low	High	Low	High	Low
First Quarter	P2.97	P2.93	P3.61	P3.60	P4.83	P4.82
Second Quarter	-	-	P3.43	P2.39	P4.79	P4.68
Third Quarter	-	-	P3.14	P3.13	P4.02	P4.00
Fourth Quarter	-	-	P3.39	P3.38	P4.11	P4.00

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

There were no recent sales of unregistered or exempt securities.

Its common shares were last traded on 25 May 2021 at ₱2.88 per share.

## Holders

As of 30 April 2021, the number of shareholders on record was 1,241 and common shares outstanding were 293,828,900. Following is the table of the Parent Company's top 20 stockholders as of 30 April 2021:

	Name	No. of Shares Held	% to Total
1.	Keppel Land, Limited	148,365,050	50.49
2.	Kepwealth, Inc.	51,033,178	17.37
3.	Keppel Corporation, Limited	35,783,742	12.18
4.	PCD Nominee Corporation – Filipino	31,611,278	10.72
5.	PCD Nominee Corporation – Foreign	4,431,440	1.51
6.	International Container Terminal Services Inc.	4,265,171	1.45
7.	George S. Dee, Jr.	3,442,891	1.17
8.	PNOC Shipping and Transport Corporation	2,227,511	0.76
9.	Visayan Surety & Insurance Corporation	1,671,664	0.57
10.	Molten Pte Ltd.	1,455,707	0.50
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.	Rafanan/Antonio Diosdado	181,453	0.06
20.	East Visayan Milling Corporation	181,453	0.06

## **Dividends**

CASH DIVIDENDS PER SHARE – The Company declared no dividends in 2020, 2019, and 2018.

Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with the law and applicable rules and regulations. The portion of retained earnings corresponding to the undistributed equity in net earnings of the subsidiaries and associates amounted to ₱1,548.3 million, ₱1,598.4 million and ₱1,589.7 million as of 31 December 2020, 2019 and 2018, respectively. These amounts are not available for distribution as dividends until declared by the subsidiaries and associates. Retained earnings are further restricted by ₱ 2.7 million representing the cost of shares held in treasury as of 31 December 2020, 2019 and 2018.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, KEP's retained earnings available for dividend declaration as of 31 December 2020, 2019 and 2018 amounted to nil.

## **❖ CORPORATE GOVERNANCE**

KEP 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 has continued to observe KEP'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 Amended Manual. KEP also complies with the appropriate self-rating assessment and performance evaluation system to determine and measure compliance in accordance with the Amended Manual.

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

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

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

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

KEP has submitted its Annual Corporate Governance Report to SEC and PSE on 1 September 2020.

Upon the written request of the stockholder, KEP undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge, except for exhibits attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed as follows:

Keppel Philippines Properties, Inc.  
18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower  
12 ADB Avenue, Ortigas Center  
Mandaluyong City, 1550

Attention: The Corporate Secretary

## PROXY

The undersigned (hereinafter referred to as the "Principal"), being a stockholder of Keppel Philippines Properties Inc. (KEP), hereby appoints and empowers Mr./Ms. \_\_\_\_\_ as the proxy to act/vote in the Principal's name and stead at the annual stockholders' meeting of KEP on 29 June 2021.

Done this \_\_\_\_\_th day of \_\_\_\_\_ 2021 at \_\_\_\_\_ City, Philippines.

\_\_\_\_\_  
Stockholder's Complete Name and Signature

\*NOTE: If the stockholder is a corporation, the proxy must be signed by an authorized officer of the corporation and must be supported with a Secretary's Certificate containing the Board Resolution on the authority of the officer to appoint proxy.

GUIDELINES IN PARTICIPATION  
BY REMOTE COMMUNICATION  
IN THE ANNUAL STOCKHOLDERS MEETING  
OF KEPPEL PHILIPPINES PROPERTIES, INC.  
ON 29 JUNE 2021

The 2021 Annual Stockholders' Meeting (ASM) of Keppel Philippines Properties, Inc. (the Company) is scheduled on 29 June 2021, Tuesday at 11:00 a.m. The Board of Directors of the Company has fixed 9 June 2021 as the Record Date for the determination of stockholders entitled to the notice of, to attend, and to vote at the ASM and any adjournment thereof.

In consideration of the health and safety concerns of everyone involved, the Board of Directors has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote in absentia.

A. Registration

1. Stockholders who intend to participate in the ASM by remote communication must inform the Company of their intention to do so by sending an e-mail confirming their attendance to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) on or before 25 June 2021.

2. Stockholders that will appoint a proxy should date, sign, and send the proxy form to the Corporate Secretary at Keppel Philippines Properties, Inc., 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City on or before 25 June 2021. All proxies received will be validated on 25 June 2021.

3. Only stockholders of record who duly submitted their valid proxy or notified the Company their intention to participate by remote communication will be included in determining the existence of a quorum. Please note that the Company is not asking for or soliciting proxies.

4. For validation purposes, the email should include the following information of the stockholder:

a. For Individual Stockholders: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address (v) if appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized), and (vi) Stock certificate number/s.

b. For Multiple Stockholders or Joint Owners: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address, (v) proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized), and (vi) Stock certificate number/s.

c. For Corporate Stockholders: a copy of the notarized Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the corporate stockholder should be sent by email as well. Similar to Item a, the following information on the authorized representative should be provided in the email: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address and (v) Stock certificate number/s.



d. For Stockholders with Shares under broker account: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address (v) if appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized), and (vi) certification from broker as to the number of shares owned by stockholder.

Valid government issued IDs include the following: passport, driver's license, unified multi-purpose ID, SSS ID, senior citizen ID, among others. The provided information will be used solely for purposes of validating the identity of the stockholder and registering for the ASM.

5. Any data from stockholders or their authorized representative will be collected, stored, processed, and used exclusively for the purpose of electronic registration for the ASM.

6. A stockholder's online registration requires submission of all mandatory requirements. Incomplete or conflicting documents may result in an unsuccessful registration.

7. For the convenience of the stockholders, we recommend to register early prior to the deadline. This is to allow sufficient time to address any concerns prior to the ASM.

8. Stockholders who have indicated their intention to participate via remote communication by sending a notification/confirmation of their attendance by e-mail to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) on or before 25 June 2021 shall receive an e-mail acknowledgment thereof and a WebEx online meeting invitation.

#### B. Voting and Participation During the ASM

1. On the date of the ASM, stockholders are encouraged to log-in at least an hour before to allow opportunity to address possible technical issues and to avoid delay.

2. Stockholders may send questions and/or comments prior to or during the ASM by email to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) or by typing in the "chat panel" of the WebEx online meeting platform. Questions or comments received on or before \_ June 2021 will be read and addressed before the ASM is adjourned. Other questions or comments not taken up during the ASM due to time constraints will be addressed separately and replied through email.

3. After registration to participate by remote communication, stockholders will be provided an opportunity to cast their votes. The Presiding Officer of the ASM shall ask the stockholders to vote on the matters following the ASM Agenda. Participants can send their votes/objections via the WebEx Chat box. Motions shall be considered carried upon garnering majority votes of present stockholders.

4. The holders of common stocks are entitled to one vote per share. An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action, except as to the election of Directors. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting shall constitute a quorum for the transaction of business.

5. In connection with the election of Directors, however, the system of cumulative voting will be followed. In cumulative voting, each stockholder is entitled to as many votes equal to the number of shares held by the stockholder at the close of business on the Record Date multiplied by the number

of directors to be elected. A stockholder may cast all votes for a single nominee or may apportion such votes among any two or more nominees. The total number of votes cast shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.

6. Results and the final tabulation of votes will be reflected in the Minutes of the ASM.

7. The ASM will be recorded in video and audio format.

8. Stability of the stockholders' internet access to the ASM may be subject to fluctuations and interruptions depending on the stockholders' available technology, internet access, and internet provider. The Company cannot influence the availability, operability, stability, and reliability of telecommunications networks and any third-party internet service providers.

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY CITY ) S.S.

## CERTIFICATION

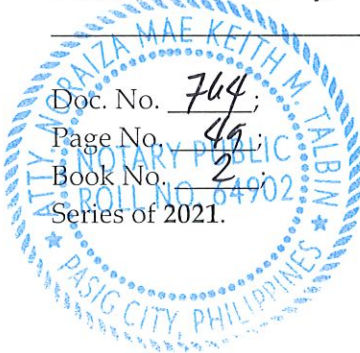
The undersigned, being the Director of **Keppel Philippines Properties Inc. ("KEP")**, a corporation duly organized and existing under and by virtue of Philippines laws with SEC Registration No. PW-305 and with address at **18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower, 12 ADB. Avenue, Ortigas Center, Mandaluyong City**, does hereby certify that, as of current date, no member of the Board of Directors and no officer of KEP is employed by or connected with any government agency or instrumentality.

This Certification is issued in connection with the filing/submission of KEP's Information Statement (20-IS) with the SEC and for all legal purpose this may serve.



**TONG WAI MUN**  
*Director*

SUBSCRIBED AND SWORN TO before me this JUN 04 2021 at  
PASIG CITY City, affiant exhibiting to me his Tax Identification Number ID Card numbered \_\_\_\_\_ as valid proof of identity.



**ATTY. NORAIZA MAE KEITH M. TALBIN**  
Appointment No. 785 (2020-2021)  
Commission Expires on December 31, 2021  
Roll No. 64902  
IBP Lifetime No. 013862/ Davao Oriental  
PTR No. 5242166/ 01-08-2020/ Pasig City  
29th Floor, Joy Nostalg Centre  
17 ADB Avenue, Ortigas Centre, Pasig City  
MCLE Compliance No. V-0020711/3-24-2017

## CERTIFICATION ON QUALIFICATION OF INDEPENDENT DIRECTOR

I, **LEONARDO R. ARGUELLES, JR.**, Filipino, of legal age and a resident of No. 420, Taal St., corner Talin Place, Ayala Alabang Village, Muntinlupa, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **Keppel Philippines Properties, Inc.** (the "Corporation") and has been its Independent Director since 2020.
2. I am affiliated with the following companies or organizations:

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Keppel Philippines Holdings, Inc.	Independent Director	2020 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director, officer, or substantial shareholder of the Corporation.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in the government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.


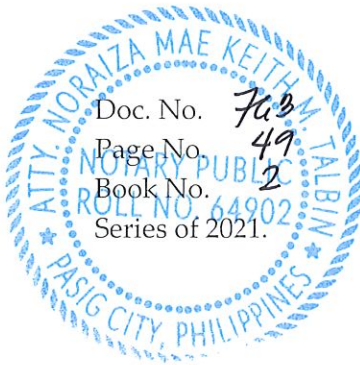
Done this \_\_\_\_ day of JUN 04 2021 2021 at PASIG CITY City, Philippines.



LEONARDO R. ARGUELLES, JR.

*Affiant*

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of JUN 04 2021 2021 at PASIG CITY City, Philippines, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) 106-967-381-000.



ATTY. NORAIZA MAE KEITH M. TALBIN  
Appointment No. 185 (2020-2021)  
Commission Expires on December 31, 2021  
Roll No. 64902  
IBP Lifetime No. 013862/ Davao Oriental  
PTR No. 5242166/ 01-08-2020/ Pasig City  
29th Floor, Joy Nostalgy Centre  
17 ADB Avenue, Ortigas Centre, Pasig City  
MCLE Compliance No. V-0020711/3-24-2017

## CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **RAMON J. ABEJUELA**, Filipino, of legal age and a resident of No. 116, Ma. Cristina Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **Keppel Philippines Properties, Inc.** (the "Corporation") and has been its Independent Director since 2009.
2. I am affiliated with the following companies or organizations:

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Keppel Philippine Marine, Inc.	Independent Director	2020 to present
Keppel Philippines Holdings, Inc.	Independent Director	2017 to present
Philippine Nutri-Foods Corporation	Director & Vice Chairman of the Board of Directors	2004 to present
NCP Publishing Corporation	Director & Vice Chairman of the Board of Directors	2004 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director, officer, or substantial shareholder of the Corporation.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in the government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

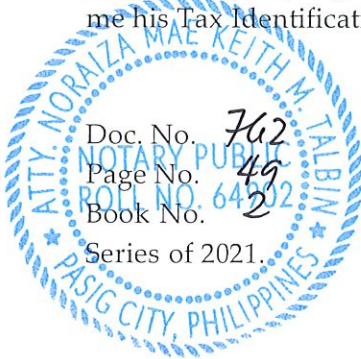
Done this \_\_\_\_ day of JUN 04 2021 2021 at PASIG CITY City, Philippines.

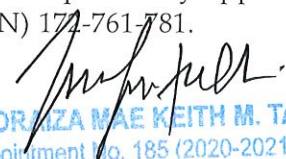


RAMON J. ABEJUELA

*Affiant*

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of JUN 04 2021 2021 at PASIG CITY City, Philippines, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) 172-761-781.



  
ATTY. NORAIZA MAE KEITH M. TALBIN  
Appointment No. 185 (2020-2021)  
Commission Expires on December 31, 2021  
Roll No. 64902  
IBP Lifetime No. 013862/ Davao Oriental  
PTR No. 5242166/ 01-08-2020/ Pasig City  
29th Floor, Joy Nostalg Centre  
17 ADB Avenue, Ortigas Centre, Pasig City  
MCLE Compliance No. V-0020711/3-24-2017

## CERTIFICATION ON QUALIFICATION OF INDEPENDENT DIRECTOR

I, **CELSO P. VIVAS**, Filipino, of legal age and a resident of No. 125 Wilson Circle, San Juan, Metro Manila, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **Keppel Philippines Properties, Inc.** (the "Corporation") and has been its Independent Director since 2004.
2. I am affiliated with the following companies or organizations:

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Keppel Philippines Holdings, Inc.	Independent Director & Lead Independent Director and Chairman of the Audit and Risk Management Committee	June 2005 to present
Keppel Philippines Marine Inc.	Independent Director & Chairman of the Audit and Risk Management Committee	April 2005 to present
Keppel Subic Shipyard, Inc.	Independent Director	2011 to present
Megawide Construction Corporation	Independent Director, Chairman of Audit and Compliance Committee	July 2018 to present
Republic Glass Holdings Corporation	Independent Director, Chairman of Governance, Nomination & Remuneration Committee	June 2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances of the Securities and Exchange Commission ("SEC").
4. I am not related to any director, officer, or substantial shareholder of the Corporation.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in the government service or affiliated with any government agency or government owned and controlled corporation.



7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and SEC issuances.


8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this JUN 04 2021 day of PASIG CITY 2021 at PASIG CITY City, Philippines.

  
CELSO P. VIVAS  
Affiant

SUBSCRIBED AND SWORN to before me this JUN 04 2021 day of PASIG CITY City, Philippines, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) 123-305-216.



  
ATTY. NORAIZA MAE KEITH M. TALBIN  
Appointment No. 185 (2020-2021)  
Commission Expires on December 31, 2021  
Roll No. 64902  
IBP Lifetime No. 013862/ Davao Oriental  
PTR No. 5242166/ 01-08-2020/ Pasig City  
29th Floor, Joy Nostalq Centre  
17 ADB Avenue, Ortigas Centre, Pasig City  
MCLE Compliance No. V-0020711/3-24-2017

# 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

1,242

Annual Meeting  
Month/Day

08/13

Fiscal Year  
Month/Day

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Pang Chan Fan

Email Address

James.Pang@kepland.com.ph

Telephone Number/s

(632) 8584-6170

Mobile Number

0917-8500380

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2020
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
5. Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. 12 ADB Ave, Ortigas Center, Mandaluyong City 1550  
Address of registrant's principal office      Postal Code
8. (632) 584-6170  
Registrant's telephone number, including area code
9. Not applicable  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of each Class</u>	Number of shares of common stock outstanding and amount of debt outstanding
<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:

**₱130,789,800**

DOCUMENTS INCORPORATED BY REFERENCE

14. 2020 Audited Consolidated Financial Statements (incorporated as reference to item 9 of SEC Form 17-A)

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

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

### **1. BUSINESS**

#### **The Company**

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

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

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

#### **Subsidiaries**

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

Buena Homes, Inc. (“BHI”) was incorporated in the Philippines on 25 May 2000. BHI, a wholly owned subsidiary of KPPI, 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 other otherwise, real estate of all kinds.

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

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

#### **Joint Venture**

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

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

## **Business**

KPPI, through its associated companies, is engaged in real estate development 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 associated companies, KPPI considers the following as the industry's key players in terms of commercial developments:

	3Q2020 Income to date <i>In Php Billions</i>
SM Prime Holdings, Inc.	14.47
Ayala Land Inc.	7.51
Robinson's Land Corporation	4.40

*Source: Published corporate disclosures.*

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

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

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

### **Related Party Transactions**

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

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

### **Government Approvals/Regulations**

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

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

### **Employees**

KPPI has a total of 10 employees as at December 31, 2020 with breakdown as follows:

	No. of Employees
Senior Management	2
Human Resources	1
Finance and Accounting	4
Administration	2
Information Technology	1
Total	10

No significant hiring or recruitment is expected for 2021.

### **Risks**

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

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

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



## 2. PROPERTIES

KPPI's associated companies' investments in real estate properties as at 31 December 2020 are as follow:

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

## 3. LEGAL PROCEEDINGS

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

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

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

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

STOCK PRICES	2021		2020		2019	
	High	Low	High	Low	High	Low
First Quarter	₱2.97	₱2.93	₱3.61	₱3.60	₱4.83	₱4.82
Second Quarter	-	-	₱3.43	₱2.39	₱4.79	₱4.68
Third Quarter	-	-	₱3.14	₱3.13	₱4.02	₱4.00
Fourth Quarter	-	-	₱3.39	₱3.38	₱4.11	₱4.00

KPPI's common shares were last traded on 28 December 2020 at ₱3.38 per share.

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

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

There were 1,242 shareholders on record and 293,828,900 common shares outstanding, with KPPI's top 20 stockholders as at 31 December 2020 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	4,432,440	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.	Rafanan/Antonio Diosdado	181,453	0.06
20.	East Visayan Milling Corporation	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 2020 Compared To 2019

**TOTAL GROSS REVENUE (LOSS), NET** registered a reversal of P64.1 million from P30.9 million revenue in 2019 to P33.2 million loss in 2020. This is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. There is a reversal of P59.9 million from P9.9 million share in net income in 2019 to P50.0 million share in net loss in 2020 mainly due to the decline in SMKL's rental revenue from The Podium Mall during the Community Quarantine in Metro Manila.
- Decrease in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by P1.0 million from P16.5 million in 2019 to P15.5 million in 2020 due to the decrease in SMKL's net revenue on which these fees from SMKL are based.
- Decrease in **INTEREST INCOME** by P3.1 million from P4.5 million in 2019 to P1.4 million in 2020 due to the lower amount of placements and lower interest rates on time deposits.

**GENERAL AND ADMINISTRATIVE EXPENSES** decreased by P16.8 million from P77.6 million in 2019 to P60.8 million in 2020 mainly due to the lower management consultancy fees related to overseeing SMKL's mixed-use development project which was completed in 2019, and lower salaries, wages and benefits due to the decrease in employee headcount.

**OTHER INCOME, NET** increased by P9.3 million from P0.2 million in 2019 to P9.5 million in 2020 mainly due to higher reversals of long outstanding accruals in 2020 and 2019 includes loss incurred on the sale of an associate.

As a result, net loss increased by P39.4 million from P48.1 million in 2019 to P87.5 million in 2020.

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

**TOTAL GROSS REVENUE (LOSS), NET** decreased by P86.4 million or 74% from P117.3 million in 2018 to P30.9 million in 2019. The net decrease is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. Share in net income decreased by P93.6 million from P103.5 million in 2018 to P9.9 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 P6.8 million or 70% from P9.7 million in 2018 to P16.5 million in 2019 due to the improvement of SMKL's net revenue from higher occupancy in The Podium and from the commencement of the operations of The Podium West Tower in 2019, on which these fees from SMKL are based.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by P3.4 million or 5% from P74.2 million in 2018 to P77.6 million in 2019 mainly from depreciation on leasehold improvements.

As a result, the Group's operations posted a reversal of P90.5 million from P42.4 million net income in 2018 to a net loss for the year amounting to P48.1 million.

Year Ended 31 December 2018 Compared To 2017

**TOTAL GROSS REVENUE (LOSS), NET** decreased by P832.0 million or 88% from P949.3 million in 2017 to P117.3 million in 2018. The net decrease is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. Share in net income decreased by P837.2 million or 89% from P940.7 million in 2017 to P103.5 million in 2018, mainly due to the lower net fair value gain recognized on SMK L's investment properties in 2018, higher interest expense incurred in 2018, and loss contributed from the closure of the old wing of The Podium in October 2017 for renovation which was completed in December 2018.
- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by P4.3 million or 80% from P5.4 million in 2017 to P9.7 million in 2018 due to increase in The Podium's rental income on which these fees from SMK L are based.
- Increase in **INTEREST INCOME** by P1.0 million or 31% from P3.2 million in 2017 to P4.2 million in 2018 due to higher interest rates on deposit placements.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by P15.4 million or 26% from P58.8 million in 2017 to P74.2 million in 2018 mainly due to the timing of consultancy fee charges related to the SMK L mixed-use development project.

**OTHER INCOME (EXPENSE), NET** resulted to a P0.2 million income in 2018 in contrast to a P1.9 million expense in 2017 due to a significant provision for doubtful account set up in 2017.

As a result, the Group's operations posted a net income for the year amounting to P42.4 million, a decrease of P846.7 million or 95% from the P889.1 million net income in 2017.

## KEY PERFORMANCE INDICATORS

For The Years Ended	December 2020	December 2019	% Change
Return On Assets	(3.37%)	(1.84%)	(83%)
Loss Per Share	(₱0.30)	(₱0.16)	(88%)
Net Tangible Asset Value Per Share	₱6.15	₱6.45	(5%)
Working Capital Ratio	2.4:1	2.3:1	4%

- a. **Return On Assets** – This indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax amounted to ₱87.5 million in 2020 which is higher than the ₱48.1 million net loss in 2019. The higher net loss was mainly due to the share in net losses of associated companies.

	<u>2020</u>	<u>2019</u>
Net Loss After Tax (a)	(₱87,532,201)	(₱48,129,588)
Total Assets At Beginning (b)	2,597,931,411	2,619,145,552
Return On Assets (a/b)	(3.37%)	(1.84%)

- b. **Earnings (Loss) Per Share** – This represents the equivalent apportionment of net income (loss) to each share of common stock outstanding. The unfavorable performance is due to the higher net loss incurred in 2020 as compared to 2019.

	<u>2020</u>	<u>2019</u>
Net Loss After Tax (a)	(₱87,532,201)	(₱48,129,588)
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	(₱0.30)	(₱0.16)

- c. **Net Tangible Asset Value Per Share** – It measures the equivalent entitlement of each share of common stock outstanding in the tangible assets. The tangible value per share decreased by 5% compared to 2019 due to the decrease in retained earnings resulting from the significant loss incurred during the year.

Note: Net Tangible Assets include P594.7 million subscription proceeds for Preferred Stock. As these Preferred Stocks are redeemable, the subscription proceeds have been excluded from Net Tangible Assets in the computation of Net Tangible Asset Per Share.

	<u>2020</u>	<u>2019</u>
Net Tangible Assets	₱2,401,773,723	₱2,489,398,843
Less : Preferred Stock	594,741,000	594,741,000
Net Tangible Assets Attributable To Common Stock	1,807,032,723	1,894,657,843
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.15	₱6.45

- e. **Working Capital Ratio** – The Group's ability to meet current obligations is measured by determining current assets over current obligations. The Working Capital ratio increased by 4% as compared to 2019.

	<u>2020</u>	<u>2019</u>
Current Assets (a)	₱181,463,449	₱239,177,211
Current Liabilities (b)	76,783,408	102,755,492
Working Capital Ratio (a/b)	2.4:1	2.3:1

## **B. Financial Condition**

### 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 associated companies 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.

### Year Ended 31 December 2019 Compared To 2018

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

- **CASH AND CASH EQUIVALENTS** increased by ₱20.5 million from the proceeds from the sale of shares in an associate and collection of receivables, offset by net cash used in operations, acquisitions of property and equipment and financing activities.
- **DUE FROM RELATED PARTIES** decreased by ₱49.1 million due to the partial collection of long outstanding receivables.
- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱3.6 million due to the deposits made for the fit-out of the Parent Company's new office, advances for rentals and related input tax on leasehold improvements.

- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** decreased by ₱20.9 million due to lower share in results of associated companies in 2019, mainly from lower net fair value gain and higher interest expense incurred on the investment properties of a joint venture.
- **PROPERTY AND EQUIPMENT, NET** increased by ₱10.2 million due to leasehold improvements on the Parent Company's new office and acquisitions of computer and office equipment.
- **RIGHT-OF-USE ASSET** of ₱11.5 million in 2019 due to the recognition of asset on the leased premises in accordance with PFRS 16.
- **REFUNDABLE DEPOSITS** increased by ₱1.4 million due to deposits made for the leased premises.

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

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



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

- a) As at December 31, 2020:
- 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 entries or other persons created during the reporting period.
- d) The Group is not a party to any lawsuit or claim arising from the ordinary course of business.
- e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions. The COVID-19 situation is forecasted to impact the following:
- *Demand* for office spaces are expected to slow down until the first half of 2021, with some closure of businesses in the traditional and outsourcing firms as they shift to remote working on a short-to medium term. Likewise, demand for retail spaces are expected to decline, mostly affecting non-essential retailers as they shift to online selling due to decreased consumer traffic.
  - *Rent rates* for office spaces are expected to decline due to rent negotiations and concessions from existing and prospect tenants. Likewise, rent rates for retail spaces are projected to decline due to decreased consumer spending brought about by the economic slowdown. Rent rates are expected to recover by the second half of 2021 and 2022 for office and retail sectors, respectively.
  - *Vacancy* for office and retail spaces are expected to increase due to slowed leasing activities over Metro Manila as offices have been rationalizing on remote working and as non-essential consumption and foot traffic remains subdued. Vacancies are forecasted to improve by 2022.

## 8. INFORMATION ON EXTERNAL AUDITORS

Total audit fees paid by the Group to the external auditors amounted to ₱444,000 in 2019. The 2020 audit fees are yet to be finalized.

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

Other non-audit fees paid to the Group of external auditors for 2020 includes ₱50,000 for BHI's partial redemption of redeemable preferred shares to KPPI and ₱223,200 for tax retainer services.

## **9. CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements and schedules listed in the accompanying Index to Consolidated Financial Statements and Supplementary Schedules (page 24) are filed as part of this Form 17-A (pages 25 to 82).

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

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

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

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

#### **Board of Directors**

##### **(1) Ng Ooi Hooi, 61**

Mr. Ng Ooi Hooi, 61, Singaporean, was re-elected on 23 December 2019 as Director and Chairman of the Board of Directors of KPPI effective 1 January 2020. Mr. Ng joined Keppel Land Group in 2007, and is currently President, Singapore & Regional Investments, overseeing the Group's real estate businesses in Singapore, 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) Ramon J. Abejuela, 71**

Mr. Ramon J. Abejuela, 71, Filipino, was elected as an Independent Director of KPPI from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit Committee of KPPI. He is also an Independent Director of Keppel Philippines Holdings, Inc. since September 2017 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, 74**

Mr. Celso P. Vivas, 74, Filipino, was elected as an Independent Director of KPPI since November 2004 and is a member of KPPI's Audit Committee. He is also an Independent Director since June 2005 and is currently the Lead Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippine Holdings, Inc., as well as an Independent Director and Chairman of the Audit 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) Stefan Tong Wai Mun, 48**

Mr. Stefan Tong Wai Mun, 48, 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.

**(5) Oh Lock Soon, 62**

Mr. Oh Lock Soon, 62, Singaporean, was elected as a Director and President of KPPI on 31 March 2017. Prior to his election, Mr. Oh Lock Soon served as the President of Keppel Thai Properties Public Company Limited from January 2012 until June 2016. He served as an Executive Director at Keppel Thai Properties Public Company Limited from December 2011 until June 2016. Further, under Keppel Land International Ltd, Mr. Oh served as President (Thailand) under the Regional Investments Division.

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

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

**(6) Tan Boon Ping, 47**

Ms. Tan Boon Ping, 47, Singaporean, was elected as a Director of KPPI on 14 January 2019. Ms. Tan joined Keppel Land Limited in December 2008 as Financial Controller, overseeing the Group consolidation and reporting for the Keppel Land Group. She reported directly to the Chief Financial Officer, and she also assisted the Company Secretary on corporate secretarial matters. In December 2015, she was appointed the Chief Financial Officer of Keppel Land China Limited. In August 2018, she assumed the role of Chief Financial Officer, Keppel Land Limited.

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

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

**(7) Yong Ngai Soon, 47**

Mr. Yong Ngai Soon, 47, 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.

**(8) Leonardo R. Arguelles, Jr., 71**

Mr. Leonardo R. Arguelles Jr., 71, Filipino, was elected as an Independent Director of the Company in August 2020 and is a Member of KPPI's Audit 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.

## Key Officers

**Oh Lock Soon**, 62, Singaporean. *(See foregoing director's profile)*

**Pang Chan Fan**, 39, Singaporean, was appointed Treasurer of KPPI in October 2017. Mr. Pang joined Keppel Land Group under Keppel Land Hospitality Management Pte., Ltd. and was assigned as the Financial Controller of Wiseland Investment (Myanmar), Ltd. in October 2015. Mr. Pang was then transferred to Keppel Land International Limited and was assigned as Financial Controller of KPPI in April 2017. Prior to joining Keppel Land Group, Mr. Pang has held positions as a Finance Manager and has started his professional career in audit firms in Singapore. Mr. Pang is a member of the Association of Chartered Certified Accountants.

**Atty. Ma. Melva E. Valdez**, 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., and Mabuhay Vinyl Corporation (listed corporations), Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Asian Institute of Management, Keppel Subic Shipyard, Inc., Keppel Batangas Shipyard, Inc. and various Keppel companies in the Philippines, EMS 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.

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

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

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

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

*\* Resigned effective 13 November 2020 as she will be joining the government service per disclosure dated 16 November 2020.*

### 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
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### 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 2020:

- President
- Finance Controller
- Senior Manager - Human Resources
- Manager - Finance and Accounting
- Assistant Manager - Controls and Assurance

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

Top four executive officers as a group unnamed	Salary	Bonus	Others	Total
	In ₱ Millions			
2021 (Estimate)	22.03	10.43	0.03	32.49
2020	23.38	12.03	0.03	35.44
2019	24.59	12.34	0.03	36.96
Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
	In ₱ Millions			
2021 (Estimate)	2.74	0.40	0.06	3.20
2020	1.90	0.30	0.05	2.25
2019	3.16	0.35	0.07	3.58

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 2020 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 2020, 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 1 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 Ooi Hooi; is authorized as proxy to vote for the shareholdings of Keppel Land Limited.
2. Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote in the shares of Kepwealth, Inc. in KPPI.
3. Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote for the shareholdings of Keppel Corporation Limited in KPPI.
4. PCD Nominee Corporation (PCNC) is a wholly-owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all the shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD. However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as the beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with in its name.
5. Molten Pte. Ltd is the beneficial owner of the following shares of KPPI as of 31 December 2020:

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



(b) Security Ownership of Directors and Management:

As at 31 December 2020, the shareholdings of all Directors of KPPI are as follow:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Ng Ooi Hooi	1	Singaporean	0.00%
Common Shares of Stock	Tan Boon Ping	1	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1	Filipino	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Leonardo R. Arguelles, Jr.	1	Filipino	0.00%
Common Shares of Stock	Oh Lock Soon	1	Singaporean	0.00%
Common Shares of Stock	Yong Ngai Soon	1	Singaporean	0.00%

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

(c) Voting Trust Holders of 5% or more

As at December 31, 2020, there are no individuals or parties who hold 5% or more of KPPI's common shares of stock under a voting trust or similar agreement.

(d) Changes in control

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

#### 14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

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

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

Details of KPPI's related party transactions are explained in Note 11 of the Notes to the Consolidated Audited Financial Statements of KPPI (Pages 47-50).

## PART IV – CORPORATE GOVERNANCE

### 15. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

KPPI has submitted its Annual Corporate Governance Report to SEC and PSE on 1 September 2020.

## PART V- EXHIBITS AND SCHEDULES

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

(a) Exhibits- See accompanying Index to Exhibits (page 95)

The following exhibit is filed as a separate section of this report:  
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 96)

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 March 2020	Coronavirus Disease ("COVID-19") Pandemic
14 April 2020	Demise of Independent Director
29 May 2020	Setting of Y2020 Annual Stockholders' Meeting Date & Record Date Resignation of Mr. Lim Jean Loong of KPPI Election of Mr. Yong Ngai Soon as Director of KPPI Approval of the Audited Financial Statements, Annual Report, and Sustainability Report for the year ended 31 December 2019
13 August 2020	Election of Officers & Appointment of Members of Various Committees Results of Y2020 Annual Stockholders' Meeting Approval of Directors' Remuneration for Y2019
13 November 2020	Resignation of Assistant Corporate Secretary of KPPI



**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

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

**CERTIFICATE OF AUTHENTICATION**

I, **RENEE GAYLE M. CHUA**, Vice Consul of the Embassy of the Republic of the Philippines to Singapore, duly commissioned and qualified, do hereby certify that **MELISSA GOH** before whom the annexed instrument has been executed to wit:

NOTARIAL CERTIFICATE SIGNED BY LIM CHEE KIANG

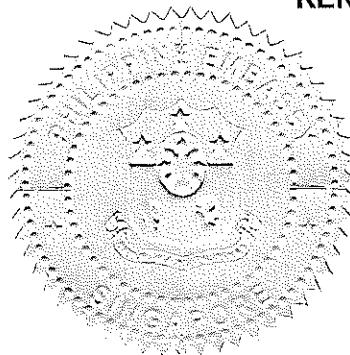
was, at the time he/she signed the annexed instrument, the authentication officer of the **SINGAPORE ACADEMY OF LAW** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility over the contents of the annexed document.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines at Singapore, this 06 May 2021.

  
**RENEE GAYLE M. CHUA**  
Vice Consul

Service No : 3441  
Book No. : 1  
Series of : 2021  
OR No. : 2417936  
Fee Paid : \$42.50



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



NC0L3G0E1B

## NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

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

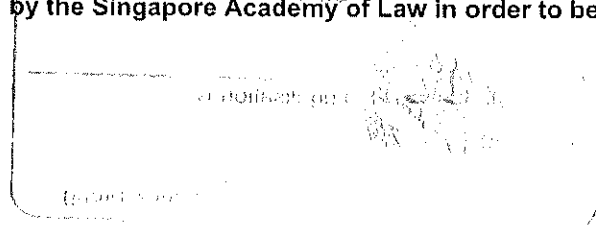
That on the 15th day of April 2021, before me, personally appeared **OH WENG SOON (OH LOCK SOON)** identified to me by production of his Singapore Passport No.: E6512706E and **PANG CHAN FAN (FENG QINGFA)** identified to me by production of his Singapore Passport No.: K1897248P, both named and described in the declaration contained on page 23 of the instrument entitled: "KEPPEL PHILIPPINES PROPERTIES, INC. SEC FORM 17-A" hereunto annexed WHO by solemn declaration which each of them then made before me in due form of law did solemnly and sincerely declare to be true the several matters and things mentioned and contained in the said annexed declaration.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 4th day of May 2021.

NOTARY PUBLIC  
SINGAPORE



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



# SAL

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this **Authentication  
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or scan QR code:



Verification code:  
30935969

This **Authentication Certificate** only certifies the authenticity of the signature and the capacity of the person who signed the **Notarial Certificate**.

This **Authentication Certificate** is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This **Certificate** does not authenticate or confirm the content of the Document attached to the annexed **Notarial Certificate**.

### Authentication

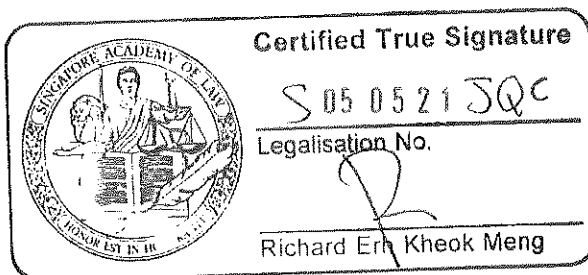
- |   |                |
|---|----------------|
| 1. Country:                                 | Singapore      |
| 2. This public document has been signed by: | Lim Chee Kiang |
| 3. Acting in the capacity of:               | Notary Public  |
| 4. Bears the seal/stamp:                    | Notary Public  |

### Certified

- |                             |                                   |
|-----------------------------|-----------------------------------|
| 5. Authentication Cert No.: | ACOL3H0GIC                        |
| 6. At:                      | Singapore Academy of Law          |
| 7. The:                     | 5th May 2021                      |
| 8. By:                      | Melissa Goh, Deputy Director, SAL |
| 9. SAL Certification Seal:  | 10. Signature:                    |



Melissa



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 SINGAPORE on 15 APRIL 2021.

By:

  
Oh Lock Soon  
President

  
Pang Chan Fan  
Treasurer



Atty. Ma. Melva E. Valdez  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15<sup>th</sup> day APRIL of 2021 affiant  
(s) exhibiting to me his/their Tax Identification Numbers, as follows:


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



Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 2021.


## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on 14 May 2021.

  
MA MELVA E. VALDEZ  
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE me this 14<sup>th</sup> day May of 2021 affiant exhibiting to me her Tax Identification Number 123-493-209.

Doc. No. 336  
Page No. 70  
Book No. 11  
Series of 2021.

  
JOSE MANUEL P. PEÑAFLOK  
Notarial Public – Pasig City  
Appointment No. 149 (2020-2021)  
17th Floor, Robinsons Equitable Tower, ADB Avenue  
cor. P. Poveda Drive, Ortigas Center, Pasig City  
IBP No. 134962/ Makati City/15 December 2020  
PTR No. 7244044/Pasig City/11 January 2021  
MCLE Compliance No. VII-0000266/30 July 2019  
Attorney's Roll No. 73154



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

**Financial Statements**

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**FOREIGN SERVICE OF THE  
REPUBLIC OF THE PHILIPPINES**

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

**CERTIFICATE OF AUTHENTICATION**

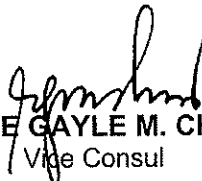
I, **RENEE GAYLE M. CHUA**, Vice Consul of the Embassy of the Republic of the Philippines to Singapore, duly commissioned and qualified, do hereby certify that **MELISSA GOH** before whom the annexed instrument has been executed to wit:

NOTARIAL CERTIFICATE SIGNED BY LIM CHEE KIANG

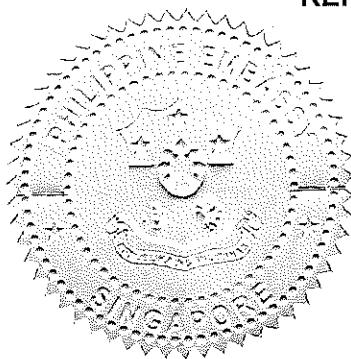
was, at the time he/she signed the annexed instrument, the authentication officer of the **SINGAPORE ACADEMY OF LAW** and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility over the contents of the annexed document.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines at Singapore, this **06 May 2021**.

  
**RENEE GAYLE M. CHUA**  
Vice Consul

Service No : 3439  
Book No. : 1  
Series of : 2021  
OR No. : 2417936  
Fee Paid : \$42.50



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



NC0L3G0EXJ

## NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

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

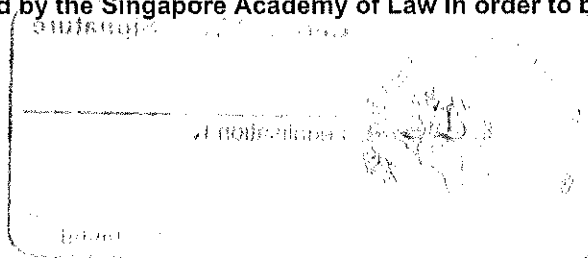
The document hereunto annexed is an original STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS issued by KEPPEL PHILIPPINES PROPERTIES, INC., a Philippines corporation, duly organised and existing, signed in my presence on the 15th day of April 2021 by NG OOI HOOI, OH LOCK SOON and PANG CHAN FAN, respectively the Chairman of the Board, President and Treasurer of the corporation.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 4th day of May 2021.

NOTARY PUBLIC  
SINGAPORE



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



SAL

SINGAPORE ACADEMY OF LAW

This **Authentication Certificate** only certifies the authenticity of the signature and the capacity of the person who signed the Notarial Certificate.

This **Authentication Certificate** is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This Certificate does not authenticate or confirm the content of the Document attached to the annexed Notarial Certificate.

To verify the issuance of this **Authentication Certificate**, go to [Legalisation.sal.sg](http://Legalisation.sal.sg) or scan QR code:



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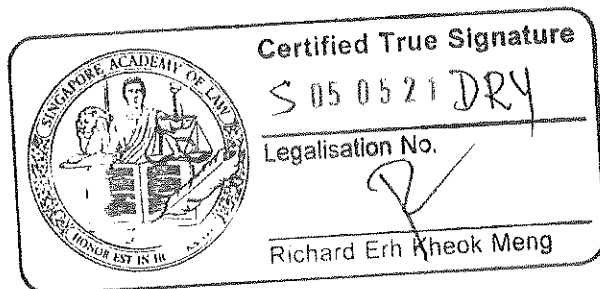
**Authentication**

- |   |                |
|---|----------------|
| 1. Country:                                 | Singapore      |
| 2. This public document has been signed by: | Lim Chee Kiang |
| 3. Acting in the capacity of:               | Notary Public  |
| 4. Bears the seal/stamp:                    | Notary Public  |

**Certified**

- |                             |                                   |
|-----------------------------|-----------------------------------|
| 5. Authentication Cert No.: | ACOL3H0GWG                        |
| 6. At:                      | Singapore Academy of Law          |
| 7. The:                     | 5th May 2021                      |
| 8. By:                      | Melissa Goh, Deputy Director, SAL |
| 9. SAL Certification Seal:  | 10. Signature:                    |

Melissa



# **Keppel Philippines Properties**

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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.


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

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

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

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

  
**NG OOI HOOI**  
Chairman of the Board

  
**OH-LOCK SOON**  
President

  
**PANG-CHAN FAN**  
Treasurer



Signed this 15<sup>th</sup> day of April 2021



Isla Lipana & Co.

## **Independent Auditor's Report**

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

### ***Our Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Keppel Philippine Properties, Inc. and its subsidiaries (together, the "Group") as at December 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2020 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, 2020 and 2019;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2020;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2020;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

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

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

### ***Independence***

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

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

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

---

*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.



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

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

*Key audit matters*

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>Impairment of investments in associates and joint venture</u>	
<p>Impairment assessment of investments in associates and joint venture requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. These investments in associates and joint venture represent eighty-nine (89%) percent of the Group's total assets.</p> <p>Refer to Note 6 for the details of the investments in associates and joint venture and 19.2 (c) on the discussion of critical accounting judgement.</p>	<p>We addressed the matter by evaluating management's impairment assessment of its investments in associates and joint venture with a particular focus on whether the operating losses reported by some of the investees indicate impairment.</p> <p>The evaluation was made by testing the assumptions and methodologies in management's cash flow forecast of the operations of the investee companies. We focused on key assumptions affecting the long term profit and cash flow generating capacity of the individual assets of the investees. The assumptions tested and procedures performed follow:</p> <ul style="list-style-type: none"><li>• The rental, escalation and vacancy rates for cash inflows were compared against the rates based on the existing lease contracts, historical experience of the Group and industry outlook.</li><li>• Capital expenditures and non-recoverable expenses for cash outflows were compared with the historical financial experience of comparable companies with mall and office leasing activities.</li><li>• Discount and terminal capitalization rates were compared with the market data and industry research.</li></ul> <p>We also used the work and findings of external valuation experts engaged by management to corroborate our own findings.</p> <p>Based on the procedures performed, we find that the assumptions used were consistent with historical results, market research and industry outlook.</p>



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

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>Basis of preparation - impact of COVID-19</u>	
<p>During the first quarter of 2020, COVID-19 spread throughout the world, creating an unprecedented pandemic.</p> <p>As set out in Note 21 to the 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.</p> <p>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.</p>	<p>In challenging management's assessment of the impact of COVID-19 on their business, we addressed the matter through the following procedures:</p> <ul style="list-style-type: none"><li>a) Conducted inquiries with key management to understand the Group's mitigating actions and contingency plans;</li><li>b) Inspected minutes of meeting of Board of Directors with regard to the expected business impact;</li><li>c) Checked the mathematical accuracy of management's cash flow forecasts and validated the cash position;</li><li>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;</li><li>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</li><li>f) Reviewed the adequacy and appropriateness of management's going concern disclosures in the financial statements.</li></ul> <p>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, however, as management have disclosed, this is an evolving area and further risks may arise which have a potential impact on the business.</p>

### ***Other Information***

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

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

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





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

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

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

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

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

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

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

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

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



Isla Lipana & Co.

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

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

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

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

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

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

**Isla Lipana & Co.**

Catherine H. Santos

Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 5, 2021 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  
April 15, 2021



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, 2020, on which we have rendered the attached report dated April 15, 2021. The supplementary information shown in the Reconciliation of the Parent Company's Retained Earnings for Dividend Declaration, Map of Relationships of the Companies within the Group, 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 5, 2021 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;  
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T.I.N. 211-726-564

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Makati City  
April 15, 2021

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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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 15, 2021. 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 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 5, 2021 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

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Makati City  
April 15, 2021

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

Consolidated Statements of Financial Position  
As at December 31, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	2020	2019
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	101,296,379	158,601,955
Receivables	3	1,293,030	2,222,053
Due from related parties	11	52,389,751	50,757,729
Prepayments and other current assets	4	26,484,289	27,595,474
<b>Total current assets</b>		<b>181,463,449</b>	<b>239,177,211</b>
<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	2,202,189,380	2,252,411,260
Property and equipment, net	7	6,808,521	11,192,560
Right-of-use asset, net	8	6,510,871	11,457,862
Refundable deposits	8	1,513,812	1,439,274
Retirement benefit asset	16	274,459	360,032
Deferred income tax assets, net	14	753,352	2,380,982
<b>Total non-current assets</b>		<b>2,297,562,625</b>	<b>2,358,754,200</b>
<b>Total assets</b>		<b>2,479,026,074</b>	<b>2,597,931,411</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities	9	16,144,926	31,198,217
Due to related parties	11	55,252,351	66,718,360
Lease liability, current portion	8	5,308,133	4,716,660
Income tax payable		77,998	122,255
<b>Total current liabilities</b>		<b>76,783,408</b>	<b>102,755,492</b>
<b>Non-current liability</b>			
Lease liability, net of current portion	8	468,943	5,777,076
<b>Total liabilities</b>		<b>77,252,351</b>	<b>108,532,568</b>
<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		405,249	498,168
Retained earnings		1,445,046,602	1,532,578,803
<b>Total equity</b>		<b>2,401,773,723</b>	<b>2,489,398,843</b>
<b>Total liabilities and equity</b>		<b>2,479,026,074</b>	<b>2,597,931,411</b>

The notes on pages 1 to 47 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, 2020  
(All amounts in Philippine Peso)

	Notes	2020	2019	2018
<b>Gross revenue (loss)</b>				
Management consultancy and franchise fees	11	15,455,164	16,467,182	9,651,998
Interest income	2	1,409,005	4,544,282	4,202,521
Share in results of associated companies	6	(50,031,900)	9,922,597	103,482,767
Gross revenue (loss), net		(33,167,731)	30,934,061	117,337,286
General and administrative expenses	12	(60,782,804)	(77,635,265)	(74,235,415)
Other income, net	13	9,500,408	180,726	238,708
<b>Income (loss) before income tax</b>		(84,450,127)	(46,520,478)	43,340,579
Income tax expense	14	(3,082,074)	(1,609,110)	(971,589)
<b>Net income (loss) for the year</b>		(87,532,201)	(48,129,588)	42,368,990
<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	138,659	(330,705)	633,848
Deferred income tax relating to actuarial gain (loss)	16	(41,598)	99,212	(190,154)
Share in actuarial gains (losses) of an associate and joint venture	6	(189,980)	(278,920)	211,220
		(92,919)	(510,413)	654,914
<b>Total comprehensive income (loss) for the year</b>		(87,625,120)	(48,640,001)	43,023,904
<b>Basic and diluted income (loss) per share</b>	15	(0.30)	(0.16)	0.14

The notes on pages 1 to 47 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, 2020  
(All amounts in Philippine Peso)

	Share capital		Share premium (Note 10)	Treasury shares (Note 10)	Other reserves			Total equity
	Common (Note 10)	Preferred (Note 10)			Actuarial gain on defined benefit plan (Notes 10 & 16)	Share in actuarial gain of an associate and a joint venture (Notes 6 & 10)	Retained earnings (Note 10)	
<b>Balances at January 1, 2018</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	234,456	119,211	1,538,339,401	2,495,014,940
<b>Comprehensive income</b>								
Net loss for the year	-	-	-	-	-	-	(118,196,865)	(118,196,865)
Other comprehensive income	-	-	-	-	443,694	211,220	-	654,914
Total comprehensive income (loss) for the year, as previously reported	-	-	-	-	443,694	211,220	(118,196,865)	(117,541,951)
Effect of change in accounting policy of joint venture	-	-	-	-	-	-	160,565,855	160,565,855
Total comprehensive income for the year, as restated	-	-	-	-	443,694	211,220	42,368,990	43,023,904
<b>Balances at December 31, 2018</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 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

The notes on pages 1 to 47 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, 2020  
(All amounts in Philippine Peso)

	Notes	2020	2019	2018
<b>Cash flows from operating activities</b>				
Income (loss) before income tax		(84,450,127)	(46,520,478)	43,340,579
Adjustments for:				
Share in results of associated companies	6	50,031,900	(9,922,597)	(103,482,767)
Depreciation and amortization expense	7, 8, 12	9,846,245	6,428,397	351,105
Interest expense on lease liability	8	591,874	685,110	-
Retirement benefit expense	12, 16	354,234	177,543	521,220
Loss on sale of shares in an associate	6, 13	-	3,725,169	-
Gain on sale of property and equipment	13	-	(7,143)	-
Unrealized foreign exchange gain	18	(61,186)	(70,640)	-
Interest income	2	(1,409,005)	(4,544,282)	(4,202,521)
Gain on reversal of liabilities	13	(6,986,370)	(2,886,760)	(162,849)
Operating loss before working capital changes		(32,082,435)	(52,935,681)	(63,635,233)
Decrease (increase) in:				
Receivables		758,577	(1,208,613)	(287,432)
Due from related parties		(1,632,022)	23,938,405	600,457
Prepayments and other current assets		1,111,185	(3,641,110)	(1,597,954)
Increase in:				
Accounts payable and other current liabilities		(7,772,483)	9,982,697	11,682,594
Due to related parties		(11,404,823)	8,799,797	10,287,624
Net cash used in operations		(51,022,001)	(15,064,505)	(42,949,944)
Contribution to the retirement plan	16	(130,002)	(54,677)	(442,310)
Interest received		1,579,451	4,925,535	4,109,752
Income tax paid		(1,540,299)	(1,976,151)	(1,496,555)
Net cash used in operating activities		(51,112,851)	(12,169,798)	(40,779,057)
<b>Cash flows from investing activities</b>				
Return of investments from an associate	11	-	24,569,605	265,554
Proceeds from sale of shares in an associate	6	-	26,773,679	-
Proceeds from sale of property and equipment		-	7,159	-
Acquisitions of property and equipment	7	(809,653)	(12,430,345)	(116,071)
Increase in refundable deposits		(74,538)	(1,366,974)	-
Net cash provided by (used in) investing activities		(884,191)	37,553,124	149,483
<b>Cash flows from financing activities</b>				
Payments for the principal portion and advance rental of lease	8	(4,716,660)	(4,155,723)	-
Payments for the interest portion of lease liability	8	(591,874)	(685,110)	-
Net cash used in financing activities		(5,308,534)	(4,840,833)	-
<b>Net increase (decrease) in cash and cash equivalents</b>		(57,305,576)	20,542,493	(40,629,574)
Cash and cash equivalents at January 1		158,601,955	138,059,462	178,689,036
<b>Cash and cash equivalents at December 31</b>	2	101,296,379	158,601,955	138,059,462

The notes on pages 1 to 47 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, 2020 and 2019

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

(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 (SGX).

As at December 31, 2020 and 2019, the top five shareholders of the Parent Company are the following:

Shareholders	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, 2020 and 2019.

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, 2020 and 2019, the Parent Company's subsidiaries, associates and joint venture, which were all incorporated in the Philippines are as follows:

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

In October 2019, BHI and OKEP disposed its investment in Buena Homes (Sandoval), Inc. (BHSI) at 61% effective ownership interest, thus, BHSI ceased to be an associate of the Group.

The Parent Company has 1,039 shareholders, each owning one hundred (100) or more shares as at December 31, 2020 and 2019.

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 April 15, 2021.

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

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash in bank	12,811,172	40,837,009
Cash equivalents	88,410,207	117,689,946
Cash on hand	75,000	75,000
	<u>101,296,379</u>	<u>158,601,955</u>

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 0.25% to 3.25% per annum in 2020 (2019 - 2.75% to 5.25% per annum).

Interest income from cash and cash equivalents amounted P1.4 million in 2020 (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:

	Note	2020	2019
Non-trade		2,666,664	2,666,664
Accrued income	11(b)	1,121,042	1,955,014
Accrued interest	2	12,810	149,167
Receivables from employees		75,344	117,872
Others		83,834	-
		<u>3,959,694</u>	<u>4,888,717</u>
Allowance for impairment loss		<u>(2,666,664)</u>	<u>(2,666,664)</u>
		<u>1,293,030</u>	<u>2,222,053</u>

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, 2020 and 2019, full allowance was provided for the receivable, subject to reversal until such time the Management can determine the probable amount to be recovered from the third party.

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

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

Other receivables pertain to refunds from third parties for the cancellation of paid services in 2020.

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

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

	2020	2019
Prepaid income taxes	21,434,781	20,017,206
Input value added tax	4,266,174	4,619,006
Prepayments	724,549	2,840,029
Deferred input VAT	58,785	119,233
	26,484,289	27,595,474

Prepaid income taxes pertain to the amounts withheld by the Group's counterparties in relation to management fees. As at December 31, 2020 and 2019, 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, 2020 and 2019. 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 include advance rentals and refundable deposits amounting to P0.4 million and P0.3 million, respectively, as of December 31, 2020 (2019 - P0.6 million and P2.0 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, 2020 and 2019 are presented below.

	Note	Amount
Preferred equity securities	6	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, 2020 and 2019. No movement in the fair value gains on financial assets at FVOCI was recognized by the Group for the years ended December 31, 2020 and 2019.

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

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

	Note	2020	2019
Cost			
At January 1		653,989,443	683,243,174
Disposal		-	(29,253,731)
At December 31		653,989,443	653,989,443
Accumulated share in results of associated companies presented in profit or loss			
At January 1		1,598,370,306	1,589,692,826
Share in results of associated companies			
Current year		(50,031,900)	9,922,597
		1,548,338,406	1,599,615,423
Disposal		-	(1,245,117)
At December 31		1,548,338,406	1,598,370,306
Presented in other comprehensive income			
At January 1		51,511	330,431
Share in other comprehensive income (loss)		(189,980)	(278,920)
At December 31		(138,469)	51,511
		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	
	2020	2019	2020	2019
Associates				
OKEP	40%	40%	166,657,663	171,633,059
OVI	40%	40%	68,236,003	71,329,972
ORDC	40%	40%	42,347,771	44,283,495
Joint venture				
SMKL	40%	40%	1,924,947,943	1,965,164,734
			2,202,189,380	2,252,411,260

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
<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
<i>December 31, 2019</i>					
Net assets		486,500,438	117,729,473	13,805,205	4,544,350,428
Ownership interest		40%	40%	40%	40%
		194,600,175	47,091,789	5,522,082	1,817,740,171
Investments in redeemable preferred shares	5	(31,287,230)	(48,000,000)	-	-
Fair value adjustments		8,320,114	72,238,183	38,761,413	147,424,563
		171,633,059	71,329,972	44,283,495	1,965,164,734

The associates and joint venture were accounted for using the equity method. For the years ended December 31, 2020 and 2019, there were no dividends received from the associates and joint venture. As at December 31, 2020 and 2019, 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, 2020</i>			
Current assets	77.4	3.9	0.4
Non-current assets	441.8	81.9	119.8
Total assets	519.2	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	474.1	13.5	117.5
Gross revenue	(12.7)	-	-
Net loss for the year	(12.4)	(0.2)	(0.2)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	(12.4)	(0.2)	(0.2)

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

*(b) Joint Venture - SMKL*

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

The significant financial information of SMKL as at and for the years ended December 31, 2020 and 2019 is summarized in the table below.

(in millions)	SMKL	
	2020	2019
Current assets	1,861.8	1,872.0
Cash and cash equivalents	491.2	593.2
Non-current assets	13,584.9	13,561.0
Investment properties	13,500.0	13,500.0
Current liabilities	2,137.5	2,273.4
Non-current liabilities	8,849.1	8,615.2
Net assets	4,460.2	4,544.4
Gross revenue	673.8	654.1
Interest income	3.4	2.2
Depreciation and amortization	(14.0)	(10.6)
Interest expense	(351.8)	(235.5)
Income tax expense (benefit)	28.4	(19.9)
Net income (loss) for the year	(83.8)	47.3
Other comprehensive loss	(0.4)	(0.6)
Total comprehensive income (loss) for the year	(84.2)	46.7

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

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

	Notes	Office equipment	Furniture and fixtures	Leasehold improvements	Total
Cost					
At January 1, 2019		3,078,192	2,479,885	-	5,558,077
Additions		626,363	1,284,698	11,542,143	13,453,204
Disposals		(12,946)	(2,293,965)	-	(2,306,911)
At December 31, 2019		3,691,609	1,470,618	11,542,143	16,704,370
Additions		515,215	-	-	515,215
At December 31, 2020		4,206,824	1,470,618	11,542,143	17,219,585
Accumulated depreciation					
At January 1, 2019		2,128,645	2,453,260	-	4,581,905
Depreciation	12	369,855	302,024	2,564,921	3,236,800
Disposals		(12,945)	(2,293,950)	-	(2,306,895)
At December 31, 2019		2,485,555	461,334	2,564,921	5,511,810
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
Net carrying amount					
At December 31, 2019		1,206,054	1,009,284	8,977,222	11,192,560
At December 31, 2020		1,107,699	570,981	5,129,841	6,808,521

The cost of fully depreciated property and equipment still used in operations amounted to P1.8 million as of December 31, 2020 (2019 - P1.7 million).

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

The total amount of unpaid additions to property and equipment as at December 31, 2020 amounted to P0.7 million (2019 - P1.0 million).

As at December 31, 2020 and 2019, 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 2020. This rent expense is presented as part of "Rentals" in the "General and administrative expenses" (Note 12).

### *(b) Short-term lease agreements*

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

The Parent Company also entered into operating lease agreements for its officers' housing. These agreements will expire in various dates in 2021. 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 P3.4 million in 2020 (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	2020	2019
Prepayments and other current assets	4	669,474	2,585,972
Refundable deposits		1,513,812	1,439,274
		2,183,286	4,025,246



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	Amount
Cost		
Adoption of PFRS 16 at January 1, 2019		-
Additions		14,649,459
At December 31, 2019 and 2020		14,649,459
Accumulated amortization		
Adoption of PFRS 16 at January 1, 2019		-
Amortization	12	3,191,597
At December 31, 2019		3,191,597
Amortization	12	4,946,991
At December 31, 2020		8,138,588
Net carrying amount		
At December 31, 2019		11,457,862
At December 31, 2020		6,510,871

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

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

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

#### 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:

	2020	2019
Taxes payable	8,348,671	13,683,331
Accrued expenses	7,088,987	16,169,116
Accounts payable	153,287	791,789
Dividends payable	553,981	553,981
	16,144,926	31,198,217

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 2020 and 2019, a portion of the bonus and other employee benefits accrued and other accruals in prior years amounting to 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.

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

Dividends payable pertain to amounts declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. and which as at December 31, 2020 and 2019, have not been claimed by the respective shareholders.

### **Note 10 - Equity**

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

Share capital as at December 31, 2020 and 2019 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 2020 and 2019.

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, 2020 and 2019 are as follows:

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

*(c) Retained earnings*

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

The portion of retained earnings corresponding to the undistributed share in results of associated companies amounted to P1,548.3 million as at December 31, 2020 (2019 - P1,598.4 million; 2018 - P1,589.7 million). These amounts are not available for distribution as dividends until declared by the associates and joint venture (Note 6). Retained earnings are further restricted to the extent of P2.7 million representing the cost of shares held in treasury as at December 31, 2020, 2019 and 2018.

*(d) Other reserves*

Other reserves pertain to items of other comprehensive income that will not be reclassified to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to P0.5 million as at December 31, 2020 (2019 - P0.4 million; 2018 - P0.7 million) and share in actuarial gain of an associate and a joint venture amounting to negative P0.1 million as at December 31, 2020 (2019 - P0.1 million; 2018 - P0.3 million) (Note 6).

*(e) Track record of registration of securities*

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

	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as at December 31	
				2020	2019
Common	293,828,900	P1	September 11, 1989	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	2020		2019		Terms and conditions
	Transaction amount	Outstanding receivable (payable)	Transaction amount	Outstanding receivable (payable)	
Due from related parties					
Immediate parent company					
KLL					
Legal fees (g)	-	-	99,600	99,600	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Associates					
OKEP					
Operating advances (a)	206,711	44,949,517	25,589,541	44,742,806	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI					
Operating advances (a)	304,341	2,622,452	121,461	2,318,111	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC					
Operating advances (a)	723,840	145,926	148,116	869,766	Non-interest-bearing, unsecured, collectible in cash upon demand
BHSI					
Operating advances (a)	-	-	(76,320)	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Return of investment (c)	-	-	24,569,605	-	Non-interest-bearing, unsecured, collectible in cash upon demand
Joint venture					
SMKL					
Operating advances (a)	4,449,975	4,671,856	18,784,255	2,727,446	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		52,389,751		50,757,729	
Receivables					
Joint venture					
SMKL					
Management fee (b)	11,039,403	800,744	11,762,273	1,398,439	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Franchise fee (b)	4,415,761	320,298	4,704,909	558,575	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		1,121,042		1,955,014	
Due to related parties					
Associates					
OKEP					
Advances (c)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable in cash on demand
Entities under common control					
SMPM					
Management fee (e)	5,987,027	(14,751,281)	16,757,412	(21,509,249)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(RI)					
Operating advances (d)	3,601,073	(79,908)	6,343,438	(4,910,604)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KL(IM)					
Operating advances (d)	122,655	(122,655)	201,148	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		(55,252,351)		(66,718,360)	
Lease liabilities					
Joint Venture					
SMKL					
Rentals (f)	5,308,534	(5,777,076)	3,424,860	(10,493,736)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		(5,777,076)		(10,493,736)	

- (a) The Parent Company made operating advances for expenses incurred by associates and joint venture in 2020 and 2019. 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.

- (b) The Parent Company provides management, advisory and consultancy services to SMKL. The amount of management fees to SMKL amounted to P11.0 million in 2020 (2019 - P11.8 million; 2018 - P6.9 million). The amount of franchise fees charged amounted to P4.4 million in 2020 (2019 - P4.7 million; 2018 - P2.8 million). Management fee is charged at 2.5% of annual net revenues of SMKL and franchise fee is charged at 1.0% of net revenues of SMKL. Outstanding receivables from SMKL for management and franchise fees amounted to P1.1 million as at December 31, 2020 (2019 - P2.0 million) (Note 3).
- (c) On December 22, 2011, the BOD of BHSI approved BHSI's plan to decrease its authorized share capital. In relation to this and pending the SEC's approval of such plan, BHSI made partial advance returns of the investments to its shareholders which include BHI and OKEP. 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).
- (d) 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 P3.7 million for the year ended December 31, 2020 (2019 - P6.5 million). These are recharged at cost.
- (e) Straits Mansfield Property Marketing, Pte., Ltd. (SMPM), an entity under common control, provides consultancy, advisory and support services to the Parent Company and SMKL. Consultancy fees charged by SMPM, which is based on the time spent by SMPM personnel in rendering service to the Parent Company, amounted to P6.0 million in 2020 (2019 - P16.8 million) (Note 12). Outstanding payables to SMPM amounted to P14.8 million as at December 31, 2020 (2019 - P21.5 million).
- (f) 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 P5.3 million in 2020 (2019 - P3.4 million) (Note 8).

- (g) In 2019, the Parent Company charged Keppel Land Limited (KLL) for the amount paid on behalf of KLL for legal fees amounting to P0.1 million.
- (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	2020	2019
Salaries and other short-term employee benefits		25,413,383	22,257,022
Bonuses and allowances		5,438,218	11,685,156
Retirement benefit expense	16	325,635	157,888
		31,177,236	34,100,066

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, 2020, 2019 and 2018. There were no outstanding balances with key management personnel as at December 31, 2020 and 2019.

- (i) Transactions with the retirement fund pertain to contributions during the year amounting to P0.13 million (2019 - P0.05 million).

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

Subsidiary	2020		2019		Terms and conditions
	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	
Due from subsidiaries					
BHI	229,397	229,397	113,398	-	Non-interest-bearing, unsecured, collectible in cash upon demand
CSRI	(230,445)	176,022	100,116	406,467	Non-interest-bearing, unsecured, collectible in cash upon demand
		405,419		406,467	
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, 2020, 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	2020	2019	2018
Salaries, wages and employee benefits		35,607,930	40,572,911	30,421,536
Depreciation and amortization	7, 8	9,846,245	6,428,397	351,105
Management consultancy fee	11	5,987,027	16,757,412	24,799,889
Professional fees		3,235,607	3,725,976	5,154,626
Membership and dues		947,972	986,839	687,722
Utilities		803,156	596,576	776,822
Insurance		759,780	654,835	967,499
Repairs and maintenance		423,192	607,593	386,248
Rental		414,362	1,360,624	2,928,667
Transportation and travel		373,709	1,662,377	4,648,577
Retirement benefit expense	16	354,234	177,543	521,220
Postage, printing and advertising		225,262	402,340	370,543
Taxes and licenses		91,812	1,167,140	233,048
Bank and other charges		90,207	104,608	75,275
Supplies		81,877	226,978	155,216
Staff recreation and others		44,974	402,292	478,532
Others		1,495,458	1,800,824	1,278,890
		60,782,804	77,635,265	74,235,415

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	2020	2019	2018
Gain on reversal of liabilities	9	6,986,370	2,886,760	162,849
Foreign exchange gains (losses), net	18.1a	25,514	(73,814)	75,859
Gain on sale of property and equipment		-	7,143	-
Loss on sale of shares in an associate	6	-	(3,725,169)	-
Interest expense on lease liability	8	(591,874)	(685,110)	-
Others		3,080,398	1,770,916	-
		9,500,408	180,726	238,708

Other income mainly represents recovery of rentals from SMKL 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:

	2020	2019	2018
Current	1,496,042	2,060,322	1,510,322
Deferred	1,586,032	(451,212)	(538,733)
	3,082,074	1,609,110	971,589

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

	2020	2019	2018
Statutory income tax expense (benefit)	(25,335,038)	(13,956,143)	13,002,174
Add (deduct) tax effects of:			
Share in results of associated companies	15,009,570	(2,976,779)	(31,044,830)
Change in unrecognized deferred income tax assets on NOLCO and excess MCIT	12,968,497	18,181,480	16,896,764
Non-deductible expenses	2,304,417	2,595,347	2,874,074
Income subjected to final tax	(534,821)	(1,363,603)	(716,016)
Non-taxable income	(1,330,551)	(871,192)	(40,577)
Effective income tax expense	3,082,074	1,609,110	971,589

(a) *Current income tax*

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

	2020	2019	2018
Final tax	1,212,609	1,784,474	1,369,932
Minimum Corporate Income Tax (MCIT)	283,433	275,848	140,390
	1,496,042	2,060,322	1,510,322

(b) *Deferred income tax*

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

	2020	2019
Deferred income tax assets		
Accrued expenses	649,392	2,374,629
Right-of-use asset and lease liability	204,654	135,554
	854,046	2,510,183
Deferred income tax liabilities		
Retirement benefit asset	(82,338)	(108,010)
Unrealized foreign exchange gain, net	(18,356)	(21,191)
	(100,694)	(129,201)
	753,352	2,380,982

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

	2020	2019
Deferred income tax assets:		
Expected to be realized within 12 months	854,046	2,510,183
Deferred income tax liabilities:		
Expected to be settled within 12 months	(18,356)	(21,191)
Expected to be settled after 12 months	(82,338)	(108,010)
	(100,694)	(129,201)
	753,352	2,380,982

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

	Note	2020	2019
At January 1		2,380,982	1,830,558
Credited (charged) to profit or loss		(1,586,032)	451,212
Credited (charged) to other comprehensive income	16	(41,598)	99,212
At December 31		753,352	2,380,982



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

	2020	2019
NOLCO	157,823,566	165,929,327
Tax rate	30%	30%
	47,347,070	49,778,798
MCIT	699,671	502,187
	48,046,741	50,280,985

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

	2020	2019
NOLCO		
At January 1	165,929,327	144,328,937
Additions	42,283,546	59,685,439
Expirations	(50,389,307)	(38,085,049)
At December 31	157,823,566	165,929,327
MCIT		
At January 1	502,187	307,403
Additions	283,433	275,848
Expirations	(85,949)	(81,064)
At December 31	699,671	502,187

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

Year incurred	Year of Expiry	2020	2019
2017	2020	-	50,389,307
2018	2021	55,854,581	55,854,581
2019	2022	59,685,439	59,685,439
2020	2025	42,283,546	-
		157,823,566	165,929,327

Pursuant to RR No. 25-2020, Section 4 of Republic Act No. 11494 (Bayanihan to Recover as One Act), the Parent Company 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.

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

Year incurred	Year of Expiry	2020	2019
2017	2020	-	85,949
2018	2021	140,390	140,390
2019	2022	275,848	275,848
2020	2023	283,433	-
		699,671	502,187

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

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

	2020	2019	2018
Net (loss) income	(87,532,201)	(48,129,588)	42,368,990
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900	293,828,900
Basic and diluted (loss) income per share	(0.30)	(0.16)	0.14

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

The weighted average number of shares outstanding as at December 31, 2020, 2019 and 2018 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, 2020.

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

	2020	2019
Fair value of plan assets	2,406,093	2,411,323
Present value of defined benefit obligation	(2,131,634)	(2,051,291)
	274,459	360,032

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

	2020	2019
At January 1	360,032	238,091
Retirement benefit expense recognized in profit or loss	(354,234)	(177,543)
Transfers of employees to an associate	-	182,629
Equity transfer	-	392,883
Remeasurements recognized in other comprehensive income (loss)		
Deviations of experience from assumptions	297,651	27,371
Loss on plan assets	39,024	(74,657)
Changes in financial assumptions	(198,016)	(283,419)
Contributions to the retirement fund	130,002	54,677
At December 31	274,459	360,032

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

	2020	2019	2018
Current service cost presented as retirement expense	373,280	205,688	504,142
Net interest expense (income)	(19,046)	(28,145)	17,078
	354,234	177,543	521,220

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

	Note	2020	2019	2018
Remeasurements on defined benefit obligation		99,635	(256,048)	755,631
Remeasurements on plan assets		39,024	(74,657)	(121,783)
Remeasurement gain (loss)		138,659	(330,705)	633,848
Deferred income tax benefit (expense)	14	(41,598)	99,212	(190,154)
Remeasurement gain (loss), net of tax		97,061	(231,493)	443,694

*(a) Defined benefit obligation*

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

	2020	2019
At January 1	2,051,291	2,002,423
Current service cost included in net retirement benefit expense	373,280	205,688
Interest cost included in net retirement benefit expense	108,513	171,933
Remeasurements in other comprehensive income (loss):		
Actuarial loss (gain) on obligation resulting from:		
Changes in financial assumptions	198,016	283,419
Deviations of experience from assumptions	(297,651)	(27,371)
Transfers of employees to an associate	-	(182,629)
Benefits paid from retirement fund	(301,815)	(402,172)
At December 31	2,131,634	2,051,291

At December 31, 2020, 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:

	2020	2019
Less than 10 years	941,534	1,294,374
More than 10 years to 15 years	5,741,160	5,193,128
More than 15 years to 20 years	-	471,080
More than 20 years	21,146,134	29,816,657
	27,828,828	36,775,239

*(b) Plan assets*

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

	2020	2019
Cash	130,865	49,122
Government securities	551,137	1,472,364
Investment in unit investments in trust funds (UITF)	1,717,342	475,910
Investment in other securities and debt instruments	-	405,633
Receivables	7,692	11,096
Trust fee payable	(943)	(2,802)
	2,406,093	2,411,323

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:

	2020	2019
At January 1	2,411,323	2,240,514
Interest income included in net retirement benefit expense	127,559	200,078
Equity transfer	-	392,883
Remeasurements in other comprehensive income (loss):		
Gain (loss) on plan assets	39,024	(74,657)
Contributions to the retirement fund	130,002	54,677
Benefits paid from retirement fund	(301,815)	(402,172)
At December 31	2,406,093	2,411,323

There are no plan assets invested in related parties of the Parent Company as at and for the years ended December 31, 2020 and 2019. The Parent Company's transactions with the retirement fund for the years are limited to contributions. The fair value of the plan assets approximates their carrying amount as at December 31, 2020 and 2019.

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 2021.

There was no plan amendment, curtailment, or settlement for the years ended December 31, 2020 and 2019.

*(c) Actuarial assumptions*

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

	2020	2019
Discount rate	3.95%	5.29%
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)	
	2020	2019	2020	2019
Discount rate	+1.0%	+1.0%	(154,157)	(104,608)
	-1.0%	-1.0%	316,091	135,044
Salary increase rate	+1.0%	+1.0%	296,485	130,103
	-1.0%	-1.0%	(150,722)	(103,251)

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:

	2020	2019
Operating assets	2,479,026,074	2,597,931,411
Operating liabilities	77,252,351	108,532,568
Gross revenue (loss), net	(33,167,731)	30,934,061
Other income, net	9,500,408	180,726
General and administrative expenses	(60,782,804)	(77,635,265)
Segment net loss	(87,532,201)	(48,129,588)

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

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

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

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

### **18.1 Financial risk management**

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, financial assets at 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 market risk (mainly foreign currency risk), credit risk, and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

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

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency arises from 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:

	2020	2019
	(In SGD)	
Due to related parties	(415,698)	(578,599)
Year-end exchange rate	36.20	37.46
PHP equivalent	(15,048,268)	(21,674,319)

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

	Note	2020	2019	2018
Unrealized		61,186	70,640	-
Realized		(35,672)	(144,454)	75,859
	13	25,514	(73,814)	75,859

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

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

	Currency	Change in variable	Effect on income before tax increase (decrease)
December 31, 2020	SGD	3.36%	505,622
		-3.36%	(505,622)
December 31, 2019	SGD	-2.63%	(570,035)
		2.63%	570,035

In 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019.

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-eight percent (98%) of total receivables as at December 31, 2020 (2019 - 96%).

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>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
<b>2019</b>					
Cash and cash equivalents*	(i)	158,526,955	-	-	158,526,955
Receivables	(ii)	2,222,053	-	2,666,664	4,888,717
Due from related parties	(ii)	50,757,729	-	-	50,757,729
Refundable deposits	(iii)	3,619,999	-	-	3,619,999
		215,126,736	-	2,666,664	217,793,400

\*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 P271,674 in 2020 (2019 - P2,180,725)

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, 2020 and 2019.

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
<b>2020</b>				
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
<b>2019</b>				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	2,222,053	-	2,666,664	4,888,717
Loss allowance	-	-	2,666,664	2,666,664

The Group's receivable amounting to P2.7 million as at December 31, 2020 and 2019 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, 2020 and 2019.

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, 2020 and 2019.

*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, 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
<i>December 31, 2019</i>					
Accounts payable and other current liabilities*	553,981	16,960,905	-	-	17,514,886
Due to related parties	63,438,793	3,279,567	-	-	66,718,360
Lease liability**	-	1,284,323	4,024,211	6,045,974	11,354,508
	63,992,774	21,524,795	4,024,211	6,045,974	95,587,754

\*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, 2020 and 2019 are as follows:

	2020	2019
Liabilities	77,252,351	108,532,568
Equity	2,401,773,723	2,489,398,843
Percentage of debt to equity	3.22%	4.36%

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that the Philippine annual inflation and gross domestic product rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Trade receivables presented under receivables amounted to P1.2 million as at December 31, 2020 (2019 - P2.1 million). Due from related parties amounted to P52.4 million as at December 31, 2020 (2019 - P50.8 million). Allowance for impairment loss provided for the Group's receivable from a third party amounted to P2.7 million as at December 31, 2020 and 2019 (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, 2020, property and equipment have a carrying value of P6.8 million (2019 - P11.2 million) (Note 7). As at December 31, 2020, right-of-use asset has a carrying value of P6.5 million (2019 - P11.5 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 P1.2 million higher or P0.9 million lower (2019 - P0.6 million higher or P0.5 million lower).

*(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, 2020 and 2019, would have been higher by higher or lower by P0.1 million.

## 19.2 Critical judgments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2020 and 2019, the Group did not recognize any impairment loss on its investment in associates and joint venture since there are no impairment indicators identified in 2020 and 2019. The carrying value of investments in associates and joint venture as at December 31, 2020 amounted to P2,202.2 million (2019 - P2,252.4 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, 2020, the recognized net deferred income tax assets amounted to P0.9 million (2019 - P2.5 million). The amount of unrecognized deferred tax assets amounted to P48.0 million as at December 31, 2020 (2019 - P50.3 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).

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

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

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

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

**20.1 Basis of preparation**

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

These consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at 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 financial statements are disclosed in Note 19.

## Changes in accounting policy and disclosures

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

The Company has applied the following standards and interpretation to existing standard for the first time for its annual reporting period commencing January 1, 2020:

- *Amendments to PAS 1, 'Presentation of Financial Statements' and PAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective January 1, 2020)* - Amendments to PAS 1 and PAS 8 include the use a consistent definition of materiality throughout PFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information. In particular, the amendments clarify:
  - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and;
  - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Based on the Company's assessment, the amendments to PAS 1 and PAS 8 will not have a significant impact in the presentation of its financial statements.

- *Interest Rate Benchmark Reform - amendments to PFRS 7, PFRS 9 and PAS 39 (effective January 1, 2020)*. The amendments made to PFRS 7 Financial Instruments: Disclosures, PFRS 9 Financial Instruments and PAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statements of total comprehensive income.

- *Covid-19-Related Rent Concessions - amendments to PFRS 16 (effective June 1, 2020)*. As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions As variable lease payments in the period in which they are granted.
- *Revised Conceptual Framework for Financial Reporting (effective January 1, 2020)* - The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect will be issued. Key changes include:
  - increasing the prominence of stewardship in the objective of financial reporting;
  - reinstating prudence as a component of neutrality;
  - defining a reporting entity, which may be a legal entity, or a portion of an entity;
  - revising the definitions of an asset and a liability;
  - removing the probability threshold for recognition and adding guidance on derecognition;
  - adding guidance on different measurement basis, and;
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Conceptual Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Conceptual Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Based on the Company's assessment, the revised Conceptual Framework in financial reporting will not have significant changes in its accounting policies.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

There are no other relevant standards, and interpretations to existing standard, which are effective on January 1, 2020 and adopted by the Company, that have or are expected to have a significant impact on the Company's financial statements.

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

A number of new standards, and amendments and interpretation to existing standards are effective for annual periods beginning after January 1, 2020, and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

- *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, 2020 are expected to have a material impact on the Company's financial statements.

## **20.2 Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at December 31, 2020, 2019 and for each of the three years in the period ended December 31, 2020. 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, 2020 and 2019.

(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, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables 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 minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

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

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

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

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

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

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

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

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

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

## **20.22 Basic/diluted earnings (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.

On March 26, 2021, (RA No.11534), otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

1. CIT rate shall be reduced to 25% beginning July 1, 2020 for domestic corporations and resident foreign corporations (RFCs) while January 1, 2021 for non-resident foreign corporations. Domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land on which the particular business entity's office, plant and equipment are situated, are subject to 20% income tax.
2. Beginning July 1, 2020 until June 30, 2023.
  - a. Temporary reduction on the income tax rate of proprietary educational institutions and hospitals to 1%.
  - b. Temporary reduction of the minimum corporate income tax rate to 1% for domestic corporations and RFCs.
3. Repeal of the optional CIT of 15% of gross income for domestic corporations and RFCs.

As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020.

For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. Had the new CIT rates been applied on the December 31, 2020 financial statements of the Company, the financial impacts would have been a reduction in deferred tax assets (or an increase in deferred tax liabilities, net) and a reduction (or increase) in income tax expense arising from the lower enacted income tax rate.

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

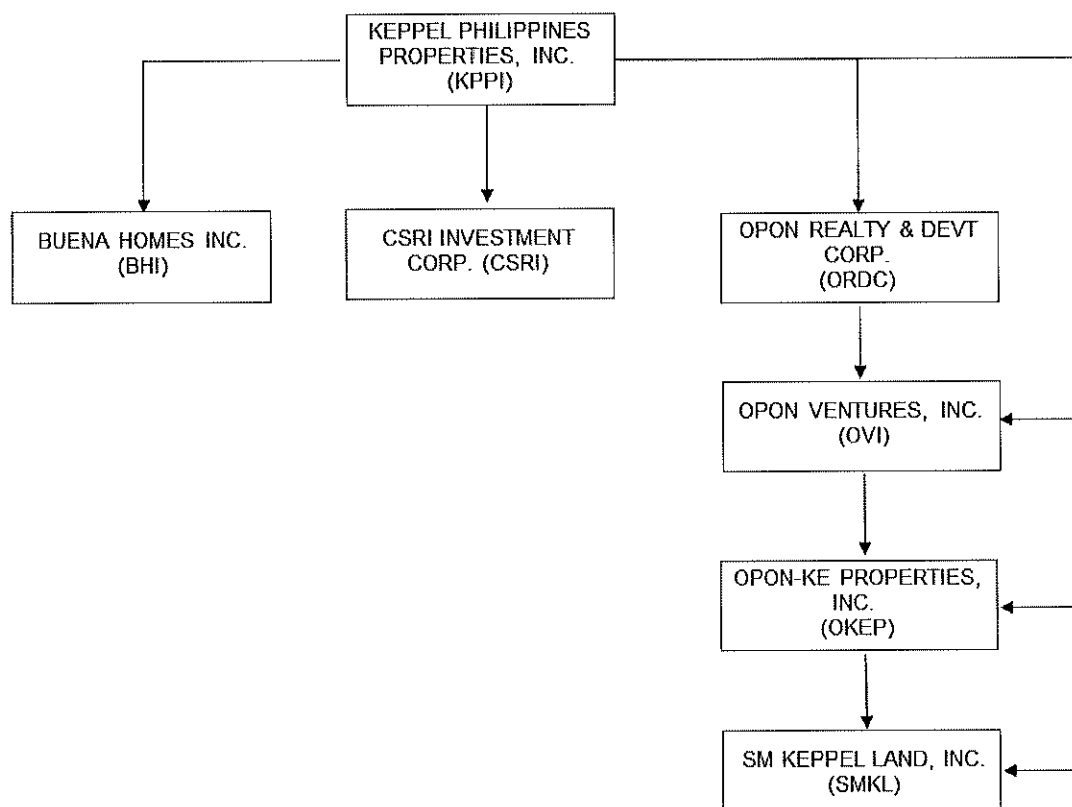
During the first quarter of 2020, COVID-19 spread throughout the world, creating an unprecedented pandemic. As a response, the Philippine Government declared a nationwide community quarantine to mitigate the spread of COVID-19. The ongoing quarantine measures require alternative work arrangements, travel bans and restrictions, disruptions on supply chains, and uncertainty on the accessibility of liquidity or capital markets. The Group has provided concrete and defined guidelines and protocols adhering to all government regulations on this matter which was cascaded to all employees and stakeholders.

The Group has continued to experience a slowdown in operations and decreased growth, particularly in its share in results of associated companies and joint venture in which rental operations were severely impacted by quarantine measures imposed by the government. Nonetheless, management continues to look for measures to mitigate and reduce any negative impact to its profitability or economic impact on its business. 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 Parent Company's financials. 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, 2020 consolidated financial statements.

## KEPPEL PHILIPPINES PROPERTIES, INC.

### SUBSIDIARIES AND ASSOCIATES

AS AT DECEMBER 31, 2020



#### 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  
Property holding and development



## Keppel Philippines Properties Inc. and Subsidiaries

### Financial Ratios December 31, 2020, 2019 and 2018

Financial ratio	Calculation	2020	2019	2018
Liquidity/current ratio	Total current assets divided by total current liabilities  Total current assets 181,463,449 Divided by: Total current liabilities 76,783,408 Liquidity/current ratio 2.36	2.36:1	2.33:1	3.25:1
Acid test ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities  Total current assets 181,463,449 Less: Prepayments and other current assets (26,484,289) 154,979,160 Divided by: Total current liabilities 76,783,408 2.02	2.02:1	2.06:1	2.95:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities	N/A	N/A	0.53:1
Debt-to-equity ratio	Total liabilities divided by total equity  Total liabilities 77,252,351 Divided by: Total equity 2,401,773,723 0.03	0.03:1	0.04:1	0.03:1
Asset-to-equity ratio	Total assets divided by total equity  Total assets 2,479,026,074 Divided by: Total equity 2,401,773,723 1.03	1.03:1	1.04:1	1.03:1
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 loss after tax (87,532,201) Divided by: Total equity 2,401,773,723 (3.64%)	(3.64%)	(1.93%)	1.67%
Return on assets	Net income (loss) after tax divided by total assets at beginning  Net loss after tax (87,532,201) Divided by: Total assets, beginning 2,597,931,411 (3.37%)	(3.37%)	(1.84%)	1.66%
Net profit margin	Net income after tax divided by gross revenue (loss)	N/A	N/A	36%
Earnings (loss) per share	Net income (loss) divided by number of common stock outstanding  Net loss after tax (87,532,201) Divided by: Number of common stock outstanding 293,828,900 (0.30)	(P0.30)	(P0.16)	P0.14

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

Schedule A  
Financial Assets  
As at December 31, 2020  
(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		101,296,379	1,409,005
Receivables		1,293,030	-
Due from related parties		52,389,751	-
Security deposits		271,674	-
Refundable deposits		1,513,812	-
Total financial assets		236,276,876	1,409,005

# **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, 2020

(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
Opon-KE Properties, Inc.	44,742,806	206,711	-	-	44,949,517	-	44,949,517
Opon Ventures, Inc.	2,318,111	304,341	-	-	2,622,452	-	2,622,452
Opon Realty and Development Corporation	869,766	243,003	(966,843)	-	145,926	-	145,926
SM Keppel Land, Inc.	2,727,446	20,017,735	(18,073,325)	-	4,671,856	-	4,671,856
Employees	117,872	190,298	(232,826)	-	75,344	-	75,344

**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, 2020  
(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	-	-	229,397	-	229,397
CSRI Investment Corporation	406,467	278,968	(509,413)	-	176,022	-	176,022
Total	406,467	508,365	(509,413)	-	405,419	-	405,419

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

Schedule D  
Long Term Debt  
As at December 31, 2020  
(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, 2020  
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Opon-KE Properties, Inc.	40,298,507	40,298,507
Straits Mansfield Property Marketing Pte Ltd	21,509,249	14,751,281
Keppel Land (Regional Investments), Pte. Ltd.	4,910,604	79,908
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, 2020  
(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
Not Applicable				

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

Schedule G  
Capital Stock  
As at December 31, 2020

The details of authorized and paid-up capital stock are as follows:

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common shares of stock	375,000,000	296,629,900	-	-	-	-
Treasury stock		(2,801,000)	-	-	-	-
Outstanding common stock		293,828,900	-	255,133,693	10,008	38,685,199
Preferred stock	135,700,000	59,474,100	-	59,474,100	-	-
Total		353,303,000	-	314,607,793	10,008	38,685,199



**Keppel Philippines Properties, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration  
As at December 31, 2020  
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, as adjusted to available for dividend distribution (deficit), beginning of the year	(13,610,252)
<b>Add: Net income actually earned/realized during the period</b>	
Net income (loss) during the period closed to retained earnings	(37,922,660)
<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	(61,186)
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	(37,983,846)
<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>(37,983,846)</b>
<b>Add (Less):</b>	
Dividend declarations during the year	-
Appropriations of retained earnings during the year	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	(2,667,645)
Subtotal	-
<b>Total retained earnings available, end of the year available for dividend (deficit)</b>	<b>(54,261,743)</b>

# Keppel Philippines Properties, Inc.

## Contextual Information

Company Details	
Name of Organization	Keppel Philippines Properties, Inc.
Location of Headquarters	Units 1802B-1803 The Podium West Tower 12 ADB Avenue, Ortigas Center, Brgy. Wack-Wack-Greenhills East, 1550 Mandaluyong City, Metro Manila, Philippines
Location of Operations	Mandaluyong City, Philippines – The Podium Complex
Report Boundary	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, 2020
Highest Ranking Person responsible for this report	Mr. Oh Lock Soon President

## Materiality Process

KPPI has 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 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

### Key Pillars

Environmental Stewardship	Responsible Business	People and Community
We will do our part to combat climate change, and are committed to improving resource efficiency and reducing our environmental impact.	The long-term sustainability of our business is driven at the highest level of the organization through a strong and effective board, good corporate governance and prudent risk management.	People are the cornerstone of our business. We are committed to providing a safe and healthy workplace, investing in training and developing our people to help them reach their full potential, and uplifting communities wherever we operate.

**Note:** The discussions on some impacts, risks and opportunities are made per main topic, instead of per subtopic (e.g. Training and Incidents of Anti-corruption). The sections in the report are arranged following KPPI's key pillars – Environmental Stewardship, Responsible Business, and People and Community – and some topics 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.

## ENVIRONMENTAL STEWARDSHIP

### CLIMATE ACTION

#### Climate-related risks and opportunities

KPPI, through Keppel Land, supports the Taskforce on Climate-related Financial Disclosures (TCFD) and is working towards incorporating its recommendations in its reporting framework. Keppel Land has voluntarily disclosed its approach in four key areas as recommended by the TCFD.

**Governance:** The key material ESG factors for Keppel Land, which include climate-related risks and opportunities, have been identified and are regularly reviewed by Keppel Land's management. Keppel Land's Board of Directors oversees the management and monitoring of these factors and takes them into consideration in the determination of Keppel Land's strategic direction and policies. The Sustainability Steering Committee, comprising senior representatives from various business units, leads in the implementation of initiatives. The Sustainability Steering Committee monitors and reports Keppel Land's sustainability strategies and performance.

Environmental sustainability has been woven into Keppel Land's Corporate Scorecard, with performance indicators linked to environmental targets, including improving energy efficiency and reducing carbon emissions.

**Strategy:** Through its materiality assessment conducted with key stakeholders, Keppel Land has identified and prioritized environmental, social and governance (ESG) issues that are most relevant and significant to Keppel Land, with climate-related issues integrated into its business objectives and strategy. As part of its environmental sustainability strategy, Keppel Land will continue to develop new high-performance buildings, optimize resource efficiencies of completed properties and tap renewable energy. ESG considerations are incorporated across the entire life cycle of its projects.

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.

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 developments.

To drive resource efficiency and expand its low-carbon portfolio, Keppel Land has also set a target to invest, on average, 2% of its annual profit to support sustainable development 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.

The Keppel Group has adopted an evolutionary shadow carbon pricing policy in the evaluation of major new investment decisions to mitigate climate-related risks in the mid to long term, prepare for tougher climate legislation and higher carbon prices, and avoid stranded assets. KPPI had no major new investments in 2020.

**Risk Management:** A Sustainability Risk Framework, aligned to the Keppel Group's Enterprise Risk Management Framework, guides the Keppel Group on the specific processes and methods applied in identifying, assessing and managing sustainability-related risks and opportunities.

Risk assessments in the areas of sustainability, including environmental and social impacts, are incorporated in Keppel Land's Investment Review and Risk Assessment, which is used in the acquisition of major projects and submitted to the Board and management for approval. Such assessments form part of the management process in addressing such risks and their respective mitigation strategies.

Keppel Land has in place the Integrated Management System, which ensures that all ESG-related risks and impacts at various stages of a development's life cycle are assessed and addressed adequately to effectively maintain an integrated approach in its design, construction and development.

#### **Risks identified:**

##### ***Physical***

Climate change and global warming have resulted in more frequent and extreme weather conditions such as flooding, storms, droughts and rising sea levels. As a result, higher operating costs are expected to be incurred due to damage recovery, as well as higher cooling and heating needs. Greater emphasis is expected to be placed on protecting ecosystems and the well-being of the community.

##### ***Transition***

More stringent regulations and policies such as carbon tax and stricter building standards to address carbon emissions are expected to be implemented.

Energy and material costs will increase due to depleting natural resources, leading to higher expectations for companies to source responsibly.

New technologies that will result in better resource efficiency and sustainability for businesses are expected to emerge and disrupt the building industry.

Reduced demand for products due to shifts in customers' preferences. The market is increasingly expecting sustainable developments and green features to be standard provisions. Developers face the challenge of balancing environmental sustainability with economic viability.

**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. Six United Nations Sustainable Development Goals (SDGs) are integrated into KPPI's business and serve as the supporting framework to guide the Company's sustainability strategy. More information on this communication can be found in this link: <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/441968>

Keppel Land is committed to reducing its carbon emission intensity by 40% below 2010's level by 2030, as well as to reduce energy and water intensities by 30% from 2010's levels by 2030. Keppel Land is also committed to develop properties that meet international green building rating standards, such as the US Green Building Council's LEED and the BCA Green Mark standards.

Keppel Land has in place a set of Responsible Design Values for its new developments and Environmental Operations Plans for the management of its completed properties. Keppel Land has established stretch targets in the areas of environmental certification, energy, water, landscaping and materials used to improve resource efficiency and building productivity.

In measuring and reporting its greenhouse gas emissions, Keppel Land references global standards, including the GHG Protocol Corporate Accounting and Reporting Standard and uses the operational control approach in accounting for its emissions.

## **ENVIRONMENTAL MANAGEMENT**

#### Energy consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)*	50.83	GJ
KPPI's Energy consumption (electricity)	11,618,678	kWh
West Tower Common Area	4,919,825	kWh
Mall Common Area	6,698,853	kWh
Customer energy consumption (electricity)	3,434,566	
West Tower Tenants	608,872	kWh
Mall Tenants	2,825,694	kWh

\* Based on 1,467 liters; Formula used: (value in liters\*2819\*46.536) / (3.785\*1000\*1000); Conversion factors used: 2819 g/gal (Density, conventional gasoline), 46.536 MJ/kg (HHV, conventional gasoline), 3.785 liters (in one US liquid gallon)

#### Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	34,905,290	kWh

#### Impact & Risks

Stakeholders: Employees, tenants

Using the energy consumption in 2019 as a baseline, The Podium Complex's energy consumption decreased by 75%. This is because of the drop in operations in The Podium West Tower and The Podium Mall as a result of the nationwide community quarantine due to the COVID-19 pandemic, which reduced KPPI's fuel energy-related impacts. Within The Podium Complex, energy, particularly electricity, was consumed in the Company's own office, by tenants, and in the common areas.

High energy consumption in The Podium Complex will lead to increased costs for the Company and the tenants. To address the potential impacts of higher energy consumption on the company, KPPI designed The Podium Complex to the BCA Green Mark Gold Standard and the LEED Gold standard, making the building more energy and cost efficient compared to other standard buildings found in Metro Manila.

Maintaining its lower rate of energy consumption is essential for KPPI to maintain its green building marks and attract more environmentally conscious tenants to the building.

## Management Approach to Identified Impacts and Risks

Compared to a standard building in Metro Manila, The Podium Complex is at least 14% more energy efficient. The green roof and double-glazed facade help in minimizing the solar heat gain and cooling energy load. Other building features that reduce energy consumption include 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. All the equipment is regularly monitored and maintained to ensure that the features continue to work optimally.

## Opportunities and Management Approach to Identified Opportunities

Opportunities to improve energy efficiency have been put on hold because of the limitations brought by the COVID-19 pandemic. Other opportunities will be explored once the threat of the pandemic has been reduced and regular operations resume.

### Air Emissions

#### Greenhouse Gas (GHG) Emissions

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions*	3.02	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 2) GHG Emissions**	8,275	Tonnes CO <sub>2</sub> e
Energy indirect (Scope 3) GHG Emissions***	2,446	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

\*Formula used which was obtained from GHG Protocol Corporate Accounting and Reporting Standard: (L \* 2.0592 kg CO<sub>2</sub>e/L / 1000 kg CO<sub>2</sub>e /tonne CO<sub>2</sub>)

\*\*Includes values from electricity consumption of The Podium West Tower – KPPI office, The Podium West Tower Common Area, and The Podium Mall Common Area; Grid Emission Factor used which was obtained from Department of Energy 2015-2017 National Grid Emission Factor: 0.7122 kgCO<sub>2</sub>e /kWh;

\*\*\*Includes emission from electricity consumption of The Podium West Tower and The Podium Mall tenants

### Impact & Risks

Stakeholders: Employees, tenants

The GHG emissions from The Podium Complex mainly comes from the energy consumption of the tenants and the KPPI office. Low energy consumption must be maintained in order to maintain KPPI's commitment to minimize impact to the climate, retain the green building status, and also to continue attracting tenants drawn to the sustainability features of the building. As The Podium Complex has just started operations, the Ozone Depleting Substance equipment within the facilities is relatively new and there was no generation of leakages and emissions in 2020.

### Management Approach to Identified Impacts and Risks

As The Podium Complex was developed in accordance with the BCA Green Mark Gold Standard and the LEED Gold standard, it is on average at least 14% more energy efficient than the average building in Metro Manila. The double-glazed facade and green roof minimize the solar heat gain and reduce cooling energy load. The skylights above the atrium allow natural light to reach the ground floor, thereby reducing energy use and emissions. Other interventions to improve energy efficiency include the use of dynamic power metering, LED lights, air supply fans equipped with variable speed drives, variable refrigerant volume air conditioning equipment and high efficiency chiller units. The equipment is regularly monitored and maintained to ensure optimal performance.

### Opportunities and Management Approach to Identified Opportunities

Attempts to become more energy efficient and lower GHG emissions were put on hold because of the COVID-19 pandemic, but will be looked into again once normal operations resume. Regular monitoring and maintenance will be continued to ensure that the equipment is performing optimally and complies with the green building requirements.

#### Air pollutants \*

Disclosure	Quantity	Units
NO <sub>x</sub>	N/A	kg
SO <sub>x</sub>	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

*\* The Company is unable to disclose the quantities as the information is not available and cannot be obtained as these items have been measured by a third-party contractor during the construction phase of the project. KPPI ensures that all its contractors comply with the national policies and regulations.*

### Impacts & Risks

Stakeholders: Employees, contractors, customers, regulators

Air pollutants may be produced within The Podium Complex's parking area where vehicular emissions are more prevalent, which may lead to higher air pollution levels. KPPI has in place systems to regulate indoor air pollution levels in these areas.

If inhaled in large amounts, air pollutants can cause respiratory ailments and other adverse health effects. Moreover, air pollutants going beyond the compliance levels could lead to penalties from the regulators.

### Management Approach to Identified Impacts and Risks

To maintain air pollution within regulatory limits and be compliant with green building standards, atriums and kitchen areas were constructed with exhaust fans for proper ventilation, while in the parking area, fans and blowers are used to regulate and expel air pollutants.



### Opportunities and Management Approach to Identified Opportunities

Opportunities to better monitor air pollution and improve ventilation may be put in place. However, these attempts were put on hold during the COVID-19 pandemic and may be continued when KPPI's operational conditions improve.

#### Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal*	104,600	Cubic meters
Water consumption*	72,025**	Cubic meters
Water recycled and reused*	162,789.76	Cubic meters
Water intensity***	2.16	Cubic meters per GLA

\*Restatement of 2019 data:

Water withdrawal – 149,814 cu.m.; Water consumption – 108,669 cu.m.

Instead of previously reported:

Water withdrawal – Zero; Water consumption – 149,814 cu.m.

The restatement was made following KPPI's adoption of the Global Reporting Initiative (GRI)'s definition of water withdrawal and water consumption (GRI 303 Water and Effluents 2018).

\*\* Water withdrawal minus water discharged.

\*\*\*Calculated based on a GLA of 123,538 sq.m.

### Impacts & Risks

Stakeholders: Employees, tenants

Water is consumed by The Podium Complex's tenants and the KPPI office. Uncontrolled water withdrawal and consumption can contribute to water shortages in Metro Manila that may cause interruptions to the Company's operations.

The Podium Complex's certifications of BCA Green Mark Gold Standard and LEED Gold Standard are validations of the building's efficient water management system. Relatively low water consumption must be maintained to retain the green building marks and at the same time, to keep costs down. Maintaining these green building certifications may help to positively influence the decision of environmentally conscious tenants that are drawn to the building's sustainability features.

### Management Approach to Identified Impacts and Risks

The building follows the BCA Green Mark Gold Standard and LEED Gold Standard. As such, the building was developed 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. Greywater that is collected is treated to be reused while rainwater is harvested to maintain low water withdrawal from a third-party provider. Monitoring and maintenance of water facilities are done regularly to detect and prevent problems, such as leaks.

### Opportunities and Management Approach to Identified Opportunities

The COVID-19 pandemic temporarily disrupted KPPI from looking for alternative ways to lower its water consumption. The quarantine protocols implemented during the pandemic led to a temporary disruption to the routine operations, which resulted in fluctuating water consumption for the reporting period. Opportunities to look for more water-efficient methods will be resumed when opportune.

### Effluents

Disclosure	Quantity	Units
Total volume of water discharges*	32,575	Cubic meters
Percent of wastewater recycled**	80	%

\*Include data from The Podium Mall and The Podium West Tower

\*\*Formula used:  $(\text{Total Recycled Water} - \text{Discharged Recycled Water}) / \text{Total Discharged Recycled}$

### Impacts & Risk

Stakeholders: Employees, tenants, regulators

The consumption of water within The Podium Complex results in effluents that must be treated in order to prevent any harm to nearby aquatic ecosystems. Failure to treat effluents violates the Clean Water Act and will lead to regulatory risks.

### Management Approach to Identified Impacts and Risks

Developed in accordance with and awarded with the BCA Green Mark Gold Standard and the LEED Gold standard, The Podium Complex was built with a sewage treatment plant and water-efficient fixtures. These fixtures make use of rainwater harvest to reduce water consumption by 30% annually, and treat grey water for flushing toilets to reduce effluents. Furthermore, a Pollution Control Officer regularly monitors the building's water system and ensures its compliance with the Department of Environment and Natural Resources (DENR) requirements.

### Opportunities and Management Approach to Identified Opportunities

Opportunities to reduce water consumption and effluents will be explored when opportune. Continued monitoring and maintenance will be done to ensure that the building continues to be water efficient.

### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	67,000	kg
• Renewable	0	kg
• Non-renewable*	67,000	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

\* Includes PVC pipes, wood and metal

### Impacts & Risks

Stakeholders: Suppliers, employees

Different materials are used for the construction and renovation of new and old tenants' leasing spaces. In order for the building to preserve its integrity and to comply with the green building and regulatory requirements, the Company follows project technical specifications for materials. These specific requirements for the materials are also put in place to prevent any health and safety hazards or environmental impacts.

### Management Approach to Identified Impacts and Risks

KPPI ensures that all materials used adhere to green building requirements as well as government standards. In addition to this, all materials used are required to be durable and regionally sourced to follow sustainable construction practices. Should any of the materials not be used during any of the renovations, such materials may be customized, stored for future use, or, if possible, returned to the supplier.

### Opportunities and Management Approach to Identified Opportunities

As the construction of The Podium Complex is already completed, its material use mainly comes from construction or renovation of spaces leased by new or current tenants. KPPI will continue to abide by the highest standard for materials used and ensure that they are environmentally-safe, durable and regionally-sourced.

### Solid and Hazardous Wastes

#### Solid Waste

Disclosure	Quantity	Units
Total solid waste generated*	210,500	kg
Reusable	6,500	kg
Recyclable	64,000	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	140,000	kg

\*Solid wastes generated from The Podium Mall and the Podium West Tower

### Impacts & Risks

Stakeholders: Employees, tenants, regulators

The solid waste generated by KPPI comes from its office, mall tenants and restaurants. Improper solid waste practices and management may lead to penalties and/or regulatory ramifications. Should biodegradable waste not be handled and disposed properly, this would affect the comfort of stakeholders as well as lower hygiene levels.

### Management Approach to Identified Impacts and Risks

Solid wastes generated by The Podium Complex are 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 to Identified Opportunities

Recyclable, reusable and biodegradable containers may be promoted. A stricter segregation system may be put in place to further reduce residual wastes and possibly divert wastes to other areas e.g. composting facilities. KPPI recognizes that these interventions may require revisions in its tenants' waste management practices and have cost implications. As such, any further improvements may be looked into when opportune.

#### Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated*	470	kg
Total weight of hazardous waste transported**	1,555	kg

\*Hazardous waste generated from The Podium Mall and The Podium West Tower

\*\* KPPI transported and treated hazardous wastes generated in 2019 (1,085kg) and 2020 (470kg).

#### Impacts & Risk

Stakeholders: Employees, tenants, regulators

Over the course of daily operations, it is inevitable that waste, of which some are hazardous in nature, is produced. The improper management of this type of waste may pose serious threats to human and ecological health. Mismanagement of hazardous wastes will lead to penalties issued by the regulators, additional cost to compensate or rehabilitate affected individuals, or damage ecosystems.

### Management Approach to Identified Impacts and Risks

The management team of The Podium West Tower ensures the strict compliance of 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 ensures that this entire process strictly complies with the requirements of the government. For the tenants of KPPI that may produce hazardous wastes, they are given clear guidelines by the property management office during tenant orientation to ensure compliance. In this guideline, tenants are required to properly dispose of their own hazardous wastes in accordance with the DENR policies.

### Opportunities and Management Approach to Identified Opportunities

Monitoring the performance and compliance of The Podium Complex regarding the handling of hazardous waste will continue to ensure that KPPI complies with hazardous waste management regulations. Furthermore, other opportunities to improve the building's management of hazardous waste will be sought out when the threat of the COVID-19 pandemic subsides.

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

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

### Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

### Impacts & Risk

Stakeholders: Employees, tenants, contractors, regulators

All relevant environmental laws are strictly followed by KPPI in all stages of the building's development, from construction to operations. Penalties such as fines and restraining orders could be put in place should any form of non-compliance by the employees and tenants be made.

### Management Approach to Identified Impacts and Risks

The development of The Podium Complex and its compliance to all the environmental laws is ensured by KPPI and the building management office. All contractors are monitored to ensure compliance. Pollution Control Officers are employed to observe the relevant processes and further ensure the compliance of the building with the laws. Regular monitoring and maintenance are done to ensure that the building's fixtures continue to perform optimally. The buildings also follow the BCA Green Mark standards which stipulates standards beyond what is required of local environmental laws.

### Opportunities and Management Approach to Identified Opportunities

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.

## RESPONSIBLE BUSINESS

### ECONOMIC SUSTAINABILITY

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Unit
Direct economic value generated (revenue)*	15,455,164.00	PhP
Direct economic value distributed:	60,023,645.43	PhP
a. Payments to suppliers, and other operating costs	25,174,874.31	PhP
b. Employee wages and benefits	34,756,959.12	PhP
d. Dividends given to stockholders and interest payments to loan providers**	0	PhP
e. Taxes given to government	91,812.00	PhP
f. Investments to community (e.g. donations, CSR)***	0	PhP

\*From management consultancy and franchise fees

\*\* There were no dividends distributed to investors in 2020

\*\*\* There were no community programs conducted in 2020

#### Impacts & Risk

Stakeholders: Employees, the government, suppliers, providers of capital (stockholders, investors, lenders), the community

At end-2020, KPPI generated revenues amounting to P15.455 million, 6% lower than the P16.467 million revenues earned in the same period last year. Despite this, the Company's presence has enabled job and economic opportunities for its employees, office-based and retail businesses, and the local municipality it operates in. Of the P60.023 million economic value KPPI distributed, about 58% of this went to employee salaries, wages and benefits. The remainder of this was dispensed to its local service providers and to the government, which were carried out through timely and accurate delivery of payables and taxes, respectively.

KPPI recognizes that its ability to drive equitable flow of economic value to its key stakeholders can be affected by internal and external conflicts. Any unjust transaction or corruptive behavior within the Company jeopardizes how KPPI creates equitable economic value to its employees, customers, service providers and government. Moreover, changing demand and supply of commercial and retail spaces may affect the Company's ability to generate value.

#### Management Approach to Identified Impacts and Risks

**Improving and maintaining office and retail occupancy:** While the Philippine real estate sector experienced an overall decrease in commercial space demand due to the COVID-19 pandemic, KPPI was able to improve its office and retail occupancy in 2020. The sustainability and premium features of The Podium Complex had been a significant factor in attracting business owners to lease spaces in the building. Furthermore, the Company was able to keep its existing tenants by offering more payment terms options.

**Implementation of Corporate Governance Manual and the Code of Business Conduct:** KPPI practices financial discipline to earn best risk-adjusted returns. The Company strictly adheres to its Code of Business Conduct and has zero tolerance for corruption and illegal activities. Employees must, under no circumstances, offer, promise, give or authorize the giving, directly, indirectly or through third parties, of any bribe, kickback, illicit payment, benefit in kind or any other advantage to a government official or government entity, private sector customer, supplier, contractor, or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity.

#### Opportunities and Management Approach to Identified Opportunities

The Company sees opportunities to improve its economic contribution over the next few years. As a management approach, the Company will continue to implement its current strategies - keeping its building occupancy high, and adhering to the strict implementation of its Corporate Governance Manual and the Code of Business Conduct.

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

### Anti-corruption

#### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption Training	100	%

#### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

#### Impacts & Risks

Stakeholders: Employees, partners, regulators, investors

Corruption could impair KPPI's ability to provide equitable economic value to its key stakeholders. For this reason, KPPI has maintained zero incidents of corruption within the Company in 2020, which was achieved

by ensuring all of its Board, employees and business partners were properly trained on its anti-corruption policies and procedures.

#### Management Approach to Identified Impacts and Risks

The Keppel Group's **Code of Conduct** provides important principles to guide all its employees in carrying out their duties and responsibilities to the highest standards of business integrity.

##### **Anti-Corruption**

Employees must, under no circumstances, offer, promise, give or authorize the giving, directly, indirectly or through third parties, of any bribe, kickback, illicit payment, benefit in kind or any other advantage to a government official or government entity, private sector customer, supplier, contractor, or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity. Facilitation payments could also create bribery risks. Accordingly, employees should not make any facilitation payments on any Group company's behalf.

Similarly, employees must not under any circumstances solicit or accept, directly or indirectly, any bribe, kickback, illicit payment, benefit in kind or any other advantage from any government official or government entity, customer, supplier, contractor, or any other person or entity that is intended to induce or reward an improper performance or non-performance of a function or activity.

##### **Gift and Hospitality**

Employees should avoid giving or receiving gifts or hospitality (including entertainment, meals, business travel, tickets to social, entertainment or sports events etc.) which is excessive in value, given too often, or leaves the employee or (as the case may be) the other person in a position of obligation or possible perceived obligation. Gifts or hospitality in the form of cash or cash equivalent should be avoided.

##### **Donations and Contributions**

Donations, sponsorships and contributions made on behalf of a Group Company must not be used as a subterfuge for bribery.

More details on the Code of Conduct can be found in this link:

<http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>

The Company's **Corporate Governance Manual** also stipulates directors' training on corporate governance (Section VI) where any person found with any case of corruption is disqualified from assuming the post (Section II). Furthermore, it highlights that the Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy in its Code of Conduct. Furthermore, the Board should disseminate the policy and program to employees across the organization through training to embed them in the Company's culture. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement. More details on the Corporate Governance Manual can be found in this link:

<http://www.keppelland.com.ph/pdf/2017-NewManualonCorporateGovernance.pdf>



### Opportunities and Management Approach to Identified Opportunities

Stakeholders: Employees, partners, regulators, investors

KPPI values integrity and encourages all stakeholders, especially its employees and partners, to act with ethics and integrity. The Company will continue in its vigilance and increase efforts against corruption through policies and training, as well as other means to avoid such occurrences in the Company's operations. The Company shall take steps in evaluating the effectiveness of policies and measures against corruption, and further formulate and implement management approaches to avoid such occurrences.

## Cyber Security and Data Protection

### Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	0	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

### Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

### Impacts & Risks

Stakeholders: Employees, Customers

Incidence of customer data and privacy breaches could place the Company's operations, reputation and financial position at risk. Leak of sensitive or confidential information may cause temporary or permanent disruption of the Company's project operations. More so, failure to protect its customers' information will cost the Company to lose clients' confidence, as well as damage its public image and reputation, which could eventually translate to reduced revenue and increased cost.

### Management Approach to Identified Impacts and Risks

To protect KPPI's customer data and the Company's confidential information, the Company has established stringent measures. Its IT unit periodically audits and reviews its system to ensure alignment to IT policies and procedures. In addition, KPPI ensures that its IT Disaster Recovery Plan is regularly reviewed and tested to guarantee the robustness of its IT system. Policies governing end-user and safeguarding sensitive information are in place and regularly emphasized to employees. IT awareness on cybersecurity and related policies are also conducted across the business.

### Opportunities and Management Approach

KPPI aims for the continuous improvement of its customer data privacy protection. The Company will drive this by conducting periodic risk assessment, adopting up-to-date technology solutions, and regular training of its employees.

## SUPPLY CHAIN AND RESPONSIBLE PROCUREMENT

### Supply Chain Management

*Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:*

KPPI selects contractors based on their track record, financial strength as well as commitment towards high standards of quality, environmental and safety management. The Company also prefers contractors with ISO 9001, ISO 14001 and ISO 45001 certifications. Moreover, KPPI requires its suppliers to sign the Keppel Supplier Code of Conduct upon engagement, which extends the Keppel Group's sustainability principles across its supply chain and encourages its suppliers to adopt positive ESG practices. The Company expects its suppliers to abide by this code and it reserves the sole right to discontinue business with any supplier who violates its requirements on business conduct, human rights, safety and health, and environmental management.

More details on Keppel Group's **Supplier Code of Conduct** found in this link:

<https://www.keppcorp.com/en/file/sustainability/our-focus-areas/keppel-group-supplier-code-of-conduct.pdf>

*Do you consider the following sustainability topics when accrediting suppliers?*

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Included in construction specifications 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

#### Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers*	100	%

*\*Includes materials used for construction, and service providers for property operations and maintenance*

Impacts & Risks
Stakeholders: Employees, suppliers

KPPI's suppliers and service providers hold significant control in the activities of its value chain, from construction of its building to managing the property operations. Thus, their impact on the environment, society and the economy translates to the Company's own impact, with the Company being the project grantor. Risks in the supply chain may involve awarding contracts to noncompliant suppliers and service providers. Any noncompliance of the laws tampers KPPI's brand and reputation, causes project extension and generates financial deficits.

## Management Approach to Identified Impacts and Risks

**Ensuring Supply Chain Management:** The Company is committed to manage its supply chain and ensure responsible procurement across the whole life cycle of its projects, from the initiation and design development stages to subsequent construction and operation stages. The initiatives, programs and policies set by the Company are detailed below:

<b>Project Initiation:</b> Sustainable Design Brief	<ul style="list-style-type: none"> <li>• Set high BCA Green Mark targets for new developments.</li> <li>• Share Responsible Design Values with the design team and consultants for incorporation in proposals.</li> </ul>
<b>Design Development:</b> Concept and Schematic Design Review	<ul style="list-style-type: none"> <li>• Appoint consultants to conduct Environmental Aspects Impact Assessment.</li> <li>• Review design to ensure it follows the approved design brief and Responsible Design Values, including Design for Quality and Safety.</li> </ul>
<b>Tender:</b> Tender Documentation	<ul style="list-style-type: none"> <li>• Select contractors based on their track record, financial strength as well as commitment towards high standards of quality, environmental and safety management.</li> <li>• The Company prefers ISO 9001, ISO 14001 and ISO 45001 certified contractors.</li> <li>• Set out standards of conduct for contractors, including in the areas of legal compliance, health and safety, as well as environmental management.</li> <li>• Include environmental and safety specifications in tender documents.</li> </ul>
<b>Construction</b>	<ul style="list-style-type: none"> <li>• Ensure Environmental Aspects Impact Assessment is conducted to identify and mitigate environmental issues.</li> <li>• Monitor contractors' energy, water and construction materials usage.</li> <li>• Ensure contractors abide by the Keppel Supplier Code of Conduct.</li> <li>• Conduct audits to check conformity to ISO 9001 and Integrated Management System.</li> </ul>
<b>Operation:</b> Procurement	<ul style="list-style-type: none"> <li>• State ISO 14001 specifications in the contracts for procurement of services.</li> </ul>

**Extending assistance to service providers:** Since the construction of The Podium Complex was completed in 2019, KPPI's supply chain in 2020 notably changed from construction contractors to property management service providers, such as security, janitorial services, equipment maintenance, among others. During the COVID-19 pandemic, KPPI extended assistance to service providers who were severely affected by the prolonged lockdown by providing them with meal allowances. Moreover, when construction was allowed again by the government, KPPI sheltered the new tenants' construction workers at the vacant rooms of The Podium West Tower to minimize their health risk exposure to different areas, especially outside their working areas.

#### Opportunities and Management Approach to Identified Opportunities

KPPI sees many opportunities to engage more local suppliers and service providers, as well as carry out more inclusive growth engagements with them. To ensure quality, reliability and timeliness of delivery of output that KPPI's suppliers provide, the Company will continue to manage them through the Keppel Supplier Code of Conduct.

## PRODUCT QUALITY AND SAFETY

### Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No customer satisfaction survey conducted yet	N/A

### Impacts & Risk

Stakeholders: Employees, Customers

Tenants and locators are provided a commercial space by the Company to do their business. Tenant attrition may be induced by unsatisfied customers. This unwanted movement may have a negative impact on the reputation of the Company and may lead to losses in revenue.

#### Management Approach to Identified Impacts and Risks

Guided by the Keppel Group's core values and Code of Conduct, KPPI will do business the right way and comply with all applicable laws and regulations wherever it operates. KPPI strives to deliver outstanding performance, whilst maintaining the highest ethical standards.

KPPI is clear with its tone for regulatory compliance, which is consistently emphasized from the top and throughout all levels of the Keppel Group. The Company has zero tolerance for fraud, bribery, corruption and violation of laws and regulations. More details on the Code of Business Conduct can be found in this link: <http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>.

Should customers have any feedback, they may relay this to the Property Management Group or the Colliers teams as soon as tenants begin their operations in The Podium Complex.

Any transaction between the Company and its tenants is guided by the Company's Leasing Process Flow, which helps tenants in setting expectations. Prospective tenants are required to acknowledge and sign this as soon as their units are reserved.

#### Opportunities and Management Approach to Identified Opportunities

Customer surveys may be conducted in the future to receive insights on the level of satisfaction among customers and tenants. The Company will continually improve the experience of its customers to enable tenants to grow their businesses within The Podium Complex. The Company may also enhance its operating procedures to improve customer satisfaction levels.

## Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	#
No. of complaints addressed*	N/A	#

*\*KPPI does not have the system yet to generate this data. Despite this, the Company ensures that all customer concerns are addressed.*

### Impact & Risk

Stakeholders: Employees, Customers

The Company values safety and health within the work environment for its building occupants and tenants. Safety and health cover the physical condition of workers and their actions within the workplace. It also covers the workplace and health aspects during the construction, turnover and operation of The Podium Complex. KPPI is fully committed to comply with and promote the Keppel Group's Zero Fatality Strategy.

With the onset of the COVID-19 pandemic, public places such as malls and offices could be hot spots for the spread of the virus. Safety precautions need to be strictly implemented to ensure the health and safety of the customers and tenants within the building.

### Management Approach to Identified Impacts and Risks

**Adoption of Keppel Zero Fatality Strategy:** The health and safety of its customers and tenants are considered a top priority for KPPI. The Company assesses all potential issues that may occur from site selection to the operation of the buildings. KPPI adopts the "Keppel Zero Fatality Strategy" by the Keppel Group. This is further discussed under People & Community: Occupational Health & Safety.

**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. These included having more frequent cleaning and sanitization of the common areas, ensuring all incoming tenants and customers comply with the mandatory safe check-ins tracking system, maintaining social and safe distancing among customers in The Podium Complex, as well as installing UV sanitizers on the mall escalator handrails. In line with the standards and regulations of the government, the Company required the use of face masks and face shields, as well as temperature checks when entering the building. This was strictly monitored by the Protocol Officer to ensure compliance by all employees, tenants and mall goers.

### Opportunities and Management Approach to Identified Opportunities

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 also informed tenants about safety best practices.

The Five Key Safety Principles are:

- Every incident is preventable;
- Health, Safety & 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 introduced other health hazards, KPPI strictly follows the new health regulations imposed by the national and local government.

### Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling	0	#
No. of complaints addressed	N/A	#

### Impacts & Risks

Stakeholders: Employees, Customers

The Company markets itself and its buildings to potential clients or tenants through advertisements and other communication materials. To protect customers' trust in the brand, adequate measures are put in place to ensure accuracy of content, and facts are verified with consultants and management before any public dissemination of such materials.

### Management Approach to Identified Impacts and Risks

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. Should the tenants have any issues or complaints, they are asked to communicate with the property management team so that their concerns will be promptly addressed.

### Opportunities and Management Approach to Identified Opportunities

The Company ensures that its marketing and communications materials continue to reflect accurate information regarding the integrity of its spaces and the services that the Company offers. Administrative controls are put in place to ensure that the marketing materials accurately capture the Company's offerings and what customers can expect.

## PEOPLE AND COMMUNITY

### PEOPLE MATTER

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees	33	#
a. Number of female employees	18	#
b. Number of male employees	15	#
Attrition rate*	-14.1	%
Ratio of lowest paid employee against minimum wage**	1.67:1.00	ratio

\*Attrition rate % = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year) = (2-7)/((38+33)/2). Using this formula, KPPI showed negative attrition rate. Positions and roles were reorganized so that the vacated roles and responsibilities are still fulfilled.

\*\*Calculated using the 2020 minimum wage of P537.00/day, and assumed 22 working days per month.

##### Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS*	Y	100%	100%
PhilHealth*	Y	100%	100%
Pag-IBIG*	Y	100%	100%
Parental leave	Y	0%	0%
Vacation leave	Y	100%	100%
Sick leave	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	11%	0%
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	100%	100%
(Others)****	Y	100%	100%

\* Excluded from count: expats

\*\* Includes HMO, Group life & Accident Insurance. Probationary not covered by HMO until they are regularized. Expats have separate coverage.

\*\*\*Two female employees were able to avail retirement fund

\*\*\*\* Includes: Rice allowance, medical and reimbursement (Excluded from count: expats and probationary employees)

## Impacts & Risk

Stakeholders: Employees

KPPI provides fair and competitive benefits and compensation to its employees. As a commitment to promote workforce welfare, the Company rewards its employees with attractive packages that comply with and exceed the required benefits of the law. Failure to retain employee satisfaction may result in poor performance, reduced work productivity and attrition.

## Management Approach to Identified Impacts and Risks

**Providing fair and competitive employee benefits:** As one of the most valuable assets of the Company, employees are provided with competitive benefit packages and perks that reflect the Company's investment on the employees' overall health, as well as work-life balance. KPPI provides its employees quality benefits covering government mandated benefits, additional medical benefits and retirement fund.

Amidst the COVID-19 pandemic, KPPI also supported their employees by allowing them to work from home and providing them with telecommunication allowances. The Company also started implementing flexible-working hours and alternating shifts during the general community quarantine. For employees who needed to report to the office, they were provided with transportation services for ease of travelling.

**Assessing employee satisfaction:** As a measure of contentment or satisfaction with compensation, job and work environment, an employee satisfaction survey is conducted annually at the Group level to receive employees' feedback about the Company. Any issues and concerns arising from the survey are given their corresponding solutions.

## Opportunities and Management Approach to Identified Opportunities

Any concerns on employee relations and engagement may be further investigated to find possible ways to improve employee performance. Opportunities that may further support this will be studied once regular operations resume.

## Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	250	hours
a. Female employees	148	hours
b. Male employees	102	hours
Average training hours provided to employees	7.58	hours/employee
a. Female employees	8.22	hours/employee
b. Male employees	6.80	hours/employee

## Impacts & Risk

Stakeholders: Employees

Training opportunities increased in 2020 as reflected in the higher average training hours spent per employee, which was almost three times higher compared to 2019 (2.74 hours per employee). Since the adoption of telecommunicating, online tools have made it more convenient to conduct training courses.



Learning and development opportunities are provided to employees to continually enhance their competency.

Well-trained employees improve the productivity of the organization. On the other hand, stagnant employees will limit the Company's growth, and restrain its future-readiness.

#### Management Approach to Identified Impacts and Risks

**Learning and Development:** Employees are provided opportunities to enhance their skills through training. Capability gaps are made to analyze and identify the necessary employee skills and strengths that would enable them to fulfill the goals of the Company.

**Performance Evaluation:** KPPI has in place a structured performance management system that allows employees to receive performance feedback. Supervisors regularly conduct performance evaluations of their team members to assess how they fared in executing tasks, and identify possible areas where they can improve on. Any findings are communicated directly to the employee by either the supervisor or by the Human Resources Department.

#### Opportunities and Management Approach to Identified Opportunities

Aside from online classes and classroom settings, KPPI sees mentorship as a method to improve employees' learning and development. The Company will also look into benchmarking with other industries to see where KPPI stands on providing training to its employees.

#### Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	54.5%	%
% of male workers in the workforce	45.5%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

*\*Vulnerable sector includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

#### Impacts & Risk

Stakeholders: Employees

All potential candidates during the hiring process and current employees of KPPI are provided with equal opportunities regardless of ethnicity, gender, religious beliefs, nationality, age or any physical disability. Failure to implement this is a defiance of the Keppel Group's stance on no discrimination as well as promotion of diversity and inclusion.

#### Management Approach to Identified Impacts and Risks

Unethical labor practices are strictly not tolerated at any of KPPI's operations. KPPI supports the eradication of any and all exploitative work conditions as mentioned in the Labor Code of the Philippines.

The Keppel Group's Employee Code of Conduct, which covers KPPI, also supports this eradication and discrimination of any kind is strictly not tolerated within the Keppel Group.

The Keppel Group's Corporate Statement on Diversity and Inclusion can be found in this link: <https://www.keppcorp.com/en/file/sustainability/our-focus-areas/keppel-group-statement-on-diversity-and-inclusion.pdf>

#### Opportunities and Management Approach to Identified Opportunities

The Company has a trend of hiring a fairly even number of male and female employees. The Company will be upholding this trend, as well as 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.

### Workplace Conditions, Labor Standards, and Human Rights

#### Labor-Management Relations

This topic is considered immaterial as there are no employees in KPPI that are covered by CBA.

#### Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

*Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?*

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	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 rights clauses.
Child labor		
Human Rights		

#### Impacts & Risk Stakeholders: Employees

No cases of child or forced labor, or any human rights violations occurred within the Company, workplace or to its contractors in 2020. KPPI provides conducive workplaces for its employees and its contractors. Any form of labor and human rights violations committed within the Company's operations may have regulatory or legal ramifications. This may also have a negative impact on KPPI's brand and reputation.

### Management Approach to Identified Impacts and Risks

At the supply chain level, contractors must comply with the Company's Health and Safety specifications, which requires the supplier operations to not be involved in unethical labor practices such as child and forced labor. These comprehensive specifications are incorporated in the Company's contract with suppliers since 2012.

Within the Company, there is zero tolerance for child and forced labor as it continues to support human rights. It is indicated in the Code of Business Conduct and is strictly enforced that business must be conducted with integrity, fairly, and impartially in an ethical and proper manner to mitigate or prevent cases of forced or child labor, or any human rights violations. This is also in compliance with the laws and regulations in the Philippines. KPPI conducts its business with integrity with all its stakeholders, including customers, suppliers, communities as well as its employees. In this way, employees are able to ethically execute their jobs even in difficult situations.

The Code of Business Conduct can be found in this link:  
<http://www.keppelland.com.ph/pdf/CG-CC-Code-of-business-conduct.pdf>.

The Keppel Group's Corporate Statement on Human Rights can be found in this link:  
<https://www.kepcorp.com/en/file/sustainability/our-focus-areas/keppel-group-corporate-statement-on-human-rights.pdf>

### Opportunities and Management Approach to Identified Opportunities

The Company will continue to support and raise awareness against any forms of labor and human rights misconduct in all its operations. To prevent such cases, the Company will continue to be strict and vigilant, as well as place improved administrative controls in all facets of its operations.

## OCCUPATIONAL SAFETY AND HEALTH

Disclosure	Quantity	Units
Safe Man-Hours*	653,824	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills**	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

## Impact & Risk

**Operations-related safety and health impacts and risks:** KPPI's occupational health and safety covers the physical condition and actions of its workers, workplace and health aspects during construction, turn over/delivery and operation of the building. KPPI ensures a 100% commitment in pursuing and promoting the Keppel Zero Fatality Strategy. To prevent any fatalities in the workplace, this strategy outlines five components, which are to build a high-performance safety culture, leverage technology to mitigate safety risks, adopt a proactive approach to the management of safety, harmonize global safety practices and competency, as well as streamline learning from incidents.

The Company has identified the following high-risk activities during construction – hot-works, working in a confined space, work-at-heights, vehicle operations, electrical works and lifting, and incompatible works. These activities may result in injury, health conditions or even death. Accidents may also lead to a loss of trust among stakeholders.

**COVID-19-related health impacts and risks:** During the COVID-19 pandemic, the Company adopted strict safety protocols that the government put in place to prevent the spread of COVID-19. If employees get infected with the disease due to the Company's failure to implement stringent health measures, this will put the Company at risk of operation disruption. Also, failure to comply with the government regulations would lead to penalties.

## Management Approach to Identified Impacts and Risks

**Approaches to operations-related safety and health impacts and risks:** Keppel Group, including KPPI, subscribes and implements the "Keppel Zero Fatality Strategy". Every employee and all contractors, suppliers and parties involved are expected to abide by the strategy and reduce workplace fatalities to zero. The five strategic thrusts are:

- \*Build a high-performance safety culture
- \*Adopt a proactive approach to safety management
- \*Leverage technology to mitigate safety risks
- \*Harmonize global safety practices and competency
- \*Streamline learning from incidents

In addition, the Company also undertakes the following initiatives:

- \* Conduct of safety workshops and campaigns
- \* Conduct of safety town hall meetings
- \* Continuous development of innovative solutions
- \* Safety leadership
- \* Implementation of the Keppel Zero Fatality Strategy

To further manage the identified risks, a nine-point system is performed regularly. This includes:

1. Deliberation and review of work methodology and risk assessment
2. Permit system
3. Regular daily monitoring
4. Inspection
5. Safety briefing and induction

6. Medical clearances and annual medical examination
7. Training and drills (i.e. Fire Emergency Response Training and Emergency Evacuation Drill)
8. Stop Work Orders and Safety Time-Outs
9. Close involvement of frontline personnel or supervisor on actual safe work

**Approaches to COVID-19-related health impacts and risks:** Amid the COVID-19 pandemic, the Company conducted Pandemic Response Training and Drills with its property personnel, tenants and construction workers to ensure all key stakeholders strictly observe the protocols that the Company has put in place. Protocol Officers are deployed to closely monitor implemented protocols, including wearing of face masks and face shields, social distancing and temperature checks.

At the onset of COVID-19, KPPI's employees were allowed to work from home while onsite employees worked in alternating shifts. In addition, vitamins were provided to boost employees' immune systems.

To adapt to the new normal, KPPI conducted the Post-Enhanced Community Quarantine (ECQ) Simulation training, which simulates the recommencement of onsite operations with improved measures that will minimize COVID-19 exposure.

#### **Opportunities and Management Approach to Identified Opportunities**

At KPPI, safety is of paramount importance and is considered a core value. The Company has recognized the following as areas for continuous improvement:

1. Continuing to build high performance safety culture
2. Leveraging the knowledge and skills of workers to mitigate risk
3. Increasing the individual's value as a skilled and disciplined worker

The Company plans to further strengthen and enhance occupational safety and health through:

1. Promotion, Commendation, and Recognition systems
2. Safety Milestone recognition
3. Future work endorsements for high performing individuals

## **COMMUNITY DEVELOPMENT**

### **Relationship with Community**

#### **Significant Impacts on Local Communities**

**Operations with significant positive impacts on local communities:**

The Podium Complex (The Podium West Tower and The Podium Mall)

KPPI has built The Podium Complex with special building features that make it accessible for persons with disabilities.

**Location:** Ortigas Center, Pasig City

**Vulnerable groups:** Persons with disabilities (PWDs)

**Impact on indigenous people:** No particular negative impacts to indigenous people

**Community rights and concerns of communities:** The presence of The Podium Complex allows PWDs to exercise their rights to access services available in The Podium's retail stores.

**Enhancing measures:** 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.

#### **Free and Prior Informed Consent with the Indigenous People**





*For operations that are affecting IPs, indicate the total number of **Free and Prior Informed Consent (FPIC)** undergoing consultations and **Certification Preconditions (CPs)** secured and still operational and provide a copy or link to the certificates if available:*



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.

## Product or Service Contribution to UN Sustainable Development Goals



Key products and services and its contribution to sustainable development.

These 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>					
 11 Sustainable Cities and Communities	Climate Action	KPPI is focused on creating properties that harmonise with and enhance the environment.	To support the climate change agenda, KPPI is committed to developing green properties, optimising resource efficiency, as well as tapping on renewables.	If the building followed standard designs, it would consume more energy and water, leading to more GHG emissions and effluents.	To decrease 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.
	Environmental Management	The Company is committed to minimising its environmental impact and is focused on sustainable management and efficient use of natural resources.	In line with its sustainability strategy, the Company targets to reduce its carbon emissions intensity, as well as energy and water consumption intensities.		
		KPPI aims to reduce wastage through resource efficiency, reuse of natural resources, and recycling.	An eco-icon, The Podium Complex was developed in accordance with the BCA Green Mark Gold Standard and the LEED Gold standard. The development consumes minimally 14% less energy and 30% less water than standard building designs annually.		
 12 Responsible Consumption and Production					
 13 Climate Action					
 17 Partnerships for the Goals					

SDGs	Material Issues	Approach	Highlights and Contribution to the UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>RESPONSIBLE BUSINESS</b>					
 	Economic Sustainability	The Company regards sustainable urbanization both as a corporate responsibility and a source of business opportunities. KPPI is committed to apply knowledge and skills to drive innovation and support economic development and the well-being of its community.	KPPI's business operations generate employment, opportunities for suppliers and tax revenues for governments.	There may be risks of corruption in the operations. Suppliers could have negative impacts on the environment and to society.	KPPI continues to be firm in its zero-tolerance stance against corruption and will implement safeguards against it.
	Corporate Governance				
	Risk Management		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.	The product design may not meet the standards of Responsible Design Values which could compromise product quality.	KPPI will continue to implement its zero-tolerance stance against labor practices and also ensure that suppliers follow the Keppel Supplier Code of Conduct.
	Supply Chain & Responsible Procurement	KPPI conducts its business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. The Company's stance on regulatory compliance is clear and consistently reiterated from the top of the organisation. The Company has zero tolerance for fraud, bribery, corruption and violation of laws and regulations.	KPPI does not tolerate unethical labour practices in any of its operations and supports the elimination of exploitative work conditions as provided for in the Labor Code of the Philippines. It is also supported by Keppel Corporation's Employee Code of Conduct which KPPI also follows.		KPPI will continue its due diligence from design and construction to operations to ensure that its products meet all design specifications.
	Product Quality & Safety	KPPI works closely with its suppliers to make a positive impact on their sustainability performance. KPPI exercises due care and diligence in the design, construction and operation of its products and services to ensure that they do not pose hazards to customers.			



SDGs	Material Issues	Approach	Highlights and Contribution to the UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>PEOPLE AND COMMUNITY</b>					
 3	Occupational Safety & Health	Providing a safe and healthy working environment for all stakeholders is fundamental to the Company's commitment to conduct business responsibly.	<p>Providing a safe and healthy working environment for all stakeholders is fundamental to the Company's commitment to conduct business responsibly.</p> <p>The Company is a strong advocate for safety and health in the broader community, and champions national and industry initiatives to raise standards and drive innovation in these aspects.</p>	<p>Poor building design could put workers and customers' health and safety at risk.</p> <p>If the site is not properly selected, it could result in displacement of residential communities.</p>	<p>KPPI adheres to strict building design standards and follows all health and safety regulations.</p> <p>The location is built on a site of a former building and not on a residential area, such that no displacement and relocation occurred during the course of The Podium Complex's construction.</p>
	Labour Practices, Talent Management & Human Rights		<p>KPPI's business sparks economic growth, productivity and jobs. The Company's hiring policies ensure equal employment opportunities for all.</p> <p>The Company upholds human rights principles and adheres to fair employment practices. The Company provides equal opportunities with regard to the recruitment and career development of its employees.</p>	<p>KPPI adheres to the Keppel Group's stance on human rights. The Company also believes in the importance of promoting an inclusive and harmonious workplace, and gives equal opportunity to all during the hiring process, regardless of background, gender or race.</p> <p>The Company is committed to continue its efforts in collaborating with partners and stakeholders to create value for its stakeholders and the wider community.</p>	<p>Moreover, stringent measures were put in place to ensure that the building meets green building standards.</p>
 17	Community Development	Through collaboration with stakeholders, KPPI shares knowledge and best practices, as well as financial and human resources to support the achievement of the SDGs.			

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

**Pang Chan Fan**

(Contact Person)

**8584-6170**

(Company Telephone Number)

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Month

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Day

(Fiscal Year)

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(Form Type)

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Month

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Day

(Annual Meeting)

**N/A**

(Secondary License Type, If Applicable)

**CFD**

Dept. Requiring this Doc.

**N/A**

Amended Articles Number/Section

**1,241 as at 31 March 2021**

Total No. of Stockholders

Total Amount of Borrowings

—

Domestic

—

Foreign

To be accomplished by SEC Personnel concerned

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION  
CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended 31 March 2021
2. Commission identification number PW305
3. BIR Tax Identification No. 000-067-618 VAT

- KEPPEL PHILIPPINES PROPERTIES, INC.**
4. Exact name of issuer as specified in its charter

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

6. Industry Classification Code:  (SEC Use Only)

- 18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center,  
Mandaluyong City**
7. Address of registrant's principal office Postal Code  
**(02) 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 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>293,828,900</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. Indicate by check mark whether the registrant:
- a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Sections 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 90 days.  
**Yes [ / ] No [ ]**

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

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

Interim Consolidated Statements of Financial Position

As at March 31, 2021

(With comparative figures as at December 31, 2020)

(All amounts in Philippine Peso)

	Notes	Unaudited 31 March 2021	Audited 31 December 2020
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		94,036,749	101,296,379
Receivables		1,361,329	1,293,030
Due from related parties	6	54,954,475	52,389,751
Prepayments and other current assets		26,948,375	26,484,289
Total current assets		177,300,928	181,463,449
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	2	79,512,230	79,512,230
Investments in associates and a joint venture	3	2,214,578,485	2,202,189,380
Property and equipment, net	4	5,597,874	6,808,521
Right-of-use asset, net	5	5,290,083	6,510,871
Refundable deposits	5	1,469,274	1,513,812
Retirement benefits asset	10	274,459	274,459
Deferred income tax assets, net		842,470	753,352
Total non-current assets		2,307,564,875	2,297,562,625
<b>Total assets</b>		<b>2,484,865,803</b>	<b>2,479,026,074</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities		15,793,711	16,144,926
Due to related parties	6	55,129,696	55,252,351
Lease liability, current portion	5	4,533,140	5,308,133
Income tax payable		174,053	77,998
Total current liabilities		75,630,600	76,783,408
<b>Non-current liability</b>			
Lease liability, net of current portion	5	-	468,943
Total liabilities		75,630,600	77,252,351
<b>Equity</b>			
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	9	405,249	405,249
Retained earnings		1,452,508,082	1,445,046,602
Total equity		2,409,235,203	2,401,773,723
<b>Total liabilities and equity</b>		<b>2,484,865,803</b>	<b>2,479,026,074</b>

The notes from pages 5 to 26 are an integral part of these interim consolidated financial statements.

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

Interim Consolidated Statements of Comprehensive Income  
For each of the three months ended March 31, 2021  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>Unaudited 2021</b>	<b>Unaudited 2020</b>
<b>Gross revenue (loss)</b>			
Share in results of associated companies	3	12,389,105	(11,952,155)
Management consultancy and franchise fees	6	5,652,661	5,639,842
Interest income		77,919	697,283
Gross revenue (loss), net		18,119,685	(5,615,030)
General and administrative expenses	7	(11,157,114)	(16,857,900)
Other income, net		862,795	3,248,046
<b>Income (loss) before income tax</b>		7,825,366	(19,224,884)
Income tax expense		(363,886)	(1,457,041)
<b>Net income (loss) for the period</b>		7,461,480	(20,681,925)
Other comprehensive income		-	-
<b>Total comprehensive income (loss) for the period</b>		7,461,480	(20,681,925)
<b>Basic earnings (loss) per share</b>	8	0.03	(0.07)

The notes from pages 5 to 26 are integral part of these interim consolidated financial statements.

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

Interim Consolidated Statements of Changes in Equity  
For each of the three months ended March 31, 2021  
(All amounts in Philippine Peso)

	Share capital		Share premium	Treasury Shares	Other reserves (Note 9)	Retained earnings	Total equity
	Common	Preferred					
<b>Balances at January 1, 2021</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	405,249	1,445,046,602	2,401,773,723
Total comprehensive income for the period	-	-	-	-	-	7,461,480	7,461,480
<b>Balances at March 31, 2021</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	405,249	1,452,508,082	2,409,235,203
<b>Balances at January 1, 2020</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	498,168	1,532,578,803	2,489,398,843
Total comprehensive loss for the period	-	-	-	-	-	(20,681,925)	(20,681,925)
<b>Balances at March 31, 2020</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	498,168	1,511,896,878	2,468,716,918

The notes on pages 5 to 26 are integral part of these interim consolidated financial statements.

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

Interim Consolidated Statements of Cash Flows  
For each of the three months ended March 31, 2021  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>Unaudited 2021</b>	<b>Unaudited 2020</b>
<b>Cash flows from operating activities</b>			
Income (loss) before income tax		7,825,366	(19,224,884)
Adjustments for:			
Share in results of associated companies	3	(12,389,105)	11,952,155
Depreciation and amortization expense	4,5,7	2,431,435	2,521,630
Unrealised foreign exchange loss		7,799	16,955
Gain on reversal of liabilities		(293,184)	(2,375,282)
Interest expense on lease liability	5	104,602	136,371
Interest income		(77,919)	(697,283)
Operating loss before working capital changes		(2,391,006)	(7,670,338)
Decrease (increase) in:			
Receivables		(74,501)	703,930
Due from related parties		(2,564,724)	868,223
Prepayments and other current assets		(464,086)	(1,860,075)
Refundable deposits		44,538	-
Increase (decrease) in:			
Accounts payable and other current liabilities		(65,830)	(4,723,070)
Due to related parties		(122,655)	(10,733,662)
Net cash used in operations		(5,638,264)	(23,414,992)
Interest income received		85,671	795,439
Income taxes paid		(358,499)	(515,913)
Net cash used in operating activities		(5,911,092)	(23,135,466)
<b>Cash flows from financing activities</b>			
Payments for the principal portion and advance rental of lease liability	5	(1,243,936)	(1,147,952)
Payments for the interest portion of lease liability	5	(104,602)	(136,371)
Net cash used in financing activities		(1,348,538)	(1,284,323)
<b>Net decrease in cash and cash equivalents</b>		<b>(7,259,630)</b>	<b>(24,419,789)</b>
Cash and cash equivalents at January 1		101,296,379	158,601,955
<b>Cash and cash equivalents at March 31</b>		<b>94,036,749</b>	<b>134,182,166</b>

The notes on pages 5 to 26 are integral part of these interim consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Notes to Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2021

(With comparative figures as at December 31, 2020 and for the three months ended March 31, 2020)

(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 (SGX).

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

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

\*8% direct ownership and 6% through PCD Nominee Corporation

The Parent Company holds investments in associates and joint venture involved in property development and holding of investment properties (Note 3) and renders management consultancy services to associates (Note 6).

As at March 31, 2021 and December 31, 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 Group's principal office address is 18<sup>th</sup> Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City.



**Note 2 - Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) as at March 31, 2021 and December 31, 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 investments do not give the Group significant influence over OVI and OKEP (Note 3). These investments are carried at cost less impairment as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

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

- Non-voting, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines.
- Entitled to preference in the distribution of dividends. 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 March 31, 2021 and December 31, 2020. No movement in the fair value gains on financial assets at FVOCI was recognized by the Parent Company for the three months ended March 31, 2021 and 2020.

**Note 3 - Investments in associates and a joint venture**

Details of investments in associates and joint venture as at March 31, 2021 and 2020, and December 31, 2020 are as follows:

	For the three months ended 31 March 2021	For the three months ended 31 March 2020	For the year ended 31 December 2020
Cost			
At January 1 and at period/year end	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	1,598,370,306
Share in results of associated companies	12,389,105	(11,952,155)	(50,031,900)
At period/year end	1,560,727,511	1,586,418,151	1,548,338,406
Presented in other comprehensive income			
At January 1	(138,469)	51,511	51,511
Share in other comprehensive loss	-	-	(189,980)
At period/year end	(138,469)	51,511	(138,469)
	2,214,578,485	2,240,459,105	2,202,189,380

The carrying values of the Group's investments in associates and joint venture and the related percentages of ownership as at March 31, 2021 and December 31, 2020 are shown below:

	Percentage of ownership		Carrying amount	
	2021	2020	2021	2020
Associates				
OKEP	40%	40%	167,693,511	166,657,663
OVI	40%	40%	68,844,269	68,236,003
ORDC	40%	40%	42,696,628	42,347,771
Joint venture				
SMKL	40%	40%	1,935,344,077	1,924,947,943
			2,214,578,485	2,202,189,380

The associates and joint venture were accounted for using the equity method. There were no dividends received from the associates and joint venture for the period ended March 31, 2021 and December 31, 2020. As at March 31, 2021 and December 31, 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.

(b) Joint Venture

(i) SMKL

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

**Note 4 - Property and equipment, net**

Details of property and equipment, net as at March 31, 2021 and December 31, 2020 are as follows:

	Notes	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 and March 31, 2021		4,206,824	1,470,618	11,542,143	17,219,585
Accumulated depreciation					
At January 1, 2020		2,485,555	461,334	2,564,921	5,511,810
Depreciation		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	7	141,744	107,058	961,845	1,210,647
At March 31, 2021		3,240,869	1,006,695	7,374,147	11,621,711
Net carrying amount					
At December 31, 2020		1,107,699	570,981	5,129,841	6,808,521
At March 31, 2021		965,955	463,923	4,167,996	5,597,874

The cost of fully depreciated property and equipment still used in operations amounted to P1.8 million as at March 31, 2021 and December 31, 2020.

**Note 5 - 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 P15,750 and nil for the period ended March 31, 2021 and 2020, respectively. This rent expense is presented as part of "Rental" in the "General and administrative expenses" (Note 7).

*(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 2021. Total rent expense charged to operations, that is presented as part of "Salaries, wages and employee benefits" in the "General and administrative expenses" (Note 7), amounted to P0.8 million and P1.0 million for the period ended March 31, 2021 and 2020, respectively.

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 March 31, 2021 and December 31, 2020 as follows:

	2021	2020
Prepayments and other current assets	260,211	669,474
Refundable deposits	1,469,274	1,513,812
	1,729,485	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 March 31, 2021 and December 31, 2020 are as follow:

	Note	Amount
Cost		
At March 31, 2021 and December 31, 2020		14,649,459
Accumulated amortization		
At January 1, 2020		3,191,597
Amortization		4,946,991
At December 31, 2020		8,138,588
Amortization	7	1,220,788
At March 31, 2021		9,359,376
Net carrying amount		
At December 31, 2020		6,510,871
At March 31, 2021		5,290,083

There were no additions to the right-of-use asset for the period ended March 31, 2021 and December 31, 2020.

Movements in the lease liabilities for the period ended March 31, 2021 and December 31, 2020 are as follow:

	2021	2020
Lease liabilities		
At January 1	5,777,076	10,493,736
Principal payments	(1,243,936)	(4,716,660)
Interest payments	(104,602)	(591,874)
Interest expense	104,602	591,874
At period/year end	4,533,140	5,777,076
Lease liabilities		
Current	4,533,140	5,308,133
Non-current	-	468,943
	4,533,140	5,777,076

#### 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 for the period ended March 31, 2021 and December 31, 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 6 - Related party disclosures**

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*. The significant related party transactions for the three months ended March 31, 2021 and 2020 and outstanding balances as at March 31, 2021 and December 31, 2020 are as follows:

Related party	2021		2020		Terms and conditions
	Transaction amount (3 months)	Outstanding receivable (payable)	Transaction amount (3 months)	Outstanding receivable (payable)	
<i>Due from related parties:</i>					
Associates					
OKEP					
Operating advances (a)	15,512	44,965,029	151,347	44,949,517	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI					
Operating advances (a)	15,561	2,638,013	149,107	2,622,452	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC					
Operating advances (a)	15,511	161,437	(782,623)	145,926	Non-interest-bearing, unsecured, collectible in cash upon demand
Joint venture					
SMKL					
Operating advances (a)	1,661,743	7,189,996	1,357,662	4,671,856	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
		54,954,475		52,389,751	
<i>Receivables</i>					
Joint venture					
SMKL					
Management fee (b)	4,037,615	800,744	4,028,458	800,744	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Franchise fee (b)	1,615,046	320,298	1,611,384	320,298	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
		1,121,042		1,121,042	
<i>Due to related parties:</i>					
Associates					
OKEP					
Advances (c)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable in cash upon demand
Entities under common control					
SMPM					
Management fee (e)	-	(14,751,281)	215,129	(14,751,281)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KL(RI)					
Operating advances (d)	-	(79,908)	-	(79,908)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KL(IM)					
Operating advances (d)	-	-	-	(122,655)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
		(55,129,696)		(55,252,351)	
<i>Lease liability:</i>					
Joint Venture					
SMKL					
Rentals (f)	1,348,539	(4,533,140)	1,284,323	(5,777,076)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
		(4,533,140)		(5,777,076)	

- (a) The Parent Company made operating advances for expenses incurred by associates and joint venture for the period ended March 31, 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.
- (b) The Parent Company provides management, advisory and consultancy services to SMK. The amount of management fee charged by the Group to SMK amounted to P4.0 million for the period ended March 31, 2021 and 2020. The amount of franchise fee charged amounted to P1.6 million for the period ended March 31, 2021 and 2020. Management fee is charged at 2.5% of annual net revenues of SMK while franchise fee is charged at 1.0% of net revenues of SMK. Outstanding receivables from SMK for management and franchise fees amounted to P1.1 million as at March 31, 2021 and December 31, 2020, that is presented as part of "Receivables" in the interim consolidated statements of financial position.
- (c) On December 22, 2011, the BOD of BHSI approved BHSI's plan to decrease its authorized share capital. In relation to this and pending the SEC's approval of such plan, BHSI made partial advance returns of the investments to its shareholders which include BHI and OKEP. 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.
- (d) 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 are recharged at cost.
- (e) 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 services to the Parent Company, amounted to nil and P0.2 million for the period ended March 31, 2021 and 2020. Outstanding payables to SMPM related to the consultancy fees amounted to P14.8 million as at March 31, 2021 and December 31, 2020.
- (f) In 2019, the Parent Company entered into an operating lease agreement with SMK 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 P1.3 million for the period ended March 31, 2021 and 2020.

Transactions related to key management personnel of the Group for the three months ended March 31, 2021 and 2020 are as follows:

	2021	2020
Salaries and other short-term employee benefits	4,291,977	8,298,739
Bonuses and allowances	1,162,905	1,598,314
	5,454,882	9,897,053

There were neither stock options nor other long-term benefits given to key management personnel for the period ended March 31, 2021 and 2020. There were no outstanding balances with key management personnel as at March 31, 2021 and December 31, 2020.

Details of related party transactions for the three months ended March 31, 2021 and 2020 and outstanding balances as at March 31, 2021 and December 31, 2020 that were eliminated during consolidation are as follows:

Subsidiary	2021		2020		Terms and conditions
	Transaction amount (3 months)	Outstanding balance	Transaction amount (3 months)	Outstanding balance	
Due from subsidiaries					
BHI	26,814	256,211	23,037	229,397	Non-interest-bearing, unsecured, collectible in cash upon demand
CSRI	9,188	185,210	150,811	176,022	Non-interest-bearing, unsecured, collectible in cash upon demand
		441,421		405,419	
Due to a subsidiary					
BHI	-	(59,701,493)	-	(59,701,493)	Non-interest-bearing, unsecured, payable in cash upon demand

#### **Note 7 - General and administrative expenses**

General and administrative expenses for the three months ended March 31, 2021 and 2020 are as follows:

	Notes	2021	2020
Salaries, wages and employee benefits		6,926,533	11,760,973
Amortization	5	1,220,788	1,284,627
Depreciation	4	1,210,647	1,237,003
Professional fees		561,400	512,223
Membership and dues		421,243	428,243
Taxes and licenses		195,097	90,651
Insurance		154,602	168,201
Utilities		121,271	266,168
Rental		96,107	122,425
Repairs and maintenance		35,885	197,192
Office supplies		20,179	44,053
Transportation and travel		15,858	164,950
Bank and other charges		12,192	48,615
Management consultancy fees	6	-	215,129
Others		165,312	317,447
		11,157,114	16,857,900

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

#### **Note 8 - Earnings (loss) per share**

Earnings (loss) per share for the three months ended March 31, 2021 and 2020 are as follows:

	2021	2020
Net income (loss)	7,461,480	(20,681,925)
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900
Basic and diluted earnings (loss) per share	0.03	(0.07)

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

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

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

### **Note 9 - 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 Po.4 million as at March 31, 2021 and 2020, and share in actuarial gain of a joint venture amounting to Po.3 million and Po.1 million as at March 31, 2021 and 2020, respectively.

### **Note 10 - 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, 2020.

The net retirement benefit asset recognized in the interim consolidated statements of financial position as at March 31, 2021 and December 31, 2020 is determined as follows:

Fair value of plan assets	2,406,093
Present value of defined benefit obligation	(2,131,634)
	274,459

The Group's net retirement benefit asset reflected in the interim consolidated financial statements represents the Parent Company's retirement plan since the impact of SMK's retirement plan is reflected as part of "Share on actuarial gain (loss) of a joint venture".

Changes in the net retirement benefit asset recognized in the interim consolidated statements of financial position for the year ended December 31, 2020 are as follows:

At January 1	360,032
Retirement benefit expense recognized in profit or loss	(354,234)
Remeasurements recognized in other comprehensive income	
Changes in financial assumptions	(198,016)
Deviations of experience from assumptions	297,651
Loss on plan assets	39,024
Contributions to the retirement fund	130,002
At December 31	274,459

The components of retirement benefit expense and net interest income recognized in profit or loss for the year ended December 31, 2020 are as follows:

Current service cost presented as retirement expense	373,280
Net interest income	(19,046)
	354,234



The remeasurements recognized in other comprehensive income for the year ended December 31, 2020 are determined as follows:

Remeasurements on defined benefit obligation	99,635
Remeasurements on plan assets	39,024
Remeasurements gain	138,659
Deferred income tax expense	(41,598)
Remeasurements gain, net of tax	97,061

*(a) Defined benefit obligation*

Changes in the present value of the defined benefit obligation for the year ended December 31, 2020 are as follows:

At January 1	2,051,291
Current service cost included in retirement expense	373,280
Interest cost included in retirement expense	108,513
Remeasurements in other comprehensive income:	
Actuarial gain (loss) on obligation resulting from:	
Changes in financial assumptions	198,016
Deviations of experience from assumptions	(297,651)
Benefits paid from the retirement fund	(301,815)
At December 31	2,131,634

As at December 31, 2020, the average duration of the defined benefit obligation is 21 years.

Below is the maturity analysis of the undiscounted benefit payments as at December 31, 2020:

Less than 10 years	941,534
More than 10 years to 15 years	5,741,160
More than 15 years to 20 years	-
More than 20 years	21,146,134
	27,828,828

*(b) Plan assets*

The major categories of plan assets as at December 31, 2020 are as follows:

Cash	130,865
Government securities	551,137
Investment in unit investments in trust funds (UITF)	1,717,342
Receivables	7,692
Trust fee payable	(943)
	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 year ended December 31, 2020 are as follows:

At January 1	2,411,323
Interest income presented as net of retirement expense	127,559
Remeasurement in other comprehensive income:	
Gain on plan assets	39,024
Contributions to the retirement fund	130,002
Benefits paid from the retirement fund	(301,815)
At December 31	2,406,093

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

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

*(c) Actuarial assumptions*

The principal assumptions used in determining the Parent Company's retirement benefit obligation as at December 31, 2020 are shown below:

Discount rate	3.95%
Future salary increase rate	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, 2020:

	Rates	Increase (Decrease)
Discount rate	+1.0%	(154,157)
	-1.0%	316,091
Salary increase rate	+1.0%	296,485
	-1.0%	(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.

### **Note 11 - 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 as at March 31, 2021 and December 31, 2020, and for the period ended March 31, 2021 and 2020 are as follows:

	2021	2020
As at March 31, 2021 and December 31, 2020		
Operating assets	2,484,865,803	2,479,026,074
Operating liabilities	75,630,600	77,252,351
For the first quarter of 2021 and 2020		
Gross revenue (loss), net	18,119,685	(5,615,030)
Other income, net	862,795	3,248,046
General and administrative expenses	(11,157,114)	(16,857,900)
Segment net income (loss)	7,461,480	(20,681,925)

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

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

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

### **Note 12 - Financial risk and capital management**

#### **12.1 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 market risk (mainly foreign currency risk), credit risk, and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below:

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

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency arises from consultancy fees due to SMPM and payables to KL(RI) and KLI(M) as at March 31, 2021 and December 31, 2020.

The Group's foreign currency-denominated monetary liabilities in Singaporean dollars (SGD) as at March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Due to related parties	(412,320)	(415,698)
Exchange rates	35.96	36.20
PHP equivalent	(14,827,027)	(15,048,268)

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

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

	Currency	Change in variable	Effect on income before tax increase (decrease)
March 31, 2021	SGD	+0.66%	97,858
		-0.66%	(97,858)
December 31, 2020	SGD	+3.36%	505,622
		-3.36%	(505,622)

In March 31, 2021 and December 31, 2020, the Group used the average change in the quarterly closing rates 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 March 31, 2021 and December 31, 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 interim consolidated statement of financial position. There were no amounts subject to an enforceable master netting arrangement or similar agreement as at March 31, 2021 and December 31, 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-eight percent (98%) of total receivables as at March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 2020:

		Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
<i>March 31, 2021</i>					
Cash and cash equivalents*	(i)	93,961,749	-	-	93,961,749
Receivables	(ii)	1,361,329	-	2,666,664	4,027,993
Due from related parties	(ii)	54,954,475	-	-	54,954,475
Refundable deposits**	(iii)	1,740,948	-	-	1,740,948
		152,018,501	-	2,666,664	154,685,165
<i>December 31, 2020</i>					
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 P271,674 as at March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 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 March 31, 2021 and December 31, 2020 was determined as follows:

	Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
<i>March 31, 2021</i>				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	1,361,329	-	2,666,664	4,027,993
Loss allowance	-	-	2,666,664	2,666,664
<i>December 31, 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 March 31, 2021 and December 31, 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 March 31, 2021 and December 31, 2020.

The remaining cash in the interim 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 March 31, 2021 and December 31, 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.

### *(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.

### *(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>March 31, 2021</i>					
Accounts payable and other current liabilities*	553,981	7,510,818	-	-	8,064,799
Due to related parties	55,129,696	-	-	-	55,129,696
Lease liability**	-	1,393,496	3,303,940	-	4,697,436
	55,683,677	8,904,314	3,303,940	-	67,891,931
<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.

## **12.2 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 March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Liabilities	75,630,600	77,252,351
Equity	2,409,235,203	2,401,773,723
Percentage of debt to equity	3.14%	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.

### **12.3 Fair value estimation**

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at March 31, 2021 and December 31, 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 interim 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 March 31, 2021 and December 31, 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 13 - Summary of significant accounting policies**

#### **13.1 Basis of preparation**

The interim 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.

The interim 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.

#### Changes in accounting policy and disclosures

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

A number of new standards, amendments to existing standards and interpretations are effective for annual periods after January 1, 2021. None of these standards are expected to have a significant impact on the interim consolidated financial statements of the Group.

### **13.2 Consolidation**

The interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31, 2021 and December 31, 2020 and for each of the period ended March 31, 2021 and 2020. 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 interim 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.

### **13.3 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 March 31, 2021 and December 31, 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, receivables, due from related parties 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.

*(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.

*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 March 31, 2021 and December 31, 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), 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 March 31, 2021 and December 31, 2020, there were no offsetting of financial assets and liabilities.

## **13.4 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.

### **13.5 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.

#### **(i) 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.

#### (ii) 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.

#### (iii) 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.

#### (iv) 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.

#### (v) 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.

### **13.6 Events after the reporting period**

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

#### **Note 14 - 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 Philippine Government declared a nationwide community quarantine to mitigate the spread of COVID-19. The ongoing quarantine measures require alternative work arrangements, travel bans and restrictions, disruptions on supply chains, and uncertainty on the accessibility of liquidity or capital markets. The Group has provided concrete and defined guidelines and protocols adhering to all government regulations on this matter which was cascaded to all employees and stakeholders.

The Group has continued to experience a slowdown in operations and decreased growth, particularly in its share in results of associated companies and joint venture in which rental operations were severely impacted by quarantine measures imposed by the government. Nonetheless, management continues to look for measures to mitigate and reduce any negative impact to its profitability or economic impact on its business. 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 Parent Company's financials. 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 March 31, 2021 and December 31, 2020 consolidated financial statements.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### FINANCIAL CONDITION

*As of March 31, 2021 as compared to as of December 31, 2020*

**TOTAL ASSETS** increased by ₱5.8 million to ₱2,484.8 million as of March 31, 2021 from ₱2,479.0 million as of December 31, 2020. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱7.3 million due to the net cash used in operating and financing activities mainly from general and administrative expenses, including rental payments, incurred in the first quarter of 2021.
- **DUE FROM RELATED PARTIES** increased by ₱2.6 million due to the operating advances incurred in the first quarter of 2021 on behalf of the Group's associates and joint venture.
- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** increased by ₱12.4 million due to the positive share in results of associated companies in the first quarter of 2021.
- **PROPERTY AND EQUIPMENT, NET** decreased by ₱1.2 million due to the depreciation recognized for the three months ended March 31, 2021.
- **RIGHT-OF-USE ASSET, NET** decreased by ₱1.2 million due to the amortization recognized for the three months ended March 31, 2021.

**TOTAL LIABILITIES** decreased by ₱1.6 million from ₱77.2 million as of December 31, 2020 to ₱75.6 million as of March 31, 2021 mainly due to the reduction in lease liability from office rental payments for the first quarter of 2021.

**TOTAL EQUITY** increased by ₱7.4 million from ₱2,401.8 million as of December 31, 2020 to ₱2,409.2 million as of March 31, 2021 due to the net income recognised for the period ended March 31, 2021.

## 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 its associates.

### FIRST QUARTER 2021 COMPARED TO SAME PERIOD IN 2020

**GROSS REVENUE (LOSS)** registered an income of ₱18.1 million in the first quarter of 2021 as compared to a loss of ₱5.6 million in the same period in 2020. This is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. The first quarter of 2021 showed a share in net income of ₱12.4 million as compared to a share in net loss of ₱12.0 million in the same quarter in 2020. The improvement in the share in net results is mainly due to SMKL's operating cost cutting initiatives and lower interest cost on its loans payable due to lower interest rates.
- Decrease in **INTEREST INCOME** by ₱0.6 million from ₱0.7 million in the first quarter of 2020 to ₱0.1 million in the same period of 2021 due to the lower amount of cash placements and lower interest rates on time deposits in 2021.

**GENERAL AND ADMINISTRATIVE EXPENSES** decreased by ₱5.7 million from ₱16.9 million in the first quarter of 2020 to ₱11.2 million in the same period of 2021 mainly due to the lower salaries, wages and benefits from lower headcount.

**OTHER INCOME, NET** decreased by ₱2.4 million from ₱3.3 million in the first quarter of 2020 to ₱0.9 million in the same period in 2021 due to the reversal of long outstanding accruals no longer required in 2020.

As a result, **First Quarter of 2021** resulted to a ₱7.5 million net income as compared to a ₱20.7 million net loss in the same period in 2020.

## KEY PERFORMANCE INDICATORS

<b>For The Quarter Ended</b>	<b>31 March 2021 (Unaudited)</b>	<b>31 March 2020 (Unaudited)</b>	<b>% Change</b>
Return On Assets	0.30%	(0.80%)	137.50%
Earnings (Loss) Per Share	₱0.03	(₱0.07)	142.86%
<b>As At</b>	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>	<b>% Change</b>
Net Tangible Asset Value Per Share	₱6.18	₱6.15	0.49%
Working Capital Ratio	2.34:1	2.36:1	(0.85%)

- A. Return On Assets** - It indicates how effectively the assets of the Group are utilized in generating profit. Net income after tax for the first quarter of 2021 amounted to ₱7.5 million as compared to a ₱20.7 million net loss in the same period in 2020. The favorable performance is mainly due to the improvement in the share in results of associated companies and lower general and administrative expenses incurred in the first quarter of 2021 as compared to the same period in 2020.

	<u>First Quarter 2021</u>	<u>First Quarter 2020</u>
Net Income (Loss) After Tax (a)	₱7,461,480	(₱20,681,925)
Total Assets At Beginning (b)	₱2,479,026,074	₱2,597,931,411
Return On Assets (a/b)	0.30%	(0.80%)

- B. Earnings (Loss) Per Share** - It represents the equivalent apportionment of net income (loss) to each share of the common stock outstanding. For the first quarter of 2021 and 2020, earnings (loss) per share amounted to ₱0.03 and (₱0.07), respectively. The favorable performance is due to the net profit results in the first quarter of 2021 as compared to the net loss results in the same period in 2020.

	<u>First Quarter 2021</u>	<u>First Quarter 2020</u>
Net Income (Loss) After Tax (a)	₱7,461,480	(₱20,681,925)
Number of Common Stock (b)	293,828,900	293,828,900
Earnings (Loss) Per Share (a/b)	₱0.03	(₱0.07)



- C. Net Tangible Asset Value Per Share** - It measures the equivalent entitlement of each share of the common stock outstanding in the tangible assets. The tangible value per share increased by 0.49% compared to the previous year due to the increase in retained earnings resulting from the net income generated as of the first quarter of 2021.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Net Tangible Assets	₱2,409,235,203	₱2,401,773,723
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock	₱1,814,494,203	₱1,807,032,723
Number of Common Stock, net of Treasury shares (2,801,000)	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱6.18	₱6.15

- D. Working Capital Ratio** - The Group's ability to meet current obligations is measured by computing the ratio of current assets over current liabilities. The Working Capital Ratio decreased by 0.85% as at the end of first quarter of 2021 as compared to December 31, 2020.

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Current Assets (a)	₱177,300,928	₱181,463,449
Current Liabilities (b)	₱75,630,600	₱76,783,408
Working Capital Ratio (a/b)	2.34 : 1	2.36 : 1

## FINANCIAL SOUNDNESS INDICATORS

Financial ratios	Calculation	March 2021 (Unaudited)	December 2020 (Audited)
Liquidity/current ratio	Total current assets divided by total current liabilities  Total current assets 177,300,928 Divided by: Total current liabilities 75,630,600 Liquidity/current ratio 2.34	2.34:1	2.36:1
Acid test ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities  Total current assets 177,300,928 Less: Prepayments and other current assets (26,948,375) 150,352,553 Divided by: Total current liabilities 75,630,600 1.99	1.99:1	2.02:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities  Net income after tax 7,461,480 Add: Depreciation and amortization 2,431,435 9,892,915 Divided by: Total liabilities 75,630,600 0.13	0.13:1	N/A
Interest Coverage Ratio	Net income before interest expense and tax divided by interest expense  Net income before interest and tax 7,929,968 Divided by: Interest expense 104,602 75.81	75.81:1	N/A
Debt-to-equity ratio	Total liabilities divided by total equity  Total liabilities 75,630,600 Divided by: Total equity 2,409,235,203 0.03	0.03:1	0.03:1
Asset-to-equity ratio	Total assets divided by total equity  Total assets 2,484,865,803 Divided by: Total equity 2,409,235,203 1.03	1.03:1	1.03:1

<b>Profitability ratios</b>	<b>Calculation</b>	<b>March 2021 (Unaudited)</b>	<b>March 2020 (Unaudited)</b>
Return on equity	Net income (loss) after tax divided by total equity  Net income after tax 7,461,480 Divided by: Total equity 2,409,235,203 0.31%	0.31%	(0.84%)
Return on assets	Net income (loss) after tax divided by total assets at beginning  Net income after tax 7,461,480 Divided by: Total assets, beginning 2,479,026,074 0.30%	0.30%	(0.80%)
Net profit margin	Net income after tax divided by gross revenue (loss)  Net income after tax 7,461,480 Divided by: Gross revenue 18,119,685 41.18%	41.18%	N/A
Earnings (loss) per share	Net income (loss) divided by number of common stock outstanding  Net income after tax 7,461,480 Divided by: Number of common stock outstanding 293,828,900 0.03	P0.03	(P0.07)

**TRENDS, EVENTS OR UNCERTAINTIES THAT HAVE HAD OR THAT ARE REASONABLY EXPECTED TO AFFECT REVENUES OR INCOMES**

a) As at 31 March 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 the 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 the Group.

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

d) The Group is not a party to certain lawsuits or claims arising from the ordinary course of business.

e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. The COVID-19 situation is forecasted to impact the following:

- *Demand* for office spaces are expected to slow down until the first half of 2021, with some closure of businesses in the traditional and outsourcing firms as they shift to remote working on a short-to medium term. Likewise, demand for retail spaces are expected to decline, mostly affecting non-essential retailers as they shift to online selling due to decreased consumer traffic.
- *Rent rates* for office spaces are expected to decline due to rent negotiations and concessions from existing and prospect tenants. Likewise, rent rates for retail spaces are projected to decline due to decreased consumer spending brought about by the economic slowdown. Rent rates are expected to recover by the second half of 2021 and 2022 for office and retail sectors, respectively.
- *Vacancy* for office and retail spaces are expected to increase due to slowed leasing activities over Metro Manila as offices have been rationalizing on remote working and as non-essential consumption and foot traffic remains subdued. Vacancies are forecasted to improve by 2022.

**PART II. OTHER INFORMATION**

There are no additional material information to be disclosed which were not previously reported under SEC Form 17-C.

## SIGNATURES

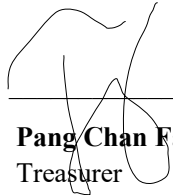
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : Keppel Philippines Properties, Inc.

Signature and Title :

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the left, positioned above a horizontal line.

**Oh Lock Soon**  
President

A handwritten signature in dark ink, featuring a large, stylized 'P' and 'F' with a horizontal line crossing through the middle, positioned above a horizontal line.

**Pang Chan Fan**  
Treasurer

Date : 29 April 2021

**KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**  
(Amounts in Philippine Peso)

**AGING OF RECEIVABLES**

As of March 31, 2021

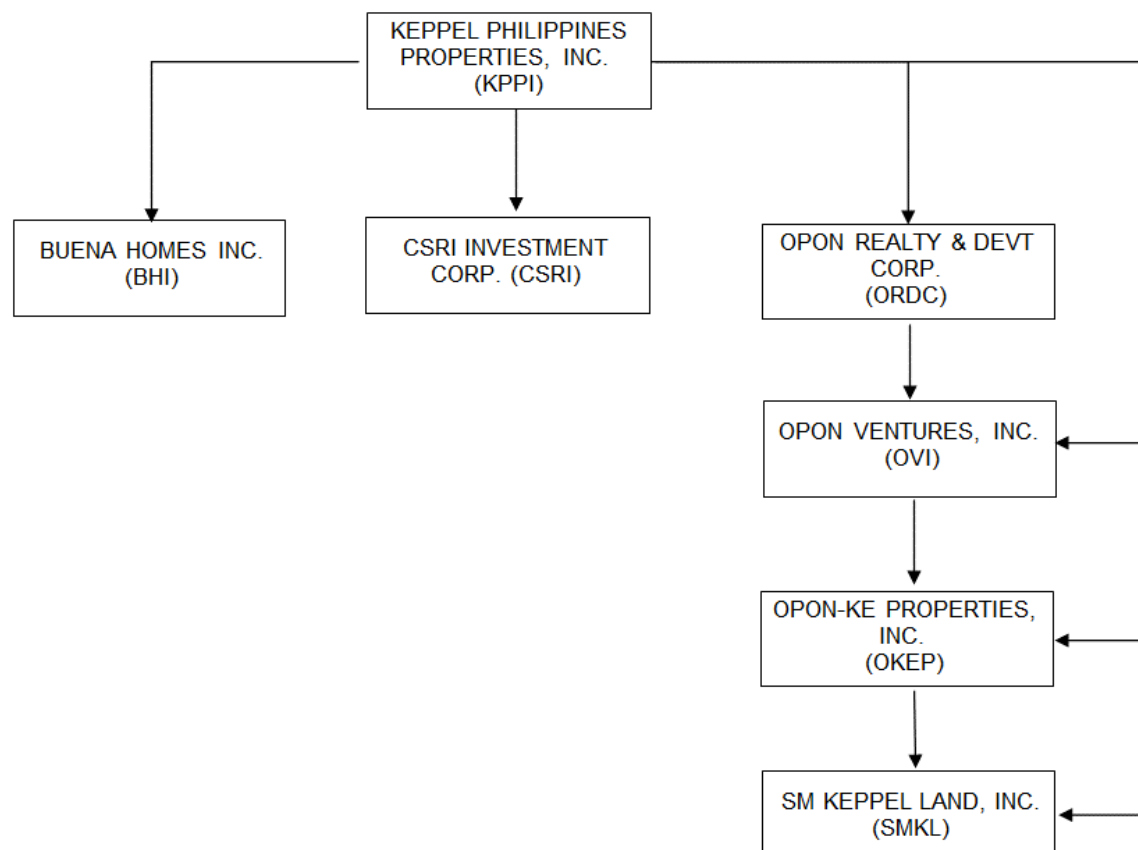
Type of Accounts Receivable	TOTAL	1 Month	2 - 3 Mos.	4 - 6 Mos	7 mos to 1 Year	1 - 2 Years	3 - 5 Years	5 Years - above	Past due accounts & Items in Litigation
	P	P	P	P	P				
A. Trade Receivables	-	-	-	-	-	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
<b>Net Trade Receivable</b>	-	-	-	-	-	-	-	-	-
B. Non-Trade Receivables									
1 Non-trade	2,666,664	-	-	-	-	-	-	-	2,666,664
2 Accrued revenue	1,121,042	1,121,042	-	-	-	-	-	-	-
3 Receivables from employees	131,843	131,843	-	-	-	-	-	-	-
4 Accrued interest receivable	6,609	6,609	-	-	-	-	-	-	-
5 Others	101,835	101,835	-	-	-	-	-	-	-
Subtotal	4,027,993	1,361,329	-	-	-	-	-	-	2,666,664
Less: Allowance for Doubtful Accounts	(2,666,664)	-	-	-	-	-	-	-	(2,666,664)
<b>Net Non-Trade Receivables</b>	1,361,329	1,361,329	-	-	-	-	-	-	-
Net Receivables	<b>1,361,329</b>								

**Receivables Description**

Type of Receivable	Nature / Description	Collection Status
B. Non-Trade Receivables		
1 Non-trade	Installment collection on the sale of investment property	Past due account
2 Accrued revenue	Management consultancy and franchise fees revenue	Collectible the following month
3 Receivables from employees	Staff loans	Regularly settled through deduction from payroll
4 Accrued interest receivable	Interest on money market placements	Collectible upon maturity within 30-60 days
5 Others	Refunds from suppliers	For refund within 30-60 days

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

AS AT MARCH 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  
 Property holding and development

**Keppel Philippines Properties, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration  
As at March 31, 2021  
(All amounts in Philippine Peso)

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 income (loss) during the period closed to retained earnings	7,461,480
<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	7,461,480
<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>(46,800,263)</b>
<b>Add (Less):</b>	
Dividend declarations during the year	-
Appropriations of retained earnings during the year	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	(2,667,645)
Subtotal	-
<b>Total retained earnings available, end of the year available for dividend (deficit)</b>	<b>(49,467,908)</b>



**KEPPEL PHILIPPINES PROPERTIES, INC.**  
**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING**  
Held via remote communication  
on 13 August 2020

**I. CALL TO ORDER**

The Chairman of the Board of Directors, Ng Ooi Hooi, welcomed the participants of the 2020 Annual Stockholders' Meeting held via remote communication thru Webex.

The Chairman also welcomed the independent and regular directors as well as the corporate officers of the Company, including the Corporate Secretary and her team from the Bello Valdez & Fernandez Law Firm and representatives of the external auditor, Isla Lipana & Co.

The Corporate Secretary, Atty. Ma. Melva E. Valdez, conducted a roll call of the directors and other participants to determine their personal location. The following directors and officers were present:

1. Ng Ooi Hooi- Chairman of the Board, in Singapore, using a laptop
2. Yoon Ngai Soon – Director, in Singapore, using a laptop
3. Celso P. Vivas- Independent Director, in Manila, Philippines using a laptop
4. Oh Lock Soon- President, in Singapore, using a laptop
5. Ramon J. Abejuela- Independent Director, in Manila, Philippines using a laptop
6. Tan Boon Ping- Director, in Singapore, using a laptop
7. Stefan Tong Wai Mun- Director, in Manila, Philippines using a laptop
8. Leonardo R. Arguelles, Jr. – newly elected Independent Director, in Manila, Philippines using a laptop
9. Pang Chan Fan- Treasurer, in Singapore, using a laptop
10. Ma. Melva E. Valdez- Corporate Secretary, in Manila, Philippines, using a laptop
11. Stephanie Maree N. Dysangco – Asst. Corporate Secretary, in Manila, Philippines, using a laptop.

The meeting was called to order at about 2:00 pm.

**II. CERTIFICATION OF QUORUM**

The Corporate Secretary advised that in accordance with the Company By-laws and the Securities and Exchange Commission (SEC) Notice dated 20 April 2020, written notice of the Meeting was published in print and online by two (2) newspapers of general circulation, namely The Philippine Star and Business World on 15 and 16 July 2020 and 07 August 2020. Certifications to this effect were executed by the authorized representatives of

The Philippine Star and Business World. Additionally, the Notice of Meeting was published online on the Company website and disclosed on the PSE Edge system.

The Corporate Secretary also confirmed that, based on the attendance report of STSI, the stock and transfer agent of the Company, at least 80.54% of the total issued and outstanding capital stock are present either in person or by proxy; hence, there is a quorum to decide any and all matters that may be taken up in the meeting.

The Chairman thanked everyone for patience and cooperation in holding the Meeting. For the first time, the Annual Stockholders' Meeting is being held via remote communication in the interest of the health and safety of Company stakeholders and in order to observe the government regulations and prescribed precautionary measures during the pandemic.

The Corporate Secretary reminded about the basic guidelines for the Meeting via remote communication which was distributed to the stockholders together with the Meeting materials. Stockholders may send questions and/or comments prior to or during the Meeting by email to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) or by typing in the "chat panel" of the WebEx online meeting platform. Questions or comments will be read and addressed before the Meeting is adjourned. Other questions or comments not taken up during the Meeting due to time constraints will be addressed separately and replied through email.

After registration to participate by remote communication, stockholders will be provided an opportunity to cast their votes. The Presiding Officer shall ask the stockholders to vote on the matters following the Meeting Agenda. Participants can send their votes/objections via the WebEx Chat box. Motions shall be considered carried upon garnering majority votes of present stockholders.

The holders of common stocks are entitled to one vote per share. An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action, except as to the election of Directors. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting shall constitute a quorum for the transaction of business.

### **III. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON 13 JUNE 2019**

The Chairman informed that copies of the minutes of the last annual stockholders' meeting held on 13 June 2019 were made available to the stockholders beforehand. A copy also of the minutes was posted on the Company website.

On proper motion duly made and seconded, the reading of the 13 June 2019 minutes was dispensed with and was accordingly approved by the stockholders as follows:

Stockholders Voting in Favor	Stockholders Voting Against	Stockholders Who Abstained
80.54%	Nil	Nil

#### **IV. CHAIRMAN'S ADDRESS**

A copy of the Chairman's address was posted on the Company's website seven (7) days before this Meeting, and accessible online for seven (7) days after the Meeting on the Company's website.

As there was no question on the Chairman's address from the stockholders, the same was duly noted.

#### **V. PRESENTATION AND APPROVAL OF Y2019 ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

The Chairman stated that the Company's Audited Financial Statements included in the 2019 Annual Report (SEC form 17-A). Electronic copies of the reports were made on the Company website.

He then opened the floor for questions and comments from the stockholders. There being no questions or comments from the stockholders, a motion was made to approve the 2019 Annual Report and Audited Financial Statements for the fiscal year ended 31 December 2019. The stockholders approved as follows:

Stockholders Voting in Favor	Stockholders Voting Against	Stockholders Who Abstained
80.54%	Nil	Nil

#### **VI. RATIFICATION OF ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, OFFICERS AND MANAGEMENT OF THE CORPORATION DURING THE YEAR UNDER REVIEW**

The Chairman asked if there were any questions or comments from the stockholders relative to the acts, proceedings, and resolutions discussed and approved in the meetings of



the Board of Directors and documented by minutes of meetings. Said matters constitute the regular and ordinary transactions and operations of the Company.

On motion duly made and seconded, the stockholders adopted the following resolution:

**“RESOLVED**, That all acts and proceedings of the Board of Directors, Officers, and Management of Keppel Philippines Properties, Inc. from the last Annual Stockholders’ meeting up to the present are hereby approved, confirmed and ratified.”

Stockholders Voting in Favor	Stockholders Voting Against	Stockholders Who Abstained
80.54%	Nil	Nil

## VII. ELECTION OF DIRECTORS

The Corporate Secretary presented the Screening Committee’s report approving the following for nomination and election as Directors of Keppel Philippines Properties, Inc. for the year 2020 – 2021:

1. Ng Ooi Hooi
2. Oh Lock Soon
3. Celso P. Vivas – Independent Director
4. Yoon Ngai Soon
5. Ramon J. Abejuela – Independent Director
6. Tan Boon Ping
7. Stefan Tong Wai Mun
8. Leonardo R. Arguelles, Jr. – Independent Director

On motion duly made and seconded, since there are eight (8) nominees to the Board of Directors, the Corporate Secretary was instructed to cast all votes equally among the nominees and that the eight (8) nominees be proclaimed as elected directors and to serve as such for the ensuing year and until the election and qualification of their successors.

Stockholders voted as follows:

Stockholders Voting in Favor	Stockholders Voting Against	Stockholders Who Abstained
80.54%	Nil	Nil

### **VIII. PRESENTATION OF DIRECTORS' REMUNERATION FOR Y2019**

The Chairman presented the recommendation for the payment of Directors' remuneration in the amount of Eighty Thousand Pesos (Php80,000.00) for each of the directors for the year 2019. The Chairman opened the floor for questions or comments.

On motion duly made and seconded, the stockholders approved the recommended remuneration and approved the following resolution:

**"RESOLVED**, That the Directors' Remuneration for the year 2019 be fixed at EIGHTY THOUSAND PESOS (P80,000.00) for each Director."

Stockholders Voting in Favor	Stockholders Voting Against	Stockholders Who Abstained
80.54%	Nil	Nil

### **IX. APPOINTMENT OF EXTERNAL AUDITOR FOR Y2020**

The Chairman proceeded to the next item on the agenda which is the appointment of external auditor. The Chairman of the Audit Committee, Mr. Ramon J. Abejuela, presented the Board of Directors' recommendation to re-appoint Isla Lipana & Co. (PwC) as the external auditor of the Company for the year 2020 at a fee to be fixed by Management. The partner-in-charge of the Company's account is Ms. Catherine H. Santos. At present, there is no need to request for a change in partner-in-charge of the Company's account.

The Chairman opened the floor for questions or comments. Upon motion duly made and seconded, the stockholders adopted the following resolution:

**"RESOLVED**, That the auditing firm of Isla Lipana and Company (PwC) is hereby appointed as the external auditor of Keppel Philippines Properties, Inc. for the year 2020 at a fee to be fixed by the Board of Directors."

Stockholders Voting in Favor	Stockholders Voting Against	Stockholders Who Abstained
80.54%	Nil	Nil

**XI. ADJOURNMENT**

The Chairman asked if there were any questions. It was confirmed that the Company did not receive any queries, via email or otherwise, from shareholders prior to the meeting. There being no questions raised and there being no other matters to be discussed, the meeting was adjourned.

  
**MA. MELVA E. VALDEZ**  
Corporate Secretary

Attested by:

**NG OOI HOOI**  
Chairman of the Meeting

PROXY

The undersigned (hereinafter referred to as the "Principal"), being a stockholder of Keppel Philippines Properties Inc. (KEP), hereby appoints and empowers Mr./Ms. \_\_\_\_\_ as the proxy to act/vote in the Principal's name and stead at the annual stockholders' meeting of KEP on 29 June 2021.

Done this \_\_\_\_\_th day of \_\_\_\_\_ 2021 at \_\_\_\_\_ City, Philippines.

\_\_\_\_\_  
Stockholder's Complete Name and Signature

\*NOTE: If the stockholder is a corporation, the proxy must be signed by an authorized officer of the corporation and must be supported with a Secretary's Certificate containing the Board Resolution on the authority of the officer to appoint proxy.

GUIDELINES IN PARTICIPATION  
BY REMOTE COMMUNICATION  
IN THE ANNUAL STOCKHOLDERS MEETING  
OF KEPPEL PHILIPPINES PROPERTIES, INC.  
ON 29 JUNE 2021

The 2021 Annual Stockholders' Meeting (ASM) of Keppel Philippines Properties, Inc. (the Company) is scheduled on 29 June 2021, Tuesday at 11:00 a.m. The Board of Directors of the Company has fixed 9 June 2021 as the Record Date for the determination of stockholders entitled to the notice of, to attend, and to vote at the ASM and any adjournment thereof.

In consideration of the health and safety concerns of everyone involved, the Board of Directors has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote in absentia.

A. Registration

1. Stockholders who intend to participate in the ASM by remote communication must inform the Company of their intention to do so by sending an e-mail confirming their attendance to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) on or before 25 June 2021.

2. Stockholders that will appoint a proxy should date, sign, and send the proxy form to the Corporate Secretary at Keppel Philippines Properties, Inc., 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City on or before 25 June 2021. All proxies received will be validated on 25 June 2021.

3. Only stockholders of record who duly submitted their valid proxy or notified the Company their intention to participate by remote communication will be included in determining the existence of a quorum. Please note that the Company is not asking for or soliciting proxies.

4. For validation purposes, the email should include the following information of the stockholder:

a. For Individual Stockholders: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address (v) if appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized), and (vi) Stock certificate number/s.

b. For Multiple Stockholders or Joint Owners: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address, (v) proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized), and (vi) Stock certificate number/s.

c. For Corporate Stockholders: a copy of the notarized Secretary's Certificate attesting to the authority of the representative to vote for and on behalf of the corporate stockholder should be sent by email as well. Similar to Item a, the following information on the authorized representative should be provided in the email: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy



of the front and back portion of a valid government issued identification card, preferably with photo and residential address and (v) Stock certificate number/s.

d. For Stockholders with Shares under broker account: (i) full name; (ii) address; (iii) contact number, landline or mobile number, (iv) a scanned copy of the front and back portion of a valid government issued identification card, preferably with photo and residential address (v) if appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized), and (vi) certification from broker as to the number of shares owned by stockholder.

Valid government issued IDs include the following: passport, driver's license, unified multi-purpose ID, SSS ID, senior citizen ID, among others. The provided information will be used solely for purposes of validating the identity of the stockholder and registering for the ASM.

5. Any data from stockholders or their authorized representative will be collected, stored, processed, and used exclusively for the purpose of electronic registration for the ASM.

6. A stockholder's online registration requires submission of all mandatory requirements. Incomplete or conflicting documents may result in an unsuccessful registration.

7. For the convenience of the stockholders, we recommend to register early prior to the deadline. This is to allow sufficient time to address any concerns prior to the ASM.

8. Stockholders who have indicated their intention to participate via remote communication by sending a notification/confirmation of their attendance by e-mail to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) on or before 25 June 2021 shall receive an e-mail acknowledgment thereof and a WebEx online meeting invitation.

#### B. Voting and Participation During the ASM

1. On the date of the ASM, stockholders are encouraged to log-in at least an hour before to allow opportunity to address possible technical issues and to avoid delay.

2. Stockholders may send questions and/or comments prior to or during the ASM by email to [keppel.prop@kepland.com.ph](mailto:keppel.prop@kepland.com.ph) or by typing in the "chat panel" of the WebEx online meeting platform. Questions or comments received on or before \_ June 2021 will be read and addressed before the ASM is adjourned. Other questions or comments not taken up during the ASM due to time constraints will be addressed separately and replied through email.

3. After registration to participate by remote communication, stockholders will be provided an opportunity to cast their votes. The Presiding Officer of the ASM shall ask the stockholders to vote on the matters following the ASM Agenda. Participants can send their votes/objections via the WebEx Chat box. Motions shall be considered carried upon garnering majority votes of present stockholders.

4. The holders of common stocks are entitled to one vote per share. An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action, except as to the election of Directors. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting shall constitute a quorum for the transaction of business.

5. In connection with the election of Directors, however, the system of cumulative voting will be followed. In cumulative voting, each stockholder is entitled to as many votes equal to the number of shares held by the stockholder at the close of business on the Record Date multiplied by the number of directors to be elected. A stockholder may cast all votes for a single nominee or may apportion such votes among any two or more nominees. The total number of votes cast shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.

6. Results and the final tabulation of votes will be reflected in the Minutes of the ASM.

7. The ASM will be recorded in video and audio format.

8. Stability of the stockholders' internet access to the ASM may be subject to fluctuations and interruptions depending on the stockholders' available technology, internet access, and internet provider. The Company cannot influence the availability, operability, stability, and reliability of telecommunications networks and any third-party internet service providers.

REPUBLIC OF THE PHILIPPINES)  
PASIG CITY )S.S

## CERTIFICATION

I, MA. MELVA E. VALDEZ, the Corporate Secretary of **KEPPEL PHILIPPINES PROPERTIES, INC.** (the "Company"), a corporation with SEC Registration No. PW-305 and principal office address at 12 ADB Avenue, Ortigas Center, Mandaluyong City 1550 (business office address changed to: 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City, 1550), do hereby state that:

1. On behalf of the Company, I have caused the preparation of SEC Form 20-IS – Information Statement;

2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3. The Company will comply with the requirements set forth by the Securities and Exchange Commission requirements in SEC Notice dated 24 June 2020 for the complete and official submission of reports and documents through electronic mail; and


4. I am aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received upon payment of a filing fee.

5. That the e-mail account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

  
MA. MELVA E. VALDEZ  
Corporate Secretary  
TIN: 123-493-209

SUBSCRIBED AND SWORN TO before me this 24<sup>th</sup> day of May 2021 in Pasig City, affiant exhibited to me her TIN Card numbered 123-493-209 as proof of her identity.

Doc No. 457;  
Page No. 87;  
Book No. II;  
Series of 2021.

  
JOSE MANUEL P. PEÑAFLOR  
Notarial Public – Pasig City  
Appointment No. 149 (2020-2021)  
17th Floor, Robinsons Equitable Tower, ADB Avenue  
cor. P. Poveda Drive, Ortigas Center, Pasig City  
IBP No. 134962/ Makati City/15 December 2020  
PTR No. 7244044/Pasig City/11 January 2021  
MCLE Compliance No. VII-0000266/30 July 2019  
Attorney's Roll No. 73154