COVER SHEET

6	2	5	9	6					

S.E.C Registration Number

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

UNIT 3-B COUNTRY SPACE I BLDG. 133 SEN. GIL PUYAT AVENUE, SALCEDO VILLAGE, BRGY. BEL-AIR MAKATI CITY

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

Alan I. Claveria/ Felicidad V. Razon/ Ma. Melva E. Valdez	**8892 1816 8815-9071**
Contact Person	Company Telephone Number

1 2	3 1	SEC FORM 17A – Annual Report 2019	0 6	1 9
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

420 as of 30 April 2020		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

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

1. For the fiscal year ended **31 December 2019**
2. SEC Identification Number **62596**
3. BIR Tax Identification No. **000-163-715-000**
4. **KEPPEL PHILIPPINES HOLDINGS, 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. **Unit 3B, Country Space I Bldg., 133 Sen. Gil Puyat Ave., Salcedo Village, Barangay Bel-Air, Makati City**
   Address of registrant's principal office — Postal Code
8. **(632) 8892-1816** — **1200**
   Registrant's telephone number, including area code
9. **N.A.**
   Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding (as of 31 Dec 2019)
Common - Class 'A' P1.00 Par Value	**36,165,970**
Common - Class 'B' P1.00 Par Value	**21,636,449**
Total	**57,802,419**
	(Net of Treasury Shares of 15,371,081)

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [/] No [ ] **Philippine Stock Exchange** **Common Shares of Stock**

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the 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 [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:
    P55,595,767 as of 31 December 2019 closing price (KPH P5.18; KPHB P5.79)
    P50,286,441 as of 31 December 2018 closing price (KPH P4.82; KPHB P4.91)

14. Documents Incorporated By Reference:
    None

KEPPEL PHILIPPINES HOLDINGS, INC.
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SEC FORM 17-A

PART 1 – BUSINESS AND GENERAL INFORMATION

1 - Business

(a) **Keppel Philippines Holdings, Inc**. (hereinafter to be referred to as "Company" or "KPH") was incorporated in July 1975 under the former name of Keppel Philippines Shipyard, Inc. The Company was established as a subsidiary of Keppel Corporation Limited (KCL) of Singapore to carry out ship repair and shipbuilding activities in the Philippines. In 1993, the Company was converted into an investment holding company under the name of Keppel Philippines Holdings, Inc. KPH shares are being traded at the Philippine Stock Exchange (PSE).

Currently, KPH has two core businesses: namely, investment holdings and real estate.

(b) The Company is not involved in any bankruptcy, receivership or similar proceedings.

(c) There is no material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business.

(d) The Company does not have any patents, trademarks, licenses, franchises, concessions, and/or royalty agreements.

(e) As an investment holding company, KPH has five (5) regular employees in 2019 and 2018 from seven (7) regular employees in 2017. There is no collective bargaining agreement between the Company and the employees.

(f) **Brief Description of Business**

KPH has two main business segments: Investment Holdings and Real Estate. The contribution from each segment of the businesses to the consolidated revenues and net income of the Company is stated in Note 17 of the audited financial statements.

Real Estate

KPH as Parent Company owns office space at Fedman Suites, while **KPSI Property, Inc. (**KPSI**)**, a wholly-owned subsidiary of KPH, owns and leases out the office spaces in Country Space 1 Building at Makati City. **Goodwealth Realty Development Corp.** (GRDC), 51% owned by KPH, owns and leases parcels of land in Batangas City. **Goodsoil Marine Realty, Inc.** (GMRI), wholly owned by GRDC and effectively 51% owned by KPH, owns and leases the land in Bauan, Batangas to Keppel Philippines Marine Inc. (KPMI) used for the construction and repair of all types and classes of vessels, the fabrication of offshore marine structures together with the related services and operations of a shipyard. GMRI is registered as an Ecozone Developer/Operator with the Philippine Economic Zone Authority (PEZA) since 2007. **Consort Land, Inc.** (CLI), 25% owned by GMRI and effectively 13% owned by KPH, owns and leases the land in Subic, Zambales to Keppel Subic Shipyard, Inc. (KSSI) used for the construction and repair of all types and classes of vessels and the fabrication of offshore marine structures. CLI is registered with PEZA as an Ecozone Developer/Operator of the Subic Shipyard-Special Economic Zone and distribute power to its locators.

2 - Properties

The Company owns the following properties:

Owned by	Property Description	Area
KPH	Two (2) office condominium units at Fedman Suite in Makati City	166 sqm
KPSI	Two (2) office condominium units and five (5) parking slots at Country Space I Building in Makati City	345 sqm
GRDC	Five (5) lots of residential land in Batangas City	1,500 sqm
GMRI	Land located in Bauan, Batangas	249,584 sqm
CLI	Land and building located in Subic, Zambales	840,043 sqm

The properties owned by the Company and its subsidiary and associates are free from any lien.

3 - Legal Proceedings

In September 2003, the Company filed a complaint against Philippine National Oil Company (PNOC) for specific performance with the Regional Trial Court (RTC) in Batangas City for the enforcement of the contract relating to the option to purchase parcels of land in Batangas. Judgment was rendered in January 2006 in favor of the Company ordering PNOC to accept the payment of ₱4.1 million, which was consigned with the Clerk of Court, as full and complete payment of the purchase price, and to execute a Deed of Absolute Sale in favor of the Company. PNOC, however, filed an appeal with the Court of Appeals (CA) in the same year which was dismissed on 19 December 2011.

On 25 July 2016, Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated 14 May 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent Company's Filipino equity ownership. On 14 December 2016, SC's decision became final and executory and was recorded in the Books of Entries of Judgments. As of 31 March 2020, the Parent Company is still awaiting on the final resolution of the RTC.

4 - Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the third and fourth quarter of the fiscal year covered by the report. The last meeting of the Company's stockholders was the annual stockholders' meeting, which was held on 21 June 2019.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

5 - Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(a) Market Information

The principal market of the Company's common equity is the Philippine Stock Exchange (PSE) where it was listed on 26 August 1987. The high and low closing prices for each quarter within the last two (2) fiscal years and first quarter of 2020 as traded at the Philippine Stock Exchange are as follows:

STOCK PRICES	2019		2018	
	High	Low	High	Low
First Quarter	'A' ₱5.97	'A' ₱4.80	'A' ₱6.50	'A' ₱5.20
	'B' ₱4.91	'B' ₱4.91	'B' ₱5.98	B' ₱5.36
Second Quarter	'A' ₱5.00	'A' ₱5.00	'A' ₱5.90	'A' ₱5.25
	'B' ₱6.39	'B' ₱4.85	'B' ₱6.38	'B' ₱5.33
Third Quarter	'A' ₱8.99	'A' ₱3.80	'A' ₱4.47	'A' ₱4.47
	'B' ₱7.13	'B' ₱4.85	'B' ₱5.36	'B' ₱5.34
Fourth Quarter	'A' ₱6.98	'A' ₱5.02	'A' ₱6.60	'A' ₱3.46
	'B' ₱7.04	'B' ₱5.04	'B' ₱6.57	'B' ₱2.94

	2020	
	High	Low
First Quarter	'A' ₱5.50	'A' ₱4.00
	'B' ₱6.80	'B' ₱5.50

(b) Holders

The number of shareholders of record as of 31 December 2019 was 421.

Common shares outstanding as of 31 December 2019 were 57,802,419 broken down as follows:

Nationality	Class	No. of Shares	Percentage
Filipino	A	36,165,970	62.57
Filipino	B	3,911,336	6.77
Foreign	B	17,725,113	30.66
Total		**57,802,419**	**100.00**

The top 20 stockholders as of 31 December 2019 are as follows:

	Shareholder	No. of Shares Held	%
1.	Kepwealth, Inc.	30,532,930	52.822
2.	Keppel Corporation Limited	16,894,087	29.227
3.	PCD Nominee Corp. – Filipino	6,873,287	11.891
4.	International Container Terminal Services, Inc,	2,121,287	3.670
5.	PCD Nominee Corp. – Foreign	612,815	1.060
6.	Soh Ngoi May	83,179	0.144
7.	Willy Y. C. Lim	60,175	0.104
8.	Edbert G. Tantuco	50,017	0.087
9.	Emilio C. Tiu	23,238	0.040
10.	National Book Store, Inc.	22,422	0.039
11.	Ang Guan Piao	21,900	0.038
12.	Manolo Z. Alcasabas	21,170	0.037
13.	Willy Yew Chai Lim	20,085	0.035
14.	Yeo Chee Chiow	18,848	0.033
15.	Liwayway Sy	17,938	0.031
16.	Ma. Victoria R. Del Rosario	17,938	0.031
17.	Ramon R. Del Rosario Jr.	17,938	0.031
18.	Dr. Victorino Medrano Jr. &/or Ofelia R. Medrano	13,952	0.024
19.	Procurador General De Padres Franciscano de Manila	11,211	0.019
20.	Josefina Tengco Reyes	11,211	0.019

(c) Dividends

The declaration and payment of dividends will depend, among others, upon the Company's earnings, cash flow, capital requirements and financial condition in addition to other factors. Cash dividends are subject to approval by the Board of Directors (BOD) but no stockholders' approval is required. Dividends are payable to stockholders whose names are recorded in the stock and transfer books as of the record date fixed by the Board. The Company declared cash dividends in 2019, 2018 and 2017. Details of cash dividend are as follows:

	Y2019	Y2018	Y2017
Date of BOD Approval	June 21	June 22	June 16
Record Date	July 5	July 6	July 3
Payment Date	July 31	July 31	July 27
Amount of Dividend per Share	₱0.10 or 10%	₱0.10 or 10%	₱0.10 or 10%

(d) Recent Sales of Unregistered Securities

There has been no sale of securities within the past three years which were not registered under the SRC. Neither is there any claim for exemption from registration made by the Company.

6 - Management's Discussion and Analysis

Results for the Year

Year Ended 2019

Keppel Philippines Holdings, Inc. (KPH) and its subsidiaries (the "Company") recorded a net income of ₱26.6 million in 2019, higher than ₱14.2 million in 2018 and lower than ₱54.9 million in 2017. KPH has higher revenue of ₱57.0 million in 2019, as against ₱48.5 million in 2018, and lower than ₱91.2 million in 2017. Operating expenses which decreased from ₱31.4 million in 2018 to ₱27.8 million in 2019 and slightly higher than in 2017 of ₱23.6 million, contributed to the increase in net income. Revenues in 2019 were mainly from rental income, interest earned from loans and short-term deposits, equity in net earnings of an associate, and management fees.

Rental revenue for the year amounted to ₱28.5 million as against rental revenue of ₱22.7 million and ₱18.0 million in 2018 and 2017, respectively. Lease of properties to third parties contributed to the increase in revenue which amounted to ₱15.3 million in 2019 as compared with ₱9.5 million and ₱4.3 million in 2018 and 2017, respectively. Rental from affiliates amounted to ₱13.2 million both for 2019 and 2018 and ₱13.7 million in 2017.

The Company earned interest income of ₱18.3 million in 2019, ₱12.2 million in 2018, and ₱12.5 million in 2017. The interest earned from the loans granted to a related company amounted to ₱16.5 million in 2019, ₱10.7 million in 2018 and ₱11.5 million in 2017. The increase was due to higher interest rates ranging from 4.8% to 7.0% as against 3.0% to 6.3% in 2018 and 2.8% to 3.5% in 2017. There was no repayment of loan in 2019. Interest rates are agreed upon with related party on a comparable market rate basis on date of granting or renewal of the loan. The Company also earned interest from short-term deposits amounted to ₱1.8 million, ₱1.5 million, and ₱0.9 million in 2019, 2018 and 2017, respectively.

In 2018, the Company realized a gain on the sale of investment properties of ₱1.9 million from sale of its residential unit at Batangas City as compared to the gain recognized in 2017 amounting to ₱49.6 million from the sale of its condominium units in Makati City, Cebu City and residential unit at Batangas City. The proceeds received from the sale of properties amounted to ₱2.3 million in 2018 as against ₱51.7 million in 2017. There was no sale of investment property in 2019.

The equity in net earnings of associate - CLI as of 31 December 2019 amounted to ₱8.9 million, compared to ₱10.0 million and ₱8.7 million in 2018 and 2017, respectively. Increase or decrease in equity in net earnings of associate depends upon the net income realized by CLI during the years. The Company received cash dividend from CLI amounting to ₱10.5 million in 2019, ₱8.7 million in 2018 and ₱3.5 million in 2017.

Management fees charged to related parties amounted to ₱0.8 million both for 2019 and 2018 compared to ₱1.8 million in 2017. The number of related companies being served by the Parent Company remained the same for both 2019 and 2018.

Operating expenses amounted to ₱27.8 million, ₱31.4 million, and ₱23.6 million in 2019, 2018 and 2017, respectively. The decrease in expenses was brought mainly by: a) lower salaries & benefits due to lower accrual of retirement plan benefits and bonuses; b) lower repairs and maintenance relating to properties for rent; and c) lower taxes and licenses paid to local government. The decrease was offset by increases in a) provision for impairment on creditable withholding tax; and b) rental expense relating to properties for rent.

The Company have unrealized fair value gain on financial asset fair value through other comprehensive income of ₱2.0 million in 2019 and ₱15 million in 2018. The Company also recognized this year ₱0.2 million remeasurement gain on retirement benefits assets, net of tax, based on actuarial of retirement plan funded this December 2019.

Financial Condition

The cash position of the Company for the year ended 31 December 2019 amounted to ₱50.7 million as against the same period last year of ₱39.5 million. The increase of ₱11.2 million was brought mainly by interest income received from loans and deposits of ₱18.4 million and receipt of dividends from CLI of ₱10.5 million. This was partially offset by payment of dividends of ₱5.8 million, funding of retirement benefit amounting to ₱10.6, and net cash used for operating activities of ₱1.0 million.

Total receivables both current and non-current this year amounted to ₱306.2 million as against last year of ₱305.6 million. The net increase of ₱0.6 million was brought by lease rental and interest receivable from bank deposits and loans.

Other current assets increased to ₱0.5 million as against ₱0.1 million last year. The decrease was due to lower input VAT net applied against output tax and lower advances to employees and other deposits.

Available-for-sale financial assets related to a quoted club share at fair value price as of December 2019 and 2018 amounting to ₱37.0 million and ₱35.0 million, respectively.

Investment in an associate decreased from ₱421.7 million in 2018 to ₱420.2 million this year. The net decrease was due to equity share in net income of CLI of ₱8.9 million reduced by the cash dividend received this year amounting to ₱10.5 million.

Investment properties and Property and equipment remained about the same at ₱205.4 million in 2018 to ₱205.5 million this period.

Total liabilities decreased from ₱19.2 million in 2018 to ₱8.7 million this year. The decrease of ₱10.6 million was due to a) payment of retirement benefit trust fund amounting to ₱10.6 million; b) lower security deposits by ₱1.2 million; c) decrease in income tax payable by ₱0.4 million; and d) net increase in accrual of operating expenses of ₱1.6 million.

Total equity as of 31 December 2019 amounted to ₱1,016.1 million and ₱993.1 million in December 2018. Retained earnings amounted to ₱489.3 million as of December 2019 as compared to ₱476.7 million in December 2018. The increase in retained earnings was due to higher net income after non-controlling interests of ₱18.3 million partially offset by cash dividend of ₱5.8 million. The Company also had unrealized gain on fair value of financial asset at fair value through other comprehensive income of ₱2.0 million and remeasurement gain on retirement benefits, net of tax of ₱0.2 million. Non-controlling interest of minority shareholders also recognized ₱8.2 million share in the net income of the Company.

The equity attributable to equity holders of the parent amounted to ₱649.6 million and ₱634.9 million as of December 2019 and 2018, respectively. The net book value per share as of December 2019 was ₱11.24 as against December 2018 of ₱10.98. The earnings per share attributable to the equity holders of the parent as of December 2019 and 2018 were ₱0.32 and ₱0.09, respectively.

Year Ended 2018

Keppel Philippines Holdings, Inc. (KPH) and its subsidiaries (the "Company") recorded a net income of ₱14.2 million in 2018, lower compared to ₱54.9 million in 2017 and ₱23.8 million in 2016. The decrease was primarily due to lower revenue this year of ₱48.5 million as against ₱91.2 million in 2017, and ₱44.7 million in 2016. Operating expenses, which increased to ₱31.4 million in 2018 from ₱23.6 million in 2017 and ₱16.7 million in 2016, also contributed to the decline in Net Income. This was partially offset by lower income tax expense of ₱2.9 million this 2018 as against ₱12.8 million and ₱4.2 million in 2017 and 2016, respectively. Revenues in 2018 were mainly from rental income, interest earned from loans and short-term deposits, equity in net earnings of an associate, gain on sale of investment properties and management fees.

Rental revenue for the year amounted to ₱22.7 million as against ₱18.0 million and ₱20.5 million in 2017 and 2016, respectively. Decrease in rental revenue was actually expected this year due to sale in 2017 of condominium and residential units situated in Makati City and Cebu City. This, however, was more than offset by a new lease on properties in Batangas City to a third party which contributed about P8.7 million in rental.

The Company earned interest income of ₱12.2 million in 2018, ₱12.5 million in 2017, and ₱10.6 million in 2016. The interest earned from the loans granted to a related company amounted to ₱10.7 million in 2018, ₱11.5 million in 2017 and ₱10.0 million in 2016. The decline in interest earned from loans to a related company was due to prepayment of long-term loan amounting to ₱87.5 million. Interest rates are agreed upon with related party on arms-length based on lowest commercial loan rates on date of granting or renewal of the loan. The Company also earned interest from short-term deposits amounting to ₱1.5 million, ₱0.9 million, and ₱0.6 million in 2018, 2017 and 2016, respectively.

The Company realized a gain on sale on investment properties of ₱1.9 million from sale of another residential unit at Batangas City this year as against gains recognized in 2017 amounting to ₱49.6 million from sale of its condominium units in Makati City, Cebu City and a residential unit in Batangas City. The proceeds received from the sale of properties amounted to ₱2.3 million this year as against ₱52.9 million in 2017.

The equity in net earnings of associate CLI as of 31 December 2018 amounted to ₱10.0 million, higher than in 2017 of ₱8.7 million, and slightly lower than in 2016 of ₱10.3 million. The Company received cash dividend from CLI amounting to ₱8.7 million in 2017, ₱3.5 million in 2016 and ₱11.1 million in 2015.

Management fees charged to related parties amounted to ₱0.8 million, ₱1.8 million and ₱1.4 million in 2018, 2017, and 2016, respectively. The decrease was due to lower number of related companies being served by the Parent Company.

Operating expenses amounted to ₱31.4 million, ₱23.6 million, and ₱16.7 million in 2018, 2017 and 2016, respectively. The increase in expenses was brought mainly by: a) higher salaries & benefits due to accrual of retirement plan benefits for the staff; b) higher professional (legal) fees; c) repairs and maintenance relating to properties for rent and d) travel and transportation.

The Company have unrealized fair value gain on financial assets at fair value through other comprehensive income of ₱15.0 million in 2018, and unrealized fair value gain on Available for Sale financial assets of ₱0.5 million in 2017 and ₱3.7 million in 2016.

Financial Condition

The cash position of the Company for the year ended 31 December 2018 amounted to ₱39.5 million as against ₱87.9 million at year-end 2017. The decrease of ₱48.4 million in cash position was brought about by a ₱30.0 million increase in loans granted, net of repayment; payment of dividends of ₱40.3 million; and, net cash used for operating activities of ₱0.6 million. These however were partially offset by interest income received from loans and deposits of ₱11.5 million; receipt of dividends from CLI of ₱8.7 million; and, proceeds from the sale of investment properties in Batangas City of ₱2.3 million.

Total receivables both current and non-current this year amounted to ₱305.6 million as against last year's ₱276.0 million. The increase was brought about mainly by the granting of new short-term loans amounting to ₱150.0 million with 88 to 90-day term and bearing interest of 3.2% to 6.3%, subject to renewal upon maturity. This was partially offset by the repayment of short-term and long-term loans of ₱120.0 million.

Other current assets increased to ₱1.0 million as against ₱0.7 million last year. The increase was due to higher creditable withholding tax received not fully applied against income tax expense which was subjected to provision for impairment losses. This was partially offset by lower input VAT net applied against output tax and lower advances to employees.

Available-for-sale financial assets related to a quoted club share at fair value price as of December 2018 amounting to ₱35.0 million was reclassified as Financial assets at fair value through other comprehensive income. Available-for-sale financial assets in 2017 amounted to ₱20.0 million.

Investment in an associate increased from ₱420.4 million in 2017 to ₱421.7 million this year. The increase was mainly due to equity share in net income of CLI of ₱10.0 million, which was partially offset by the cash dividend received from CLI this year amounting to ₱8.7 million.

Investment properties and Property and equipment decreased from ₱206.0 million in 2017 to ₱205.4 million this period due to sale of a residential property in Batangas City with book value of ₱0.2 million and ₱0.4 million, respectively, net of depreciation and write-off of obsolete assets.

Total liabilities increased from ₱11.1 million in 2017 to ₱19.2 million this year. The ₱8.1 million increment was due to the following increases: a) accrual of operating expenses by ₱5.0 million, particularly retirement cost of ₱4.5 million; b) unearned rent by ₱0.6 million; c) payable to government agencies & others by ₱0.2 million; d) dividends payable to minority shareholders by ₱0.7 million; e) refundable deposit by ₱1.9 million; and, f) deferred income tax liability by ₱0.1 million. This was partially offset by the decrease in income tax payable by ₱0.4 million.

Total equity amounted to ₱993.1 million as of 31 December 2018 and ₱1,004.2 million in December 2017. Retained earnings amounted to ₱476.7 million as of December 2018 as compared to ₱477.2 million in December 2017, since the year's net income after non-controlling interests of ₱5.2 million was more than offset by cash dividend of ₱5.8 million.

The equity attributable to equity holders of the parent amounted to ₱634.9 million and ₱620.4 million as of December 2018 and 2017, respectively. The net book value per share as of December 2018 was ₱10.98 as against December 2017 of ₱10.73. The earnings per share attributable to the equity holders of the parent for the years 2018 and 2017 were ₱0.09 and ₱0.78, respectively.

Year Ended 2017

Keppel Philippines Holdings, Inc. (KPH) and its subsidiaries (the "Company") recorded a net income of ₱54.9 million in 2017, higher than ₱23.8 million in 2016 and ₱26.9 million in 2015. The increase was primarily due to higher revenue this year of ₱91.2 million as against ₱44.7 million in 2016, and ₱46.3 million in 2015. Revenues in 2017 were mainly from gain on sale of investment properties, rental income, interest income, equity in net earnings of an associate, and management fees. The increase in revenue was partially offset by higher operating expenses of ₱23.6 million in 2017 and higher provision for income tax of ₱12.8 million.

The Company realized gain on sale on investment properties of ₱49.6 million from sale of its condominium units in Makati City, Cebu City and residential unit at Batangas City. The proceeds received from the sale of properties amounted to ₱52.9 million.

Rental revenue for the year amounted to ₱18.0 million as against rental revenue of ₱20.5 million and ₱19.4 million in 2016 and 2015, respectively. The decrease was due to the sale of the condominium units.

Interest income from short-term and long-term loans granted to related company and short-term deposits this year amounted to ₱12.5 million, ₱10.6 million in 2016, and ₱9.6 million in 2015. The interest earned from the loans granted to a related company amounted to ₱11.5 million, ₱10.0 million and ₱8.0 million in 2017, 2016 and 2015, respectively. Interest rates are agreed upon with related party on arms-length based on average commercial loan rates on date of granting or renewal of the loan. The interest earned from short-term deposits amounted to ₱0.9 million, ₱0.6 million, and ₱1.6 million in 2017, 2016 and 2015, respectively.

The equity in net earnings of associate CLI as of 31 December 2017 amounted to ₱8.7 million lower than in 2016 of ₱10.3 million and in 2015 of ₱14.8 million. This was brought by lower income realized by CLI during the years. The Company received cash dividend from CLI amounting to ₱3.5 million in 2017, ₱11.1 million in 2016 and ₱17.5 million in 2015.

Management fees charged to related parties amounted to ₱1.8 million, ₱1.4 million and ₱1.2 million in 2017, 2016, and 2015, respectively.

Operating expenses amounted to ₱23.6 million, ₱16.7 million, and ₱14.7 million in 2017, 2016 and 2015, respectively. The increase in expenses was brought mainly by: a) higher salaries & benefits due to accrual of retirement plan benefits for the staff and cost of transfer of employees from related company to the KPH; b) higher professional (legal) fees; c) higher provision for impairment losses; and d) commission for the sale of investment properties.

The Company realized other comprehensive income from fair value gain adjustment on AFS financial assets of ₱0.5 million in 2017, ₱3.7 million in 2016, and ₱0.8 million in 2015.

Financial Condition

The cash position of the Company for the year ended 31 December 2017 amounted to ₱87.9 million as against the same period last year of ₱24.3 million. The increase of ₱63.6 million was brought mainly by the proceeds from the sale of investment property of ₱52.9 million, net effect of granting of new loan and repayment amounting to ₱75.0 million, interest income received from loans and deposits of ₱12.8 million, and receipt of dividends of ₱3.5 million. This was partially offset by payment of dividends of ₱69.0 million, net cash provided for operating activities of ₱11.5 million and acquisition of office equipment of ₱ 0.1 million.

Total receivables both current and non-current this year amounted to ₱276.0 million as against last year of ₱353.7 million. The decrease was brought mainly by repayment of short-term and long-term loans of ₱207.5 million partially offset by the granting of new short-term loans amounting to ₱132.5 million, with 90-day, interest bearing of 2.8% to 3.5% and collection from rental receivable.

Other current assets increased to ₱0.7 million as against ₱0.1 million last year. The increase was due to higher creditable withholding tax of received not fully applied against income tax payable and higher advances subject for liquidation. This was partially offset by lower input VAT which was applied against output tax.

Available-for-sale financial assets related to a quoted club share at fair value price as of December 2017 and 2016 amounting to ₱20.0 million and ₱19.5 million, respectively.

Investment in an associate increased from ₱415.2 million in 2016 to ₱420.4 million this year. The increase was mainly due to equity share in net income of CLI of ₱8.7 million. The share was reduced by the cash dividend received from CLI this year amounting to ₱3.5 million.

Investment properties and Property and equipment decreased from ₱209.5 million in 2016 to ₱206.0 million this period due to sale of depreciated condominium units with book value of ₱3.3 million, depreciation of ₱0.3 million and partially offset by purchase of office equipment amounting to ₱0.1 million.

Total liabilities increased from ₱8.6 million in 2016 to ₱11.1 million this year. The increase of ₱2.5 million was due to the net effect of higher accruals of operating expenses amounting to ₱4.4 million, particularly retirement cost of ₱4.0 million and payable to government agencies including income tax liability of ₱0.6 million. This was partially offset by decrease in security deposits and advance rental of ₱2.8 million.

Total equity as of 31 December 2017 amounted to ₱1,004.2 million and ₱1,017.9 million in December 2016. Retained earnings amounted to ₱477.2 million as of December 2017 as compared to ₱438.2 million in December 2016. The increase was due to net income after non-controlling interests of ₱44.8 million partially offset by cash dividend of ₱5.8 million.

The equity attributable to equity holders of the parent amounted to ₱620.4 million and ₱580.9 million as of December 2017 and 2016, respectively. The net book value per share as of December 2017 was ₱10.73 as against December 2016 of ₱10.05. The earnings per share attributable to the equity holders of the parent as of December 2017 and 2016 were ₱0.78 and ₱0.24, respectively.

Plan of Action for 2020

KPH shall focus on maintaining and adding value on its investment properties. Among others, the strategies may include purchase of shares of stock, purchase of additional investment properties, increasing occupancy and rental rates. Certain properties may be considered for sale where it can contribute the best value to the Company and its shareholders. Investment properties of strategic value shall be reviewed for further investments where appropriate.

Key Performance Indicators

The key performance indicators of the Company for the last three (3) fiscal years are follows:

Particulars	**2019**	**2018**	**2017**
Current Ratio (Current Assets/Current Liabilities)	46.54	18.02	31.01
Acid Test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	46.47	17.96	30.93
Solvency Ratio (Net Income + Depreciation)/Total Liabilities	3.08	0.74	4.97
Debt to Equity Ratio (Total Liabilities/Stockholders' Equity	0.01	0.02	0.01
Assets to Equity Ratio	1.01	1.02	1.01
Debt Ratio (Total Liabilities/Total Assets)	0.01	0.02	0.01
Return on Assets (%) (Net Income/Total Assets	2.60	1.40	5.40
Return on Equity (%) (Net Income/Stockholders' Equity	2.62	1.43	5.46
Earnings per Share Attributable to Equity Holders of Parent (₱)	0.32	0.09	0.78

There are no known events that may trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that was not disclosed. There are no material off-balance sheet transactions, obligations (including contingent obligations), and other relationships of the Company with unsolicited entities or other persons created during the reporting period that has not been disclosed. The Company has no material commitment for capital expenditures for the next twelve (12) months that would need to raise or generate funds for.

There are no trends, events or uncertainties that may have a material effect or impact, whether favorable or unfavorable, on the revenues or income from continuing operations of the Company. The financial condition or results of operations of the Company is not affected by any seasonal change.

7 - Financial Statements

The audited consolidated financial statements as of and for the year ended 31 December 2019 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

The financial statements attached to the report include the audited statements of financial position, statements of income, statements of comprehensive income, statements of changes in stockholders' equity, statements of cash flows and notes to the financial statements. Such reports form part of the attachment to the SEC Annual Report Form 17-A.

8 - Information on Independent Accountants and Other Related Matters

(a) External Audit Fees and Services

(i) Audit and Related Fees - The Company's auditor for 2019 is Isla Lipana & Co. (PwC) to audit the current year's financial statements. The aggregate fee billed by Isla Lipana for the audit of the Company's annual financial statements was ₱292,228 for 2019, and ₱292,000 for 2018 and 2017. There were no other services performed by Isla Lipana for during the last three (3) years. The services performed by the Company's external auditors and the fees are reviewed by the Audit and Risk Management Committee prior to submission to the Board of Directors for approval.

(ii) Tax Fees –No tax fees were paid for the years 2019, 2018 and 2017.

(iii) Other Fees – No other fees were paid for the years 2019, 2018 and 2017.

(iv) Audit and Risk Management Committee's Approval Policies & Procedures – The 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) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Accounting standards in accordance with PFRS are stated in Note 20 to the financial statements. For the last three (3) fiscal years, there were no disagreements with the independent accountants relating to accounting principles or practices, financial statements disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

9 - Directors and Executive Officers of the Issuer

(a) Directors, Including Independent Directors and Executive Officers

There are seven (7) members of the Board, three (3) of whom are independent directors. The term of office of each member is one (1) year and the members 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. A director who is elected to fill any vacancy holds office for the unexpired portion of the term of his predecessor.

The current members of the Board of Directors are the following:

Board of Directors

(i) **Paul Tan Poh Lee***, 66, Singaporean, was elected as Chairman of the Board on 5 April 2017. He is the Chief Financial Officer of Keppel Offshore and Marine Ltd. (KOM) until 31 December 2019. He is also a director of several Keppel Group companies. From 1998 until June 2018, he was at various times, Group Accountant, Group Accounts Manager, Financial Controller and Group Controller of Keppel Corporation Limited (KCL). Mr. Tan is a Fellow of Association of Chartered and Certified Accountants and a Chartered Accountant, Singapore. He has more than 40 years of experience in his field of profession.
**Retired as Chairman and Director of 31 March 2020*

Chng Chee Keong, 47, Malaysian, has been elected as Chairman of the Board on 8 May 2020. He joined Keppel Corporation Limited as General Manager of Group Risk Compliance in November 2016. He recently assumed a new role, as Chief Financial Officer, Keppel Offshore & Marine from January 1, 2020. He had been with the Credit Suisse Group in Singapore and Hong Kong for 16 years where he last served as their Regional Head of Internal Audit (Asia Pacific). Being part of the global audit leadership team, he was in charge of delivering risk-based audit plans and maintaining oversight of the region's consolidated risks. This included annual and continuous risk assessments, as well as the development of audit approaches taking into consideration changes in risk profile, market and operating environment. He was based in Australia in the earlier part of his career, and took on roles in the areas of audit and risk management with Price Waterhouse and Ord Minnett Group. He started his career with Price Waterhouse Singapore, having graduated with a Bachelor of Commerce (Accounting and Information System) with Merit degree from the University of New South Wales. He is a Chartered Accountant with Chartered Accountants Australia & New Zealand (previously the Institute of Chartered Accountants Australia). He has more than 20 years of experience in the field of his profession.

(ii) **Alan I. Claveria**, 49, Filipino, has been elected as President and appointed as regular Director of the Company on 14 September 2017. Prior to his appointment, he was the Senior Manager, Administration and Corporate Affairs of Keppel Philippines Marine, Inc. He is concurrently the President and Director of Consort Capital, Inc. He also holds the position of Treasurer and Director in KPSI Property, Inc. and other Keppel companies in the Philippines. He provides advice in matters relating to corporate affairs and communication, administration and human resources, drawing from his experience from holding various positions in Keppel's different business units involved in shipbuilding and ship repair, towage and salvage, investment and real estate. Mr. Claveria holds a Master in Business Administration degree from the Ateneo Graduate School of Business and finished BS Management, Major in Legal Management at the Ateneo de Manila University. He has been with Keppel in the Philippines for over 20 years.

(iii) **Celso P. Vivas**, 73, Filipino, has been elected as an Independent Director of Keppel Philippines Holdings, Inc. since June 2005 and is currently the Company's Lead Independent Director and Chairman of the Audit & Risk Management Committee (ARMC). He is an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc. and Independent Director and member of the Audit Committee of Keppel Philippines Properties, Inc. Mr. Vivas is also an Independent Director of Megawide Construction Corp., Chairman of its Audit and Compliance Committee, and member of both the Board Risk Oversight and Governance, Nomination and Remuneration Committee. He is also an Independent Director of Republic Glass Holdings Corp., Chairman of its Governance, Nomination and Remuneration Committee, and member of the ARMC. He is also an Independent Director of Goodsoil Marine Realty, Inc., and a regular director of Goodwealth Realty Development, Inc., subsidiaries of the Company, Independent director of Keppel Subic Shipyard, Inc. and regular director of Consort Land, Inc. He is a member of Marubeni Foundation's Board of Trustees. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of

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

(iv) **Mayo Jose B. Ongsingco****, 68, Filipino, was elected as Independent Director of the Company on 08 May 2017, prior to which he was a non-executive Director during June 2002 to March 2015. In February 2019, he was appointed as President/Director of PBC Capital Investment Corporation. He was an Adviser to the Board of Directors of First Metro Investment Corp. since 2015, non-executive director of First Metro Asset Management Inc. since 2017, Vice Chairman of First Metro Securities Brokerage Corp. since 2018 and Independent Director of Mapfre Insular Insurance Corp. and Omnipay, Inc. since 2016 and 2017, respectively. He was also a non-executive Director of Rafael-Alunan Agro Development Inc. since 2006. He was also an Independent Director of Keppel Philippines Properties Inc., Keppel Philippines Marine, Inc., and Keppel Subic Shipyards, Inc. since 2018. He was also a Trustee of the Foundation for Carmelite Scholastics since 2012 and De La Salle College of St. Benilde from 2012 to January 2020. He served as President of The Insular Life Assurance Co. Ltd. during 2004 to 2015 and was concurrent Vice Chairman and/or Director of various Insular Life subsidiaries and affiliates such as Pilipinas Shell Petroleum Corp., Mapfre Insular Insurance Corp., Insular Savings Bank, Insular Healthcare Inc., Insular Investment Corp., Asian Hospital Inc., and Union Bank of the Philippines. Mr. Ongsingco graduated from the De La Salle University with Bachelor's Degrees (Magna Cum Laude) in Economics and Accounting. He also obtained a Master's Degree in Business Administration from the University of the Philippines and in National Security Administration from the National Defense College of the Philippines (with Honors). Mr. Ongsingco had more than 45 years of experience in banking, finance, and insurance.
*** Demised on 3 April 2020*

(v) **Ramon J. Abejuela**, 70 years old, Filipino, has been elected as Independent Director of Keppel Philippines Holdings, Inc. on 14 September 2017. He is also the Independent Director of Keppel Philippines Properties, Inc. (KPPI) from November 1999 to June 2008. He was re-elected as Independent Director in 2009 and is currently the Chairman of the Audit Committee of KPPI. 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 Degree (cum laude) 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 more than 45 years of experience in the field of financial planning, control and consultancy.

(vi) **Stefan Tong Wai Mun**, 47, Malaysian, has been elected as regular Director of the Company since June 2007 and had been the President from same period until 14 September 2017. He has been a regular Director of Keppel Philippine Properties, Inc. since June 2007 and has been elected as regular Director of Keppel Philippines Marine, Inc. in February 2010 and Executive Vice-President in June 2011. He is also a regular Director of various Keppel companies in the Philippines. Mr. Tong graduated from University of Western Australia with a Bachelor's Degree in Accounting and Finance (Honors). He is a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand. He has more than 20 years of experience in banking, finance and real estate.

(vii) **Felicidad V. Razon**, 60, Filipino, has been elected as a regular Director of the Company last May 2014. She joined the Company as Finance Manager in May 2008 and has been appointed as Treasurer in June 2008 and elected/appointed as Vice

President/Treasurer in November 2013. She is also a Chairman/President of Goodsoil Marine Realty, Inc. and Goodwealth Realty Development Corp., Director and President of Consort Land, Inc. and regular director and officer of KPH related companies. Prior to Keppel Group, Ms. Razon has been Finance Manager/Officer of various local companies involved in manufacturing, shipping and freight forwarding. She graduated from Polytechnic University of the Philippines with Bachelor of Science Degree in Commerce Major in Accountancy and is a Certified Public Accountant. She has more than 30 years of experience in her field of profession.

Executive Officers

(i) **Alan I. Claveria** - (See foregoing Director's profile)

(ii) **Felicidad V. Razon,** Vice President/Treasurer – (See foregoing Director's profile)

(iii) **Ma. Melva E. Valdez**, Corporate Secretary – 60, Filipino, has been the Corporate Secretary of the Company since 1999. She also served as Director of the Company from 24 June 2008 to 11 June 2009. She is a Senior Partner of the law firm of Bello Valdez & Fernandez; she is also the Corporate Secretary of Mabuhay Vinyl Corporation (listed company) and Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Keppel Subic Shipyard, Inc., Keppel Batangas Shipyard, Inc. and various Keppel companies in the Philippines, EMS Components Assembly Inc., EMS Resources Technology Inc., EMS Land Services Inc., EMS Services Philippines, Inc., EMS Services International Inc., Alliance Mansols Inc., Creotec Philippines Inc., Wartsila Philippines Inc. and Asian Institute of Management. She is also a member of the Board of Directors of Leighton Contractors (Phils.) Inc., Servier Philippines Inc., Buena Homes (Sandoval) Inc., Cambe Dental Inc., Suretrac Holdings Inc., and Asia Contractors Holdings Inc. She holds directorship positions in the following companies: Logwin Air+Ocean Philippines Inc., KPSI Property Inc., Opon Realty & Development Corp., Opon-Ke Properties Inc., Asia Control Systems Philippines Inc., Yinda Communications Philippines Inc., and Saint-Gobain Philippines Co. Ltd. Inc. Atty. Valdez graduated from the University of the Philippines as a holder of degrees of Bachelor of Arts in Political Science and Bachelor of Laws. She is a regular lecturer of the Paralegal Training Program of the University of the Philippines Law Center. She is the Incoming Deputy Chairperson, Membership Committee of the Inter-Pacific Bar Association. She has more than 30 years of working experience in her field of profession as a lawyer.

(iv) **Lory Anne P. Manuel-McMullin**, 50, Filipino, has been the Asst. Corporate Secretary of the Company since 1998. She also serves as the Asst. Corporate Secretary of Keppel Philippines Marine, Inc. (a public company), Keppel Subic Shipyard, Inc. and other companies within the Keppel group. Furthermore, she is the a regular Director and Corporate Secretary/Treasurer of Cominix (Philippines), Inc. and Saint-Gobain Philippines Co. Ltd., Inc.; Director/Corporate Secretary of Tokai Electronics Philippines, Inc. and Yinda Communications Philippines, Inc.; Director of Cushman Wakefield Philippines, Inc. and Asia Control Systems Philippines, Inc.; Corporate Secretary of Mitsuba Philippines Technical Center Corp., Nachi Pilipinas Industries, Inc., Technol Eight Philippines Corporation, Sumi Philippines Wiring Systems Corp., Opon-KE Properties, Inc., Opon Realty & Development Corp., and Buena Homes, Inc.; Chief Representative of Charabot S.A.; and Resident Agent of Mektec Corp. (Singapore) Pte. Ltd., Entel HK Ltd., Roquette Singapore Pte. Ltd. and SEB Asia Ltd. Atty. McMullin is a Junior Partner of Bello Valdez & Fernandez. She graduated from the University of Santo Tomas with Bachelor's degrees in Communication Arts and Laws.

(b) Significant Employees

There are no employees other than the officers mentioned in the preceding subsection who are expected to make a significant contribution to the business.

(c) Family Relationship

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

(d) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, none of the directors and officers was involved in any bankruptcy proceedings during the last five (5) years. Neither have they been convicted by final judgment in any criminal proceedings, or been subjected to any order, judgment or decree of any court of 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 or regulation.

10 - Executive Compensation

As the Company is an investment holding company, it has three (3) senior officers, namely the President, Vice President/Treasurer, and Internal Audit and Risk Manager.

The total aggregate compensation (inclusive of perquisites and other personal benefits) of the senior officers of the Company during the last two (2) fiscal years and the projected aggregate compensation to be paid for the current fiscal year are as follows:

Description	Year	Salary (in PhP)	Bonus	Other Annual Compensation
Aggregate for All Officers	2020 Estimate	8,515,000	None	None
	2019	8,375,000	None	None
	2018	7,116,000	None	None
Aggregate for All Officers & Directors as a Group	2020 Estimate	8,850,000	None	None
	2019	8,687,000	None	None
	2018	7,344,000	None	None

Under the Company's By-Laws, directors shall receive such compensation for their services from time to time as maybe fixed by the stockholders. There are no warrants or options held by the Company's officers and directors. The Company does not have any other arrangements pursuant to which any director is compensated directly or indirectly for any service provided as a director. There are also no special employment contracts with executive officers of the Company. The Company has no existing options, warrants or rights to purchase any securities.

11 - Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2019, the Company knows of no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name, Address of Record/ Beneficial Owner	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Kepwealth, Inc. [1] Unit 3B, Country Space 1 Bldg. 133 Sen. Gil J. Puyat Ave., Salcedo Village, Brgy. Bel-Air, Makati City	Alan I. Claveria (Director)	Filipino	'A': 28,817,182 'B': 1,715,748 30,532,930	52.82
Common	Keppel Corporation Ltd.[2] 1 Harbour Front Ave., #18-01 Keppel Bay Tower, Singapore 098632	Paul Tan Poh Lee* (Director)	Singaporean	'B': 16,894,087	29.23
Common	PCD Nominee Corp.[3] 37/F Enterprise Bldg., Ayala Avenue, Makati City		Filipino Filipino Foreign	'A': 4,762,782 'B': 2,110,505 'B': 612,815 7,486,102	12.95

1. *Kepwealth, Inc. is majority-owned by Kepventure, Inc. The Chairman, or in his absence, the President of Kepwealth, Inc. is duly authorized as proxy to vote in the shares of Kepwealth, Inc. in the Company.*

2. *Keppel Corporation Ltd. (KCL) is listed in the Singapore Stock Exchange. The Chairman of the Board, or in his absence, the President or in his absence, the Chairman of the meeting, shall have the right to vote or direct voting or disposition of the shareholdings of KCL in the Company.*

3. *PCD Nominee Corp. is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (PCD). It is the registered owner of the shares in the books of the Company's transfer agents in the Philippines. The beneficial owners of such shares are PCD's participants. PCD holds the shares on their beneficial owner's behalf or on behalf of their (PCD) clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.*

* *Retired as Chairman and Director of 31 March 2020*

Security Ownership of Management as of 31 December 2019

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Paul Tan Poh Lee / Chairman / Director	'B': 1(r)	Singaporean	-
	Alan I. Claveria / President/Director	'A': 38(r)	Filipino	-
	Celso P. Vivas / Lead Independent Director	'A': 1(r)	Filipino	-
	Mayo Jose B. Ongsingco / Independent Director	'B': 1(r)	Filipino	-
	Ramon J. Abejuela / Independent Director	'A': 1(r)	Filipino	-
	Stefan Tong Wai Mun / Director	'B': 1(r)	Malaysian	-
	Felicidad V. Razon / Vice President/Treasurer /Director	'A': 1(r)	Filipino	-
	Ma. Melva E. Valdez / Corporate Secretary	-	Filipino	-
	Lory Anne P. Manuel-McMullin / Asst. Corp. Sec.	-	Filipino	-
		'A':41; 'B':3		

Free float level

The Company has 17.95% or 10,375,358 shares owned by the public out of the 57,802,419 total outstanding shares as of 31 December 2019.

12 - Certain Relationships and Related Transactions

In the ordinary course of business, the Company has transactions with its affiliates. The significant transactions with affiliates are as follows:

(a) Lease agreements

GMRI

GMRI leases parcels of land to KPMI where the latter's shipyard is located. The agreement covering these properties is for a period of 50 years beginning 1993. The annual lease rate amounted to ₱10.5 million and is subject to an escalation clause of 2% after every five (5) years. Rental income, based on the straight-line method, amounted to ₱9.6 million in 2019, 2018, and 2017. Total outstanding balance of lease receivables presented in the consolidated statement of financial position representing lease differential in the computation of rent income using straight line method amounted to ₱31.1 million and ₱32.0 million as at 31 December 2019 and 2018, respectively.

In 2015, the GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on 1 January 2015 to 31 December 2015, subject to yearly renewal. The lease agreement was renewed annually, thereafter with monthly rental of ₱0.04 million. Rental income generated from this agreement amounted to ₱0.4 million in 31 December 2019, 2018 and 2017.

GRDC

GRDC leases its properties to KPMI for a period of one (1) year, renewable annually under such terms and conditions as may be mutually agreed upon by both parties. Total rent income recognized for the year amounted to ₱0.3 million as of 31 December 2019, 2018 and 2017.

KPSI

KPSI leases certain properties to KPMI, KIVI, Kepwealth Property, and KECI for a period of one (1) year, renewable annually. Kepwealth Property's lease contract was terminated on 31 October 2017. Total rent income recognized during the year amounted to ₱0.9 million as of 31 December 2019 and 2018 and ₱1.3 million in 2017.

Parent Company

The Parent Company and KPMI has an existing land lease agreement on a piece of land which is the subject of complaint against the Philippine National Oil Company (PNOC). The monthly rent for the said piece of land is ₱0.2 million for a period of one (1) year, subject to yearly renewal. In July 2018, the lease agreement was renewed for another year with no increase in the monthly rental rate. Total rental income recognized amounted to ₱2.1 million in 2019, 2018 and 2017.

The total rental income earned from these agreements with KPMI amounted to ₱13.2 million for the years ended 31 December 2019 and 2018 and ₱13.7 million for 2017.

The Parent Company also incurred share in various expenses due to KPMI relating to clearing and levelling operations on leased out properties amounting to ₱2.1 million in 2019 (2018 - ₱ 1.2 million).

(b) Loan agreements with KPMI

	Release Date	Principal Amount	Outstanding as of 31 December 2018	Transactions Availment	Transactions Payment	Outstanding as of 31 December 2019	Terms and Conditions
KPSI	17 Oct 2017	10,000,000	10,000,000	-	-	10,000,000	Unsecured, 88-90 days with renewal; 2018 - 3.2% to 6.3%; 2019 – 4.8% to 7.0%
GMRI	17 Sep 2018	62,000,000	62,000,000	-	-	62,000,000	Unsecured, 89-90 days with renewal; 2018 – 4.3% to 6.3% 2019 – 4.8% to 6.9%
PARENT	I6 June 2017	52,000,000	52,000,000	-	-	52,000,000	Unsecured, 85-90 days with renewal;
	27 Nov 2017	50,000,000	50,000,000			50,000,000	2018 – 3.0% to 6.3%
	04 Dec 2017	25,000,000	25,000,000			25,000,000	2019 – 4.8% to 7.0%
	12 Mar 2018	18,000,000	18,000,000			18,000,000	
	07 Apr 2018	25,000,000	25,000,000			25,000,000	
	14 Dec 2018	30,000,000	30,000,000			30,000,000	
		200,000,000	200,000,000	-	-	200,000,000	
TOTAL		272,000,000	272,000,000	-	-	272,000,000	

<u>**KPSI**</u>

KPSI granted short-term loan to KPMI since February 2016. As of 31 December 2017, KPMI has outstanding ₱15.0 million with 90-day term and was renewed thereafter. Partial payment of ₱5.0 million was in December 2018. Remaining balance of ₱10.0 million was renewed for 88 days term at 6.3%. The loan was rolled over and is still outstanding as at 31 December 2019 at interest rates ranging from 4.8% to 7.0%. Interest income recognized from the short-term loan amounted to ₱0.6 million as of 31 December 2019 (2018 - ₱0.6 million and 2017 – ₱0.5 million). Accrued interest receivable amounted to ₱0.05 million as of 31 December 2019 and 2018.

<u>**GMRI**</u>

GMRI granted a long-term interest-bearing loan to KPMI in September 2014 amounting to ₱200.0 million. The loan has a term of five (5) years on principal payment with grace period of 15 months and payable in equal quarterly instalments. The loan is subject to interest re-pricing on semi-annual basis. In August 2018, the outstanding loan balance of ₱87.5 million was pre-terminated and fully paid.

Total outstanding loan of KPMI as of 31 December 2019 and 2018 amounted to ₱62.0 million Interest income recognized from these loans amounted to ₱3.8 million as of 31 December 2019 and 2018 (2017 - ₱8.6 million). There was no repayment or availment of new loan in 2019. The loan was renewed at maturity from 89 to 90 days term at interest rates ranging from 4.8% to 6.9% per annum. Accrued interest receivable as of 31 December 2019 and 2018 both amounted to ₱0.3 million.

<u>**Parent Company**</u>

The Parent Company started to grant short-term loans to KPMI in June 2015. As of 31 December 2019 and 2018, KPMI has loan balance of ₱200.0 million. There was no repayment or availment during the year. The loans were renewed upon its maturity for 85 to 90-days term with interest rates from 4.8% to 7.0% in 2019. Interest income recognized from these loans by the Parent Company amounted to ₱12.1 million as of 31 December 2019 (2018 – ₱6.4 million;

2017 – ₱2.4 million). Accrued interest receivable amounted to ₱1.1 million as of 31 December 2019 (2018 – ₱1.2 million).

The total interest income earned by the Company from these loan agreements with KPMI amounted to ₱16.5 million for the year ended 31 December 2019 (2018 - ₱10.7 million; 2017 – ₱11.5 million). Accrued interest receivable amounted to ₱1.4 million as at 31 December 2019 (2018– ₱1.2 million).

(c) Management fees

Since 2013, the Parent Company had management agreement with its related companies for a monthly fee. The monthly management fees are subject to change depending upon the extent and volume of services provided by the Parent Company. This covers regular consultancy, handling of financial reporting, personnel and administration services. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three (3) months prior to the expiration date. In 2019 and 2018, the monthly management fees of Kepventure, Inc., Kepwealth, Inc. and KIVI is ₱5,000, ₱23,000, and ₱15,000, respectively (2017 - ₱2,500, ₱12,000, and ₱15,000, respectively). The management agreement with Kepwealth Property was terminated on 31 October 2017 due to the sale of Kepwealth Property to a third party.

The Parent Company also provides accounting services to KECI, an entity under common control, for a monthly management fee of ₱20,000 in 2019 and 2018 (2017 - ₱25,000). The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three (3) months prior to the anniversary date.

Management fees earned amounted to ₱0.8 million in 2019 and 2018 (2017 – ₱1.8 million). As at 31 December 2019, there was no intention from any of the parties to terminate the management services.

(d) Other income

In 2014, the Company entered into a Memorandum of Undertaking (MOU) with KPMI to assist the latter in its bidding activities for projects for a 1% share in revenue. The Parent Company received ₱0.4 million in 2018 and nil in 2017. There was no similar transaction during 2019.

(e) Advances for various expenses and charges

Other transactions with related parties consist of reimbursements or sharing of common expenses such as legal, communication and business development expenses.

PART IV - CORPORATE GOVERNANCE

13 – Corporate Governance

As per SEC Memo Circular No. 15, Series of 2017 and SEC Memo Circular No. 10, Series of 2019, publicly-listed companies such as KPH is required to submit the Integrated – Annual Corporate Governance Report and the Rules on Material Related Transactions. The Company complied with the requirements as submitted on 30 May 2019 and 29 October 2019, respectively.

PART V - EXHIBITS AND SCHEDULES

14 - Exhibits and Reports on SEC Form 17-A

(a) **Exhibits** – See accompanying Index to Exhibits

(b) **Reports on SEC Form 17-C** – The Company has filed all reports on Form 17-C (Current Report) on matters needed in compliance with the SEC's SRC during the fiscal year 2019 as follows:

25 Jan 2019	Result of Board of Directors Meeting – 24 January 2019 • Approval of KPH's 2018 SEC From 17-A (Annual Report) and Audited Financial Statements (AFS) for the year ended 31 December 2018 and release of said AFS • Setting of the Annual Meeting of Stockholders and Record Date
14 May 2019	Result of Board of Directors Meeting – 14 May 2019 • Appointment of External Auditor
14 May 2019	Result of Board of Directors Meeting – 14 May 2019 Approval of the 2018 I-ACGR
14 May 2019	Notice of Annual Stockholders Meeting and Agenda
21 June 2019	Result of Board of Directors Meeting – 21 June 2019 • Approval of Directors' Remuneration for 2018 • Declaration of Cash Dividend - declaration of 10% or ₽0.10 per share cash dividend to all stockholders of record of the Company as of 05 July 2019 to be paid on or before 31 July 2019
21 June 2019	Results of the Annual Stockholders Meeting Held on 21 June 2019 • Appointment of External Auditor, Isla Lipana & Co. (PwC) for the financial year 2019 • Election of Directors for year 2019-2020 • Approval of the Corporation's Audited Financial Statements for the year ended 31 December 2018 • Approval of Directors' Annual Remuneration of ₽60,000 for 2018
21June 2019	Results of Organizational Meeting – 21 June 2019 • Election of Officers for the ensuing year 2019-2020 • Appointment of chairman, members of the various committees and compliance officer/corporate information officer
09 July 2019	Certificates of Attendance of Directors – Re Corporate Governance Seminar
07 Oct 2019	Change of Corporate Contact Details as mandated by NTC
29 Oct 2019	Submission of Material Related Party Transactions (MRPT) Policy
11 Nov 2019	Result of Board of Directors Meeting – 11 November 2019 • Approval of Material Related Party Transactions (MRPT) Policy
20 Nov 2019	Submission of Material Related Party Transactions (MRPT) Policy as approved by the Board of Directors on its Meeting held 11 November 2019
28 Nov 2019	Result of Special Board of Directors Meeting – 28 November 2019 • Approval of Extension of Loan of Keppel Philippine Marine, Inc.
28 Nov 2019	Advisement Report on Material Related Party Transaction
18 Dec 2019	Report on Buy-back of Company Shares

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. Any written request for a copy of SEC Form 17-A shall be addressed as follows:

Keppel Philippines Holdings, Inc.
Unit 3-B Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City 1200

Attn: The Corporate Secretary

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on_______________.

KEPPEL PHILIPPINES HOLDINGS, INC.
Issuer

By:

Alan I. Claveria President	**Felicidad V. Razon** Vice President / Treasurer
Ma. Melva. E. Valdez Corporate Secretary	**Lory Anne P. Manuel-McMullin** Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ______ day of ________ 2020; affiants exhibiting to me their Tax Identification Numbers (TIN), as follows:

Names	Tax Identification Numbers
Alan I. Claveria	125-165-720
Felicidad V. Razon	112-748-156
Ma. Melva E. Valdez	123-493-209
Lory Anne P. Manuel-McMullin	176-791-662

Doc No. ______
Page No.______
Book No ______
Series of 2020.

Keppel Philippines

Keppel Philippines Holdings, Inc.
Head Office
3B Country Space 1 Bldg.
Sen. Gil Puyat Avenue
Salcedo Village Makati City, Philippines

Tel.: (632) 892 1816
Tel.: (632) 892 1820 to 24
Fax: (632) 8152581, 8943684
Email: info@keppelph.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules therein, for the years ended **December 31, 2019 and 2018**, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Isla Lipana & Co., the Philippine member firm of PwC, the independent auditor appointed by the shareholders, has audited the financial statements of the Company in accordance with Philippines Standards on Auditing, and in its report to the shareholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

PAUL TAN POH LEE
Chairman of the Board

ALAN I. CLAVERIA
President

FELICIDAD V. RAZON
Vice President/Treasurer

Signed this 29th day of January 2020

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
As at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City

Our Opinion

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

What we have audited

The consolidated financial statements of the Group comprise:

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 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 judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Key audit matters

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

The key audit matter identified in our audit pertains to the assessment of recoverability of investment properties.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Assessment of recoverability of investment properties Assessing the recoverability of investment properties requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Investment property represents 20% of the total assets and is part of the Group's real estate business segment. Refer to Note 7 for the details of the Group's investment properties and to Note 20.2 (c) for the discussion on critical accounting judgments.	We addressed the matter through inspection of all long and short-term lease contracts. The inspection procedures included thorough understanding of the terms and conditions of the underlying lease contracts, including estimated future cash flows to support recoverability of investment properties.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
	Additionally, we examined the latest appraisal report prepared by a third-party appraiser and noted that the aggregate and individual fair values of the investment properties are higher than their respective carrying amounts. Audit evidence over the reliability of the appraisal report was obtained through independent verification of certain fair value assumptions and inputs specifically: • similar market listing in the area by comparing to records of recent sales and offerings of similar land and condominium unit; • occupancy rate by agreeing to management's records and historical actual information; • expense-revenue ratio by comparing to the historical experience of the Group's leasing operations; and • rental rate by comparing to prevailing market rents to leasing transactions of comparable properties. We also verified the independence and competency of the third-party appraiser by examining their qualifications, experiences, and business relationship with the Group. The results of procedures performed and discussions with management did not note any indicators of impairment as at December 31, 2019 and 2018.

Other Information

Management is responsible for the other information. The other information comprise the information included in the SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A, but do 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above when they become available and, in doing so, consider whether the other information are materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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 within 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 PSA 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 PSA, 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 within 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 an entity within the Group to cease to continue as a going concern.

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

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

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

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

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

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 211-726-564
BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
January 29, 2020

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City

We have audited the consolidated financial statements of Keppel Philippines Holdings, Inc. and Subsidiaries as at and for the year ended December 31, 2019, on which we have rendered the attached report dated January 29, 2020. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, and Schedules A, B, C, D, E, F, G, and H as required by Part II, Section 7 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 211-726-564
BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
January 29, 2020

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Unit 3-B, Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Keppel Philippines Holdings, Inc. and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated January 29, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on 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 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 SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 211-726-564
BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
January 29, 2020

Keppel Philippines Holdings, Inc. and Subsidiaries

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

	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	2	50,687,233	39,482,151
Receivables, net	3	276,038,317	277,255,220
Other current assets, net	4	465,635	1,014,501
Total current assets		327,191,185	317,751,872
Non-current assets			
Financial assets at fair value through other comprehensive income	5	37,000,001	35,000,001
Investment in associate	6	420,186,688	421,739,664
Lease receivables, net of current portion	3	30,158,921	28,310,410
Investment properties, net	7	205,288,439	205,288,439
Property and equipment, net	8	217,833	98,896
Retirement benefit asset, net	11	575,995	-
Other non-current assets	18	4,140,710	4,140,710
Total non-current assets		697,568,587	694,578,120
Total assets		1,024,759,772	1,012,329,992
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	9	5,501,100	14,547,091
Refundable deposits	7	1,280,130	2,409,883
Income tax payable	15	249,775	677,714
Total current liabilities		7,031,005	17,634,688
Non-current liability			
Deferred income tax liability	15	1,633,416	1,600,372
Total liabilities		8,664,421	19,235,060
Equity			
Share capital	12	73,173,500	73,173,500
Share premium	12	73,203,734	73,203,734
Retained earnings	13	489,293,344	476,686,367
Investment revaluation reserve	5	36,422,058	34,422,058
Remeasurements on retirement benefit asset	11	184,932	-
Treasury shares	13	(22,628,577)	(22,622,976)
		649,648,991	634,862,683
Non-controlling interests	21	366,446,360	358,232,249
Total equity		1,016,095,351	993,094,932
Total liabilities and equity		1,024,759,772	1,012,329,992

The notes on pages 1 to 43 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

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

	Notes	2019	2018	2017
Revenue and income				
Rental income	7, 10	28,536,362	22,714,210	17,988,909
Interest income	2, 10	18,271,772	12,209,199	12,466,267
Equity in net earnings of associates	6	8,926,743	10,037,399	8,742,280
Management fees	10	756,000	756,000	1,780,200
Gain on sale of investment properties	7	-	1,922,001	49,560,165
Others		546,390	825,435	693,704
		57,037,267	48,464,244	91,231,525
Operating expenses	14	(27,774,020)	(31,399,379)	(23,577,624)
Income before income tax expense		29,263,247	17,064,865	67,653,901
Income tax expense	15	(2,661,817)	(2,875,899)	(12,781,217)
Net income for the year		26,601,430	14,188,966	54,872,684
Attributable to:				
Equity holders of the parent	16	18,387,319	5,247,186	44,796,093
Non-controlling interests		8,214,111	8,941,780	10,076,591
		26,601,430	14,188,966	54,872,684
Earnings per share attributable to equity holders of the parent	16	0.318	0.091	0.775

The notes on pages 1 to 43 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

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

	Notes	2019	2018	2017
Net income for the year		26,601,430	14,188,966	54,872,684
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Unrealized fair value gain on financial asset at fair value through other comprehensive income	5	2,000,000	15,000,000	-
Remeasurement gain on retirement benefit asset, net of tax of P79,256 (2018 and 2017 - nil)	11	184,932	-	-
Item that may be reclassified to profit or loss:				
Unrealized fair value gain on available-for-sale financial assets	5	-	-	500,000
Total comprehensive income for the year		28,786,362	29,188,966	55,372,684
Attributable to:				
Equity holders of the parent		20,572,251	20,247,186	45,296,093
Non-controlling interest		8,214,111	8,941,780	10,076,591
		28,786,362	29,188,966	55,372,684

The notes on pages 1 to 43 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

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

		Attributable to equity holders of the parent								
	Notes	Share capital (Note 12)	Share premium (Note 12)	Retained earnings (Note 13)	Investment revaluation reserve (Note 5)	Remeasurements on retirement benefit asset (Note 11)	Treasury shares (Note 13)	Total	Non-controlling interests	Total equity
Balances at January 1, 2017		73,173,500	73,203,734	438,203,772	18,922,058	-	(22,622,976)	580,880,088	436,971,578	1,017,851,666
Comprehensive income										
Net income for the year		-	-	44,796,093	-	-	-	44,796,093	10,076,591	54,872,684
Other comprehensive income	5	-	-	-	500,000	-	-	500,000	-	500,000
Total comprehensive income for the year		-	-	44,796,093	500,000	-	-	45,296,093	10,076,591	55,372,684
Transaction with owners										
Cash dividends declared	13	-	-	(5,780,342)	-	-	-	(5,780,342)	(63,233,700)	(69,014,042)
Balances at December 31, 2017		73,173,500	73,203,734	477,219,523	19,422,058	-	(22,622,976)	620,395,839	383,814,469	1,004,210,308
Comprehensive income										
Net income for the year		-	-	5,247,186	-	-	-	5,247,186	8,941,780	14,188,966
Other comprehensive income	5	-	-	-	15,000,000	-	-	15,000,000	-	15,000,000
Total comprehensive income for the year		-	-	5,247,186	15,000,000	-	-	20,247,186	8,941,780	29,188,966
Transaction with owners										
Cash dividends declared	13	-	-	(5,780,342)	-	-	-	(5,780,342)	(34,524,000)	(40,304,342)
Balances at December 31, 2018		73,173,500	73,203,734	476,686,367	34,422,058	-	(22,622,976)	634,862,683	358,232,249	993,094,932
Comprehensive income										
Net income for the year		-	-	18,387,319	-	-	-	18,387,319	8,214,111	26,601,430
Other comprehensive income	5	-	-	-	2,000,000	184,932	-	2,184,932	-	2,184,932
Total comprehensive income for the year		-	-	18,387,319	2,000,000	184,932	-	20,572,251	8,214,111	28,786,362
Transaction with owners										
Cash dividends declared	13	-	-	(5,780,342)	-	-	-	(5,780,342)	-	(5,780,342)
Purchase of treasury shares		-	-	-	-	-	(5,601)	(5,601)	-	(5,601)
Balances at December 31, 2019		73,173,500	73,203,734	489,293,344	36,422,058	184,932	(22,628,577)	649,648,991	366,446,360	1,016,095,351

The notes on pages 1 to 43 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

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

	Notes	2019	2018	2017
Cash flows from operating activities				
Income before income tax expense		29,263,247	17,064,865	67,653,901
Adjustments for:				
Provision for impairment losses - net	3, 4, 14	2,771,598	497,115	660,748
Retirement benefit expense	11	1,258,170	4,782,766	2,581,911
Depreciation and amortization	7, 8, 14	116,473	315,652	310,552
Equity in net earnings of associates	6	(8,926,743)	(10,037,399)	(8,742,280)
Interest income	2, 10	(18,271,772)	(12,209,199)	(12,466,267)
Gain on sale of investment properties	7	-	(1,922,001)	(49,560,165)
Operating income (loss) before working capital changes		6,210,973	(1,508,201)	438,400
Changes in working capital:				
Receivables		(549,962)	1,631,760	1,818,285
Other current assets		(3,573,926)	(1,221,989)	(2,970,034)
Accounts payable and other current liabilities		(261,128)	1,000,511	1,006,405
Refundable deposits		(1,129,753)	1,922,803	(1,459,759)
Net cash generated from (absorbed by) operations		696,204	1,824,884	(1,166,703)
Income tax paid		(1,738,562)	(2,450,540)	(10,295,659)
Contributions to the retirement fund		(10,619,028)	-	-
Net cash used in operating activities		(11,661,386)	(625,656)	(11,462,362)
Cash flows from investing activities				
Interest received		18,408,102	11,479,478	12,842,946
Cash dividends received	6, 10	10,479,719	8,733,099	3,493,239
Acquisition of property and equipment	8	(235,410)	(44,357)	(126,769)
Collection of loan receivable from a related party	3, 10	-	120,000,000	207,500,000
Proceeds from sale of investment properties	7	-	2,300,000	52,894,755
Loans granted to a related party	3, 10	-	(150,000,000)	(132,500,000)
Net cash provided by (used in) investing activities		28,652,411	(7,531,780)	144,104,171
Cash flows from financing activities				
Purchase of shares	13	(5,601)	-	-
Cash dividends paid	13	(5,780,342)	(40,304,342)	(69,014,042)
Net cash used in financing activities		(5,785,943)	(40,304,342)	(69,014,042)
Net increase (decrease) in cash and cash equivalents		11,205,082	(48,461,778)	63,627,767
Cash and cash equivalents at January 1		39,482,151	87,943,929	24,316,162
Cash and cash equivalents at December 31		50,687,233	39,482,151	87,943,929

The notes on pages 1 to 43 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2019 and 2018
and for each of the three years in the period ended December 31, 2019
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Keppel Philippines Holdings, Inc. (KPHI or the Parent Company) and its subsidiaries, KPSI Property, Inc. (KPSI), and Goodwealth Realty and Development Corporation (GRDC), including GRDC's subsidiary, Goodsoil Marine Realty Inc. (GMRI), collectively referred to as "the Group", were incorporated in the Philippines. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 1975 with registered office address at Unit 3-B, Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City. The Parent Company is involved in investment holding while the subsidiaries are in the real estate industry.

In 1987, the Parent Company became a publicly listed entity through initial public offering (IPO) of its shares. There was no follow on offering after the IPO.

KPHI's shares are publicly traded in the Philippine Stock Exchange (PSE). As at December 31, 2019 and 2018, the top three (3) shareholders are the following:

	Percentage of ownership
Kepwealth, Inc.	52.8%
Keppel Corporation Limited (KCL)	29.2%
Public	18.0%

As at December 31, 2019 and 2018, the following are the Parent Company's subsidiaries, which all belong to the real estate industry:

	Percentage of ownership
KPSI	100%
GRDC	51%
GMRI	51%

GRDC is 44% owned by Keppel Philippines Marine, Inc. Retirement Plan (KPMI Retirement Plan) and 5% by Keppel Philippines Marine, Inc. (KPMI) in 2019 and 2018. GRDC owns 93.7% of GMRI, thus, KPHI has 51% effective ownership on GMRI, including 3.2% separate interest in GMRI.

GMRI has 25% direct ownership in Consort Land, Inc. (CLI), providing KPHI a 13% indirect ownership in CLI.

All of the Group's associates were incorporated in the Philippines. The ultimate parent company of the Group is Keppel Corporation Limited (KCL), a company incorporated in Singapore. KCL is listed in the Singapore Exchange (SGX).

The Parent Company has five (5) regular employees as at December 31, 2019 and 2018. The administrative functions of the subsidiaries are handled by the Parent Company's management.

As at December 31, 2019, the Parent Company has 247 shareholders (2018 - 240 shareholders), each owning at least 100 shares.

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

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2019	2018
Cash equivalents	41,418,829	28,396,321
Cash in banks	9,268,404	11,080,830
Cash on hand	-	5,000
	50,687,233	39,482,151

Cash in banks earn interests at the prevailing bank deposit rates. Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earned interest at annual rates that ranged from in 2.75% to 5.25% in 2019 (2018 - 2.0% to 5%).

Interest income on cash and cash equivalents amounted to P1.8 million in 2019 (2018 - P1.5 million; 2017 - P0.9 million). Interest receivable from cash and cash equivalents amounted to P0.1 million as at December 31, 2019 and 2018 (Note 3).

Note 3 - Receivables, net

Receivables, net as at December 31 consist of:

	Notes	2019	2018
Loan receivables from a related party	10	272,000,000	272,000,000
Lease receivables:			
Related parties	10	31,083,188	32,007,455
Others		1,674,400	-
Non-trade		2,152,580	2,152,580
Interest receivable	2, 10	1,421,845	1,558,175
Due from related parties		17,805	-
		308,349,818	307,718,210
Less allowance for doubtful accounts		(2,152,580)	(2,152,580)
		306,197,238	305,565,630
Less non-current portion:			
Lease receivables		(30,158,921)	(28,310,410)
		276,038,317	277,255,220

In 2017, the Group recognized provision for doubtful accounts related to its third-party receivables amounting to P0.5 million. This account pertains to terminated lease contract with a third party customer. This was subsequently recovered in 2018.

As at December 31, 2019 and 2018, the Group's receivable from a third party were fully provided with allowance for impairment. There were no movement in the allowance for impairment of receivable from a third party for the year ended December 31, 2019.

The loan receivables from a related party pertain to unsecured, short-term and long-term interest-bearing loans obtained by Keppel Philippines Marine, Inc. (KPMI), an entity under common control, from the Parent Company, GMRI and KPSI. Refer to Note 10 for the details of the loan receivable.

Current portion of the lease receivables is non-interest bearing and is generally with terms of 30 to 60 days. The non-current portion of the lease receivables pertains to the difference between straight line method and contractual annual rents. These amounts are expected to reverse more than one (1) year from the financial reporting date.

Non-trade receivable represents the Group's claim against a seller of a parcel of land, the title of which has not been transferred to the Group. The non-trade receivable has been outstanding for more than two (2) years and has been fully provided for.

Interest receivable represents the Group's accrued interest earned from cash equivalents and loan receivables.

Note 4 - Other current assets, net

Other current assets, net as at December 31 consist of:

	2019	2018
Creditable withholding tax (CWT)	6,993,133	4,562,235
Advances to employees	305,035	395,135
Input value-added tax (VAT)	302,400	344,334
Deposits	29,630	55,645
Prepaid expenses	5,812	5,929
Others	5,000	55,000
	7,641,010	5,418,278
Less allowance for impairment losses	(7,175,375)	(4,403,777)
	465,635	1,014,501

Movements in the allowance for impairment related to input VAT and CWT for the years ended December 31 are as follows:

		2019			2018			2017		
	Note	Input VAT	CWT	Total	Input VAT	CWT	Total	Input VAT	CWT	Total
January 1		-	4,403,777	4,403,777	642,987	2,810,307	3,453,294	1,225,075	2,032,442	3,257,517
Provision		302,400	2,990,578	3,292,978	-	1,636,660	1,636,660	288,964	1,067,113	1,356,077
Recovery of provision		-	(521,380)	(521,380)	(642,987)	(43,190)	(686,177)	(871,052)	(277,645)	(1,148,697)
Net provision (recovery)	14	302,400	2,469,198	2,771,598	(642,987)	1,593,470	950,483	(582,088)	789,468	207,380
Write-off		-	-	-	-	-	-	-	(11,603)	(11,603)
December 31		302,400	6,872,975	7,175,375	-	4,403,777	4,403,777	642,987	2,810,307	3,453,294

In 2019, the Group recovered input VAT and CWT amounting to nil and P0.5 million, respectively (2018 - P0.6 million and P0.04 million, respectively; 2017 - P0.9 million and P0.3 million, respectively) and such were applied against output VAT and income tax due, respectively, during the year.

Note 5 - Financial assets through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) as at December 31 consist of:

	2019	2018
Quoted share		
Golf club share	37,000,001	35,000,001
Unquoted share		
Golf club share	-	880,000
	37,000,001	35,880,001
Less allowance for impairment loss	-	(880,000)
	37,000,001	35,000,001

The above investments represent proprietary club shares that provide the Group with opportunities for return through dividend income and trading gains. These do not have fixed maturity or coupon rate and the movement is based on closing market prices obtained in an active market. There were no dividends earned during 2019, 2018 and 2017.

In 2019, the Group has written off its investment on the unquoted shares as it no longer expects recovery based on the current financial status of the golf club.

The movement in the equity investments for the years ended December 31 is as follows:

	2019	2018
January 1	35,000,001	20,000,001
Fair value gain	2,000,000	15,000,000
December 31	37,000,001	35,000,001

The movement of investment revaluation reserve for the years ended December 31 is shown below:

	2019	2018
January 1	34,422,058	19,422,058
Fair value gain	2,000,000	15,000,000
December 31	36,422,058	34,422,058

The Group recognized fair value gain amounting to P0.5 million in 2017.

Note 6 - Investment in associate, at equity

Investment in associate as at December 31 consist of:

	2019	2018
Investment in associate	337,596,800	337,596,800
Accumulated share in net income		
Balance at January 1	84,142,864	82,838,564
Equity in net earnings of associate	8,926,743	10,037,399
Cash dividend received	(10,479,719)	(8,733,099)
	82,589,888	84,142,864
	420,186,688	421,739,664

Investment in associate as at December 31, 2019 and 2018 consists of GMRI's 24.95% investment or 17,466,196 shares out of 70,000,000 shares in CLI, a company incorporated in the Philippines, as at December 31, 2019 and 2018.

KPMI has a Share Purchase Agreement with GMRI for the transfer of 2,950,000 shares dated September 6, 2012. As at December 31, 2019, the agreement is still awaiting the issuance of tax clearance before the actual transfer of shares. Taking the agreement into effect will give the Company an ownership interest of 24.95%.

GMRI received cash dividend from CLI amounting to P10.5 million in 2019 (2018 - P8.7 million; 2017 - P3.5 million).

The financial information of CLI as at and for the years ended December 31 are as follows:

	2019	2018
Current assets	75,472,448	80,008,907
Non-current assets	255,640,663	254,610,779
Total assets	331,113,111	334,619,686
Current liabilities	22,237,585	21,765,461
Non-current liabilities	2,189,301	-
Total liabilities	24,426,886	21,765,461
Net assets	306,686,225	312,854,225
Revenue	160,253,967	164,591,451
Income before income tax	38,732,752	43,247,488
Other comprehensive income	-	-
Total comprehensive income	35,832,000	40,149,597

The Group has 13% indirect ownership in net assets of CLI or P39.9 million share in net assets (stated at cost) as at December 31, 2019 (2018 - P40.7 million).

The non-current assets of CLI represent prime lots held for appreciation, which are carried at cost. The fair value of the property is P2.4 billion as at December 31, 2019 (2018 - P2.3 billion) on the latest valuation report of an independent appraiser.

The difference between the share in net asset and carrying amount of the investment amounting to P420.2 million pertains to fair values of land holdings of CLI (2018 - carrying amount of P421.7 million).

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

There are no contingent liabilities relating to the Group's investment in associate.

Note 7 - Investment properties, net

The details and movements of investment properties as at and for the years ended December 31 are as follows:

	Note	Land	Building and improvements	Condominium units	Total
Cost					
January 1, 2018		205,666,439	854,751	3,689,178	210,210,368
Disposal		(378,000)	(854,751)	-	(1,232,751)
December 31, 2018 and 2019		205,288,439	-	3,689,178	208,977,617
Accumulated depreciation and amortization					
January 1, 2018		-	619,250	3,689,178	4,308,428
Depreciation and amortization	14	-	235,501	-	235,501
Disposal		-	(854,751)	-	(854,751)
December 31, 2018 and 2019		-	-	3,689,178	3,689,178
Net book values		205,288,439	-	-	205,288,439

During 2017, the Group sold certain land, building and improvements, and condominium units with carrying values of P0.2 million, P0.2 million and P2.9 million respectively, for a total consideration of P52.9 million resulting in a gain on sale of amounting to P49.6 million. In 2018, the Group sold a certain land with carrying value of P0.4 million and fully depreciated building and improvements with carrying value of P0.4 million, for a total consideration of P2.3 million resulting in a gain on sale amounting to P1.9 million. There was no similar transaction during 2019.

Land, building and improvements in Batangas are leased out to related parties (Note 10), while condominium units are leased out to third parties.

The investment properties have an aggregate fair value of P1,074.0 million based on an appraisal made by an accredited independent appraiser in December 2019 (2018 - P1,022.0 million). The fair value of the investment properties was determined using Level 3 inputs. The appraiser determined that the highest and best use of the subject properties are those of industrial uses, commercial and residential properties, which are aligned with the current use. The appraisal method involved comparing the market price of similar properties near the vicinity, which range from P4,000 to P5,700 per square meter for properties located in Batangas City whereas market price for properties located in Makati City range from P35,000 to P80,000. Factors considered also include zonal value, size and shape of the property, desirability, and other characteristics of the lots and properties. None of the properties are impaired.

Rental income attributable to the investment properties for the years ended December 31 consists of the following:

	Note	2019	2018	2017
Related parties	10	13,236,179	13,245,179	13,652,062
Third parties		15,300,183	9,469,031	4,336,847
		28,536,362	22,714,210	17,988,909

Details of the advance rentals and refundable deposits received from related and third party customers as at December 31 are as follows:

	2019			2018		
	Related parties (Note 10)	Third parties	Total	Related parties (Note 10)	Third parties	Total
Advance rentals						
Current	304,346	320,784	625,130	232,956	-	232,956
Refundable deposits						
Current	269,346	1,010,784	1,280,130	232,956	2,176,927	2,409,883

The operating expenses directly attributable to the investment properties pertaining to depreciation and amortization, rental, repairs and maintenance and real estate taxes amounted to P6.0 million in 2019 (2018 - P7.5 million and 2017 - P4.5 million).

Note 8 - Property and equipment, net

The details and movement of property and equipment as at and for the years ended December 31 are as follows:

	Note	Condominium units	Office machine, furniture and fixtures	Transportation equipment	Total
2019					
Cost					
January 1		5,397,020	456,715	776,186	6,629,921
Additions		-	235,410	-	235,410
December 31		5,397,020	692,125	776,186	6,865,331
Accumulated depreciation					
January 1		5,397,020	357,819	776,186	6,531,025
Depreciation	14	-	116,473	-	116,473
December 31		5,397,020	474,292	776,186	6,647,498
Net book values		-	217,833	-	217,833
2018					
Cost					
January 1		5,397,020	495,224	776,186	6,668,430
Acquisition		-	44,357	-	44,357
Write-off		-	(82,866)	-	(82,866)
December 31		5,397,020	456,715	776,186	6,629,921
Accumulated depreciation					
January 1		5,397,020	360,534	776,186	6,533,740
Depreciation	14	-	80,151	-	80,151
Write-off		-	(82,866)	-	(82,866)
December 31		5,397,020	357,819	776,186	6,531,025
Net book values		-	98,896	-	98,896

The assets written off in 2018 pertain to fully depreciated and obsolete office furniture and fixtures. There was no similar transaction during 2019.

Fully depreciated assets amounting P6.5 million are still in use as at December 31, 2019 and 2018.

Based on the results of management assessment, the Group believes that there were no objective evidence that indicators of impairment exist as at December 31, 2019 and 2018.

Note 9 - Accounts payable and other current liabilities

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

	Notes	2019	2018
Accrued expenses	11	3,344,336	12,131,413
Payable to government agencies		766,119	515,943
Advance rentals	7	625,130	232,956
Unearned rent		402,500	613,581
Others	10	363,015	1,053,198
		5,501,100	14,547,091

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, fringe, retirement benefit obligation (Note 11), membership dues, taxes and licenses, and other expenses. These are non-interest bearing and generally with 30 to 60-day terms.

Unearned rent pertains to rental income received in advance.

Payable to government agencies pertains to output VAT, and withholding taxes, which are normally settled within one (1) month after the reporting period.

Advance rentals from related parties are applied against the rent due at the end of the lease term.

Other accounts payable pertain to unclaimed monies or dividends by shareholders which are non-interest bearing and due and demandable at balance sheet date (Note 10).

Note 10 - Related party transactions

In the normal course of business, the Group transacts with companies which are considered related parties. The significant related party transactions and balances as at and for the years ended December 31 follow:

Related party	Notes	2019 Transactions	2019 Outstanding receivable (payable)	2018 Transactions	2018 Outstanding receivable (payable)	Terms and conditions
Entities under common control						
Rental income (a)						
KPMI		12,816,179	31,083,188	12,825,179	32,007,455	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is non-interest bearing and unsecured.
Keppel IVI Investment, Inc. (KIVI)		300,000	-	300,000	-	
Keppel Energy and Consultancy, Inc. (KECI)		120,000	-	120,000	-	
	7	13,236,179	31,083,188	13,245,179	32,007,455	
Advance rentals						
KPMI		36,390	(269,346)	-	(232,956)	The outstanding balance is unsecured, non-interest bearing, and can be applied on the monthly rental at the end of the lease term.
KIVI		25,000	(25,000)	-	-	
KECI		10,000	(10,000)	-	-	
	7	71,390	(304,346)	-	(232,956)	
Refundable deposits - KPMI	7	36,390	(269,346)	-	(232,956)	The outstanding balance is unsecured, non-interest bearing, and can be applied on the monthly rental at the end of the lease term.
Dividends - KPMI		-	-	75,000	(75,000)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as approved by the BOD.
Various expenses and charges (b)						
KPMI (a)		2,109,373	-	1,332,982	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Keppel Subic Shipyard, Inc. (KSSI) (b)		16,309	1,800	18,621	-	
Kepventure, Inc. (b)		11,625	-	-	-	
Keppel IVI investments, Inc. (KIVI) (b)		11,188	-	-	-	
Keppel Infrastructure Holdings Pte. Ltd. (b)		10,204	10,204	-	-	
Keppel DHCS Pte. Ltd. (b)		5,801	5,801	-	-	
	3	2,164,500	17,805	1,351,603	-	
Loans - KPMI (c)	3	-	272,000,000	150,000,000	272,000,000	These are interest bearing, and unsecured.
Collection of loan receivables		-	-	120,000,000	-	
Interest income - KPMI (c)	3	16,477,352	1,364,970	10,720,062	1,479,386	
Management fees (d)						
KECI		240,000	-	240,000	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
KIVI		180,000	-	180,000	-	
Kepventure, Inc.		60,000	-	60,000	-	
		480,000	-	480,000	-	
Other income						
Commission - KPMI (e)		-	-	412,611	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Director's fees						
KPPI		220,000	-	270,000	-	
KPMI		60,000	-	60,000	-	
		280,000	-	742,611	-	
Associates						
Cash dividends received	6	10,479,719	-	8,733,099	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Shareholders						
Dividends						
Various shareholders		5,780,342	(363,015)	5,780,342	(318,198)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as approved by the BOD.
KPMI Retirement Plan		-	-	660,000	(660,000)	
Management fees - Kepwealth, Inc. (d)		276,000	-	276,000	-	
Various expenses and charges						
Kepwealth, Inc. (b)		23,250	-	-	-	
KCL (b)		9,000	-	-	-	
		6,088,592	(363,015)	6,791,342	(1,053,198)	

Related party	Notes	2019 Transactions	2019 Outstanding receivable (payable)	2018 Transactions	2018 Outstanding receivable (payable)	Terms and conditions
Key management personnel						
Salaries and other employee benefits (f)	9, 14	11,409,246	(288,000)	14,791,536	(2,337,515)	The outstanding balance pertains to unsettled benefits, and is unsecured, non-interest bearing, and payable every designated period on employee contracts.
Retirement benefits		1,045,509	(8,310,582)	576,900	(7,515,424)	
Retirement plan						
Contributions to the fund	11	10,619,028	-	-	-	Refer to Note 11 - Retirement benefits.

For the three (3) years ended December 31, 2019, 2018 and 2017, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties because of strong financial condition of the concerned entities. This assessment is undertaken each financial year through examination of the financial position of each related party and the market in which the related party operates.

All of the related parties are entities under common control of the Parent Company, unless stated otherwise.

Following are the Group's transactions with related parties:

(a) Lease agreements

(i) GMRI

GMRI has a non-cancellable lease agreement with KPMI for a parcel of land used as a shipyard site in Barrio San Miguel, Bauan, Batangas. The agreement covering these properties is for a period of 50 years beginning 1993. The annual rental on the leased property is P6.0 million during the first five (5) years subject to 10% escalation after every five (5) years. In May 2007, the lease contract was amended revising the annual lease rate from P6.6 million to P10.2 million effective January 1, 2007, subject to 1.5% escalation after every five (5) years. As at January 1, 2017, the annual lease rate amounted to P10.5 million up to December 31, 2021. Rental income, based on the straight-line method, amounted to P9.6 million in 2019, 2018, and 2017. Total outstanding balance of lease receivables presented in the consolidated statement of financial position representing lease differential between contractual and straight line lease income amounted to P31.1 million and P32.0 million as at December 31, 2019 and 2018, respectively.

The future aggregate minimum lease receivables under these operating leases after December 31 are as follows:

	2019	2018
Within one (1) year	10,508,295	10,508,295
After one (1) year but not more than five (5) years	53,171,971	53,014,347
More than five (5) years	193,426,541	204,092,460
	257,106,807	267,615,102

In 2015, the GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on January 1, 2015 to December 31, 2015, subject to yearly renewal. The lease agreement was last renewed in January 1, 2019. Rental income earned from this agreement amounted to P0.4 million for the years ended December 31, 2019, 2018, and 2017.

(ii) GRDC

GRDC leases its properties to KPMI, for a period of one (1) year commencing on January 1, 2016, subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. The lease contracts were last renewed on January 1, 2019. Rental income earned from this agreement amounted to P0.2 million for the years ended December 31, 2019, 2018, and 2017.

(iii) KPSI

KPSI leases certain properties to KPMI, KIVI, and KECI for a period of one (1) year, renewable annually.

(iv) Parent Company

The Parent Company and KPMI has an existing land lease agreement on a piece of land which is the subject of complaint against the Philippine National Oil Company (PNOC) (Note 18). The monthly rent for the said piece of land is P0.2 million for a period of one (1) year, subject to yearly renewal.
In July 2019, the lease agreement was renewed for another year with no increase in monthly rental. The agreement is effective until June 2020.

Total rental income earned from these agreements amounted to P13.2 million for the year ended December 31, 2019 and 2018 (2017 - P13.7 million).

Advance rentals and refundable deposits are both equivalent to one (1) month rental of the corresponding lease contract. As at December 31, 2019, both the advance rental and security and rental deposits for this lease amounted to P0.3 million (2018 - P0.2 million).

The Parent Company also incurred share in various expenses due to KPMI relating to clearing and levelling operations on leased out properties amounting to P2.1 million in 2019 (2018 - P1.2 million).

(b) Advances for various expenses and charges

Advances to KPMI, Kepwealth Inc., Kepventure, Inc., KIVI, Keppel Infrastructure Holdings Pte. Ltd., KCL, Keppel DHCS Pte. Ltd., and KSSI to reimbursement of various expenses paid by the Group.

(c) Loan agreements with KPMI

(i) GMRI

	Release date	Principal amount	Outstanding balance as at December 31 2017	Transactions Availment	Transactions Payment	Outstanding balance as at December 31 2018 and 2019	Terms and Conditions
Long-term	September 2014	200,000,000	87,500,000	-	(87,500,000)	-	Unsecured, 5-year, 4 equal quarterly installments, interest subject to repricing semi-annual, option for early repayment, interest rates: 2017 - 3.6% to 4.6%; 2018 - 4.5% to 5.4%
			87,500,000	-	(87,500,000)	-	
Short-term	December 2017	12,500,000	12,500,000	-	(12,500,000)	-	Unsecured, 88-90 days with renewal; interest rates: 2018 - 4.25% to 6.29% 2019 - 4.81% to 6.85%
	August 2018	15,000,000	-	15,000,000	(15,000,000)	-	
	September 2018	62,000,000	-	62,000,000	-	62,000,000	
			12,500,000	77,000,000	(27,500,000)	62,000,000	
			100,000,000	77,000,000	(115,000,000)	62,000,000	

Total outstanding loan of KPMI as at December 31, 2019 and 2018 amounted to P62.0 million (2017 - P100.0 million). Interest earned and received from these short-term loans amounted to P3.8 million for the year ended December 31, 2019 (2018 - P1.5 million). Accrued interest receivable as at December 31, 2019 and 2018 both amounted to P0.3 million.

(ii) KPSI

KPSI granted short-term loan to KPMI since February 2016. As at December 31, 2017, KPMI has outstanding balance of P15 million with 90 days term and was renewed thereafter. Partial payment of P5 million was made in December 2018. Remaining balance of P10 million was renewed for 88 days term at 6.3%. The loan was rolled over and is still outstanding as at December 31, 2019. Interest income recognized from the short-term loan amounted to P0.6 million for the year ended December 31, 2019 (2018 - P0.6 million and 2017 - P0.5 million). Accrued interest receivable amounted to P0.05 million as at December 31, 2019 and 2018.

Release date	Principal amount	Outstanding balance as at December 31, 2017	Transactions		Outstanding balance as at December 31, 2018 and 2019	Terms and Conditions
			Availment	Payment		
October 17, 2016	15,000,000	15,000,000	-	(5,000,000)	10,000,000	Unsecured, 90 days with renewal, interest rates: 2018 - 3.2% to 6.3%; 2019 - 4.8% to 7.0%;

(iii) Parent Company

The Parent Company granted short-term loans to KPMI in June 2015. As at December 31, KPMI has outstanding short-term loans as follows:

Release date	Principal amount	Outstanding balance as at December 31, 2017	Transactions		Outstanding balance as at December 31, 2018 and 2019	Terms and Conditions
			Availment	Payment		
June 2017	52,000,000	52,000,000	-	-	52,000,000	Unsecured, 90 days with renewal, interest rates:
November 2017	50,000,000	50,000,000	-	-	50,000,000	2017 - 2.8% to 3.2%;
December 2017	25,000,000	25,000,000	-	-	25,000,000	2018 - 3.0% to 6.2%
		127,000,000	-	-	127,000,000	
March 2018	18,000,000	-	18,000,000	-	18,000,000	Unsecured, 90 days with renewal and interest rates:
April 2018	25,000,000	-	25,000,000	-	25,000,000	2018 – 3.0% to 6.2%
December 2018	30,000,000	-	30,000,000	-	30,000,000	2019 – 4.8% to 7.0%
		127,000,000	73,000,000		200,000,000	

Interest income recognized from these loans by the Parent Company amounted to P12.1 million for the year ended December 31, 2019 (2018 - P6.4 million and 2017 - P2.4 million). Accrued interest receivable amounted to P1.1 million as at December 31, 2019 (2018 - P1.2 million).

Total interest income earned from these loan agreements amounted to P16.5 million for the year ended December 31, 2019 (2018 - P10.7 million; 2017 - P11.5 million). Accrued interest receivable amounted to P1.4 million as at December 31, 2019 (2018 - P1.2 million).

(d) Management fees

Since 2013, the Parent Company had management agreement with its related companies for a monthly fee. The monthly management fee is subject to change depending upon the extent and volume of services provided by the Parent Company. This covers regular consultancy, financial reporting, personnel and administration services. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three (3) months prior to the expiration date. In 2019 and 2018, the monthly management fee being charged to Kepventure Inc., Kepwealth, Inc. and KIVI is P5,000, P23,000 and P15,000, respectively (2017 - P2,500, P12,000 and P15,000, respectively). The management agreement with Kepwealth Property was terminated last October 31, 2017 due to the sale of Kepwealth Property to a third party.

The Parent Company also provides accounting services to KECI, an entity under common control, for a monthly management fee of P20,000 in 2019, 2018 (2017 - P25,000). The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three (3) months prior to the anniversary date.

Management fees earned amounted to P0.8 million in 2019 and 2018 (2017 - P1.8 million). As at December 31, 2019, there was no intention from any of the parties to terminate the management services.

(e) Other income

In 2014, the Parent Company entered in to a Memorandum of Understanding (MOU) with KPMI to assist the latter in its bidding activities for projects for a 1% share in revenue. The Parent Company received P0.4 million in December 2018 (2017 - nil) and is recognized under "other income" in the consolidated statement of income. There was no similar transaction during 2019.

(f) Key management personnel

Outstanding balance related to salaries and other employee benefits of key management personnel amounting to P0.3 million as at December 31, 2019 is presented within accrued expenses under accounts payable and other current liabilities account in the consolidated statement of financial position (2018 - P10.0 million) (Note 9).

There were no long-term benefits, including share-based payments, provided to key management personnel in 2019, 2018, and 2017.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2019	2018	2017
As at December 31			
Investment in subsidiaries	110,165,069	110,165,069	110,165,069
Advances to subsidiaries	-	765,000	1,126,722
For the years ended December 31			
Dividend income	1,500,000	36,175,000	107,327,500
Management fees	780,000	780,000	600,000

Note 11 - Retirement benefits

The Group has a funded, non-contributory defined benefit plan covering the retirement and disability benefits to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years with at least five (5) years of service and optional retirement date is at age 50 or completion of at least ten (10) years of service. The retirement obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. Actuarial valuation of the retirement benefits was sought from an independent actuary as at reporting date.

Details of net retirement benefit asset (obligation) in the statements of financial position as at December 31 are as follows:

	2019	2018
Present value of defined benefit obligation	(10,043,033)	(9,049,051)
Fair value of plan assets	10,619,028	-
	575,995	(9,049,051)

The retirement benefit obligation as at December 31, 2018 is lodged under accrued expenses within accounts payable and other current liabilities account in the consolidated statement of financial position (Note 9).

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

	2019	2018
At January 1	9,049,051	4,526,748
Current service cost	757,659	4,566,387
Interest cost	432,545	216,379
Past service cost	67,966	-
Benefits paid	-	(260,463)
Remeasurement gain from:		
Experience adjustments	(101,473)	-
Change in financial assumptions	(162,715)	-
At December 31	10,043,033	9,049,051

The fair value of plan assets of the Group as at December 31, 2019 amounts to P10,619,028 which are mainly from contributions made during the year (2018 - nil). The Group has no other transactions with the fund for the year ended December 31, 2019.

There is no expected contribution to post-employment benefit plans for the year ending December 31, 2020.

The amounts of retirement benefit expense recognized for the years ended December 31 in the statements of total comprehensive income are as follows:

	Note	2019	2018
Current service cost		757,659	4,566,387
Interest cost		432,545	216,379
Past service cost		67,966	-
Retirement benefit expense	10	1,258,170	4,782,766

For the year ended December 31, 2019, the Group recognized remeasurement gain in other comprehensive income amounting to P184,932, net of tax of P79,256 (2018 - nil) (Note 15).

The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	4.95%	4.78%
Salary increase rate	5.00%	5.00%
Average remaining working life	14.18	14.18
Weighted average duration of the defined benefit obligation	14	14

The discount rate assumption is based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines PHP Bloomberg BVAL Reference Rates benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistical data and historical mortality experience in the Philippines.

The sensitivities of the defined benefit obligation to changes in the principal assumptions as at December 31, 2019 are as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(871,492)	990,322
Salary increase rate	1%	975,613	(882,555)

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 defined benefit 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 obligation recognized in the statement of financial position. The methods and types of assumptions used in the preparing the sensitivity analysis did not change compared to previous period.

The maturity analysis of undiscounted future retirement payments as at December 31, 2019 is as follows:

Less than a year	1,798,804
Between one (1) to five (5) years	1,574,557
Over five (5) years but not more than ten (10) years	32,636,687
	36,010,048

Note 12 - Share capital and share premium

The Class "A" and Class "B" shares of stock are identical in all respects and have P1 par value per share, except that Class "A" shares are restricted to ownership of Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as at December 31, 2019 and 2018. Each share has a right to one (1) vote.

Details of share capital and share premium as at December 31, 2019 and 2018 are as follows:

Authorized - P1 par value	
Class A	90,000,000
Class B	200,000,000
	290,000,000
Issued	
Class A	39,840,970
Class B	33,332,530
Share capital	73,173,500
Share premium	73,203,734

Details of the Parent Company’s weighted average number of shares as at December 31 are as follows:

	2019	2018
Class A	36,165,970	36,166,970
Class B	21,636,449	21,636,449
	57,802,419	57,803,419

In accordance with SRC Rule 68, as Amended (2019), Annex 68-K, below is a summary of the Parent Company's track record of registration of securities as at December 31:

Common shares	Number of shares registered	Issue/ offer price	Date of approval	Number of holders of securities
2019				
Class "A"	36,165,970	1.00	June 30, 2000	379
Class "B"	21,636,449	1.00	June 30, 2000	55
	57,802,419			
2018				
Class "A"	36,166,970	1.00	June 30, 2000	380
Class "B"	21,636,449	1.00	June 30, 2000	55
	57,803,419			

There are 421 total shareholders per record holding both Class “A” and “B” shares as at December 31, 2019 (2018 - 422).

Note 13 - Retained earnings; treasury shares

The portion of retained earnings, corresponding to the undistributed equity in net earnings of the associates, is not available for distribution as dividends until declared by the associates.

Retained earnings are further restricted to the extent of treasury shares with the following details as at December 31:

	2019		2018	
	Shares	Cost	Shares	Cost
Class “A”	3,675,000	13,414,564	3,674,000	13,408,963
Class “B”	11,696,081	9,214,013	11,696,081	9,214,013
	15,371,081	22,628,577	15,370,081	22,622,976

The Parent Company's BOD declared cash dividends of P0.10 per share or P5.8 million in 2019, 2018 and 2017 as follows:

	2019	2018	2017
Date of declaration and approval	June 21	June 22	June 16
Date of shareholders’ record	July 5	July 6	July 3
Date paid	July 31	July 31	July 27

In 2019, no cash dividend was declared and paid by GMRI (2018 - P70 million; 2017 - P131 million). Out of the cash dividend declared in 2018 and 2017, the Parent Company received P35.2 million and P65.8 million, respectively.

In 2019, no cash dividend was declared and paid by GRDC (2018 - P1.5 million and 2017 - nil). Outstanding dividend due to shareholders as at December 31, 2018 amounting to P0.7 million reported under current liabilities in the consolidated statement of financial position which was received in January 2019.

Dividend declared and paid attributable to NCI amounted to nil, P34.5 million and P63.2 million in 2019, 2018 and 2017, respectively.

Total cash dividend paid by the Group amounted to P5.8 million, P40.3 million and P69.0 million in 2019, 2018, and 2017, respectively.

As at December 31, 2019, total unrestricted retained earnings of the Parent Company amounted to P189.1 million (2018 - P184.2 million). The amount of unrestricted retained earnings is in excess of 100% of its paid-up capital as at December 31, 2019 and 2018. The Parent Company declared and paid cash dividends on a regular basis to comply with Section 43, Power to Declare Dividends, of the Corporation Code of the Philippines. The Parent Company declares dividend based upon the favorable result of operations and the availability of unappropriated retained earnings.

Note 14 - Operating expenses

Operating expenses for the years ended December 31 consist of:

	Notes	2019	2018	2017
Salaries, wages, and employee benefits	10, 11	11,409,246	14,563,534	11,128,786
Taxes and licenses		4,412,278	5,011,407	5,905,403
Professional fees		3,847,359	3,837,820	2,231,907
Provision for impairment losses	3, 4	2,771,598	497,115	660,748
Contractual services		2,080,350	1,209,949	-
Utilities		766,631	641,847	574,654
Transportation and travel		620,565	830,059	572,446
Membership dues		481,782	515,217	456,000
Office supplies		176,879	173,955	126,184
Depreciation and amortization	7, 8	116,473	315,652	310,552
Repairs and maintenance		104,039	2,525,584	39,783
Commission		-	-	409,846
Others		986,820	1,277,240	1,161,315
		27,774,020	31,399,379	23,577,624

Other expenses consist of bank charges, business development expenses, and various items that are individually immaterial.

Note 15 - Income taxes

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

	2019	2018	2017
Current	1,827,767	2,472,117	12,839,988
Final tax on interest income	358,883	440,619	184,703
Deferred	475,167	(36,837)	(243,474)
	2,661,817	2,875,899	12,781,217

The Group’s deferred income tax liability amounting to P1.6 million as at December 31, 2019 and 2018 pertains to the income tax effect of lease receivables accrued using the straight-line method and is expected to be settled after more than 12 months from reporting date.

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

	2019		2018	
	Tax base	Tax effect	Tax base	Tax effect
Accrued expenses	1,298,228	389,468	10,811,682	3,243,505
NOLCO	3,797,876	1,139,363	6,153,310	1,845,993
Allowance for doubtful accounts	1,767,667	530,300	1,767,667	530,300
Unearned rentals	402,500	120,750	613,581	184,074
Advance rentals	232,956	69,887	232,956	69,887
	7,499,227	2,249,768	19,579,196	5,873,759
MCIT		999,362		609,704
		3,249,130		6,483,463

Details of NOLCO and MCIT as at December 31, which can be applied as deduction from taxable income over the next three (3) years immediately following the year of such loss, are as follows:

		2019		2018	
Year incurred	Expiry year	NOLCO	MCIT	NOLCO	MCIT
2019	2022	-	521,380	-	-
2018	2021	-	330,446	-	330,446
2017	2020	3,797,876	147,536	3,797,876	147,536
2016	2019	-	-	2,355,434	131,722
		3,797,876	999,362	6,153,310	609,704

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

	2019	2018
January 1	6,153,310	11,196,327
Expired	(830,341)	(4,104,134)
Applied	(1,525,093)	(938,883)
December 31	3,797,876	6,153,310

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

	2019	2018
January 1	609,704	372,199
Addition	521,380	330,446
Expired	(131,722)	(92,941)
December 31	999,362	609,704

In August 2007, GMRI was registered as a developer/operator of Keppel Philippines Marine Special Economic Zone with the Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 1329 dated July 16, 2007 and the provisions of Republic Act No. 7916, otherwise known as the amended "Special Economic Zone Act of 1995". With this registration, GMRI is entitled to the special tax rate of 5% on gross income, in lieu of all national and local taxes, except real property taxes on land owned by GMRI.

A reconciliation of the income tax at statutory income tax rate to income tax expense as shown in the consolidated statement of income is as follows:

	2019	2018	2017
Income tax computed at statutory income tax rate of 30%	4,766,115	5,119,460	20,296,170
Additions (reductions) to income taxes resulting from:			
Income subject to 5% on gross income	979,774	(3,719,128)	(2,235,173)
Non-deductible expense	809,033	482,467	125,709
Interest income subjected to final tax	(52,112)	21,246	(34,774)
Non-taxable income	(987,486)	(513,455)	(1,749,375)
Change in unrecognized deferred income tax assets	(2,853,507)	1,485,309	1,913,937
Difference between optional standard deduction (OSD) and itemized deductions	-	-	(5,535,277)
Income tax expense	2,661,817	2,875,899	12,781,217

Income tax payable as at December 31, 2019 and 2018 amounted to P0.2 million and P0.7 million, respectively.

Note 16 - Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares, if any.

Earnings per share for the years ended December 31 is calculated as follows:

	Note	2019	2018	2017
Net income attributable to equity holders of the parent		18,387,319	5,247,186	44,796,093
Weighted average number of shares outstanding	12	57,802,419	57,803,419	57,803,419
Basic earnings per share		0.318	0.091	0.775

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

Note 17 - Operating segments

For management reporting purposes, the Group's businesses are classified into the following business segments: (1) investment holding, and (2) real estate, with KPMI, a related party, and a third party, as key lessees. The Group's BOD reviews the performance of these reportable segments. Details of the Group's business segments are as follows:

	Investment holding	Real estate	Combined	Eliminations	Consolidated
2019					
Revenue					
KPMI and a third party	30,678,527	17,431,997	48,110,524	-	48,110,524
Inter-segment, including interest income	2,280,000	-	2,280,000	(2,280,000)	-
Equity in net earnings of an associate	-	8,926,743	8,926,743	-	8,926,743
Total revenue	32,958,527	26,358,740	59,317,267	(2,280,000)	57,037,267
Income before income tax	11,308,520	19,454,727	30,763,247	(1,500,000)	29,263,247
Income tax expense	726,998	1,934,819	2,661,817	-	2,661,817
Net income	10,581,522	17,519,908	28,101,430	(1,500,000)	26,601,430
Other Information					
Segment assets	370,835,367	764,089,475	1,134,924,842	(110,165,070)	1,024,759,772
Segment liabilities	6,261,280	3,299,487	9,560,767	(896,346)	8,664,421
Depreciation and amortization	73,981	42,492	116,473	-	116,473
2018					
Revenue					
KPMI and a third party	19,516,577	18,910,268	38,426,845	-	38,426,845
Inter-segment, including interest income	37,720,000	-	37,720,000	(37,720,000)	-
Equity in net earnings of an associate	-	10,037,399	10,037,399	-	10,037,399
Total revenue	57,236,577	28,947,667	86,184,244	(37,720,000)	48,464,244
Income before income tax	32,817,910	21,186,955	54,004,865	(36,940,000)	17,064,865
Income tax expense	(482,603)	(2,393,296)	(2,875,899)	-	(2,875,899)
Net income	32,335,307	18,793,659	51,128,966	(36,940,000)	14,188,966
Other Information					
Segment assets	373,636,030	749,624,030	1,123,260,060	(110,930,068)	1,012,329,992
Segment liabilities	16,042,453	4,853,949	20,896,402	(1,661,342)	19,235,060
Depreciation and amortization	76,455	239,197	315,652	-	315,652
2017					
Revenue					
KPMI and a third party	7,322,919	75,166,326	82,489,245	-	82,489,245
Inter-segment, including interest income	107,927,500	-	107,927,500	(107,927,500)	-
Equity in net earnings of an associate	-	8,742,280	8,742,280	-	8,742,280
Total revenue	115,250,419	83,908,606	199,159,025	(107,927,500)	91,231,525
Income before income tax	99,812,156	75,169,245	174,981,401	(107,327,500)	67,653,901
Income tax expense	(256,756)	(12,524,461)	(12,781,217)	-	(12,781,217)
Net income	99,555,400	62,644,784	162,200,184	(107,327,500)	54,872,684
Other Information					
Segment assets	324,677,988	802,079,901	1,126,757,889	(111,443,959)	1,015,313,930
Segment liabilities	8,639,374	4,639,478	13,278,852	(2,175,230)	11,103,622
Depreciation and amortization	22,550	288,002	310,552	-	310,552

Segment assets and segment liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of each segment.

Segment revenue, segment expenses, and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

All of the Group's revenues are derived mainly from operations within Luzon, an island of the Philippines, hence, the Group did not present geographical information required by PFRS 8, Operating Segments.

Rental income from KPMI amounting to P12.8 million in 2019 comprise 22.5% of the Group's revenue (2018 - P12.8 million and 26.6%; 2017 - P12.8 million and 14.1%).

Note 18 - Other matters

In September 2003, the Parent Company filed a complaint against PNOC for specific performance with the Regional Trial Court (RTC) of Batangas City for the enforcement of the contract relating to the option to purchase a piece of land in Batangas. A judgment was rendered in January 2006 in favor of the Parent Company ordering PNOC to accept the payment of P4.1 million as full and complete payment of the purchase price, and to execute a Deed of Absolute Sale in favor of the Parent Company. PNOC, however, filed an appeal with the Court of Appeals (CA) in the same year which the CA dismissed on December 19, 2011.

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated May 14, 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Books of Entries of Judgments. As at January 29, 2020, the Parent Company is still awaiting on the final resolution of the RTC.

The Parent Company's cash deposit of P4.1 million with the Court is presented in the consolidated statement of financial position under other non-current assets. The said piece of land is the subject of a lease agreement between the Parent Company, KPMI and a third party (Note 10).

Note 19 - Financial risk management and capital management

19.1 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk, equity price risk, and liquidity risk that could affect its financial position and results of operations. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The BOD reviews and approves the policies for managing each of these risks, which are summarized below:

(a) Credit risk

Credit risk pertains to the risk that a party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk in 2019 and 2018 pertains to the loan receivables from a related party amounting to P272 million, which comprise 98% and 88% of the Group's loans and receivables in 2019 and 2018, respectively.

The table below shows the maximum exposure to credit risk of the financial assets of the Group:

	2019	2018
Financial assets:		
Cash and cash equivalents*	50,687,233	39,477,151
Receivables		
Loans receivable from a related party	272,000,000	272,000,000
Current portion of lease receivables**	924,267	3,697,045
Interest receivable	1,421,845	1,558,175
	325,033,345	316,732,371

**Excluding cash on hand*
***Non-current portion of lease receivables arises from the straight-line recognition of rental income, hence, excluded*

The table below shows the financial effect of collateral or credit enhancement to the Group's financial assets as at December 31:

	Gross maximum exposure	Net exposure
2019		
Financial assets:		
Cash and cash equivalents*	50,687,233	50,687,233
Receivables:		
Loans receivable from a related party	272,000,000	272,000,000
Current portion of lease receivables**	924,267	2,598,667
Interest receivable	1,421,845	1,421,845
	325,033,345	326,707,745
2018		
Financial assets:		
Cash and cash equivalents*	39,477,151	39,477,151
Receivables:		
Loans receivable from a related party	272,000,000	272,000,000
Current portion of lease receivables**	3,697,045	3,697,045
Interest receivable	1,558,175	1,558,175
	316,732,371	316,732,371

**Excluding cash on hand*
***Non-current portion of lease receivables arises from the straight-line recognition of rental income, hence, excluded*

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

	High performing	Underperforming	Credit impaired	Total
2019				
Financial assets:				
Cash and cash equivalents	50,687,233	-	-	50,687,233
Receivables				
Loans receivable from a related party	272,000,000	-	-	272,000,000
Current portion of lease receivables	924,267	-	-	924,267
Non-trade	-	-	2,152,580	2,152,580
Interest receivable	1,421,845	-	-	1,421,845
	325,033,345	-	2,152,580	327,185,925
2018				
Financial assets:				
Cash and cash equivalents	39,477,151	-	-	39,477,151
Receivables				
Loans receivable from a related party	272,000,000	-	-	272,000,000
Current portion of lease receivables	3,697,045	-	-	3,697,045
Non-trade	-	-	2,152,580	2,152,580
Interest receivable	1,558,175	-	-	1,558,175
	316,732,371	-	2,152,580	318,884,951

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High performing - settlements are obtained from counterparty following the terms of the contracts without history of default.
b. Underperforming - some reminder follow-ups are performed to collect accounts from counterparty.
c. Credit impaired - evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the counterparty, a breach of contract such as a default or being more than 120 days past due; or it is probable that the borrower will enter bankruptcy or other financial reorganization.

The Group expects the current portion of the lease receivables to be realized within three (3) months from the end of the reporting period. The amounts due from related parties are all collectible and of good credit quality.

High grade assets are considered as having very low risk and can easily be converted to cash.
These assets are considered for counterparties that possess strong to very strong capacity to meet their obligations.

In 2019 and 2018, past due but not impaired receivables are aged 90 to 120 days while impaired receivables are aged over 120 days.

(i) Cash and cash equivalents

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

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

(ii) Receivables

Loan, interest, lease, and other receivables from related parties

Credit exposure of the Group on loan and other receivables from related parties is considered to be low as there is no history of default and have strong credit standing of concerned related parties. Credit risk is negligible since the related parties are faithfully paying on normal credit terms based on contracts. There were no provision for doubtful accounts relating to amounts owed by related parties because of strong financial condition of the concerned entities. Terms are normally due on demand.

The maximum credit risk exposure is equal to the carrying amount as at December 31, 2019 and 2018 (Note 3).

Receivables from third parties

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

The Group does not hold any collateral in relation to these receivables.

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

Set out below is the information about the credit risk exposure on the Company's receivables (amounts in millions).

	High performing	Under-performing	Credit impaired	Total
2019				
Related parties				
Expected credit loss rate	0%	0%	0%	0%
Estimated total gross carrying at default	303.10	-	-	303.10
Total expected credit loss	-	-	-	-
Third party				
Expected credit loss rate	0%	0%	0%	0%
Estimated total gross carrying at default	1.67	-	-	1.67
Total expected credit loss	-	-	-	-
Total expected credit loss - Stage 3	-	-	2.15	2.15
Others				
Expected credit loss rate	0%	0%	0%	0%
Estimated total gross carrying at default	1.42	-	-	1.42
Total expected credit loss	-	-	-	-
2018				
Related parties				
Expected credit loss rate	0%	0%	0%	0%
Estimated total gross carrying at default	304.01	-	-	304.01
Total expected credit loss	-	-	-	-
Third party				
Expected credit loss rate	0%	0%	0%	0%
Estimated total gross carrying at default	-	-	-	-
Total expected credit loss	-	-	-	-
Total expected credit loss - Stage 3	-	-	2.15	2.15
Others				
Expected credit loss rate	0%	0%	0%	0%
Estimated total gross carrying at default	1.56	-	-	1.56
Total expected credit loss	-	-	-	-

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not significantly exposed to fair value interest rate risk since its income and operating cash flows are substantially independent of changes in market interest rates, and it does not have long-term loans receivables, borrowings or investments as at December 31, 2019 and 2018.

The Group's exposure to movements in market interest rates relate primarily to its cash equivalents placed with local banks. The Group has no hedging policy in relation to managing its interest rate.

(c) Equity price risk

Equity price risk is the risk that the fair value of equities will decrease resulting from changes in the levels of equity indices and the value of individual stocks.

The Group's price risk exposure relates to its quoted equity investments where values will fluctuate as a result of changes in market prices.

Such quoted equity investments are subject to price risk due to changes in market values arising from factors specific to the instruments or its issuer or factors affecting all instruments traded in the market.

The effect on other comprehensive income (as a result of a change in fair value of instruments held as financial asset at FVOCI) due to a reasonably possible change in indices, with all other variables held constant, is as follows:

	Change in equity price	Increase (decrease) on other comprehensive income
2019	+10	1,000,000
	-10	(1,000,000)
2018	+10	2,000,000
	-10	(2,000,000)

The Group determined the reasonably possible change in equity pricing percentage changes in the fair value for the past three (3) years.

(d) 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 cash equivalents and loans. 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 other financial liabilities (undiscounted amounts of principal and related interest) as at December 31.

	On demand	Less than 3 months	3 to 12 months	More than one year	Total
2019					
Financial liabilities					
Accounts payable and other current liabilities*	373,859	3,333,492	-	-	3,707,351
Refundable deposits	-	-	1,280,130	-	1,280,130
	373,859	3,333,492	1,280,130	-	4,987,481
2018					
Financial liabilities					
Accounts payable and other current liabilities*	318,198	12,866,411	-	-	13,184,609
Refundable deposits	-	-	2,409,883	-	2,409,883
	318,198	12,131,413	2,409,883	-	15,594,492

**Excluding payable to government agencies, unearned rent and advance rentals.*

There are no material liquidity risks given minimal liabilities relative to available liquid assets.

19.2 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 a debt to equity ratio, which is total liabilities divided by total equity. Total liabilities include current and noncurrent liabilities. Equity comprises all components of equity.

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 that will require increased capitalization.

The debt to equity ratios as at December 31 are as follows:

	2019	2018
Total liabilities	8,664,421	19,235,060
Total equity	1,016,095,351	993,094,932
Debt to equity ratio	0.009:1	0.019:1

The Group is not exposed to externally imposed capital requirement and there were no changes in the Group's approach to capital management during the year.

19.3 Fair value estimation of financial assets and liabilities and fair value hierarchy

(a) Receivables

Due to the short-term nature of the Group's financial instruments, the carrying amounts approximate their fair values as at December 31, 2019 and 2018. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

(b) Financial assets at fair value through other comprehensive income

The fair value of quoted equity instruments is determined by reference to quoted market bid price at the close of business at the end of the reporting dates since this is actively traded in organized financial markets. Unquoted financial asset is valued using Level 3 inputs, less any allowance for impairment loss.

(c) Fair value hierarchy

As at December 31, 2019 and 2018, the Group classifies its quoted financial assets at fair value through other comprehensive income to P37.0 million and P35.0 million, respectively, under Level 1 of the fair value hierarchy. During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Note 20 - Critical accounting estimates, assumptions, and judgments

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

20.1 Critical accounting estimates and assumptions

(a) Estimated useful lives of condominium units

The Group's management determines the estimated useful lives and related depreciation and amortization charges for its condominium units. This estimate is based on the expected future economic benefit to the Group. Management will increase the depreciation and amortization charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold. Management believes that the current estimated useful lives of condominium units (Note 21.7) approximate the actual economic benefits of these assets to the Group.

Further, management does not foresee any changes in terms of business operations that would warrant reassessment of estimated useful lives. The carrying values of the investment properties are disclosed in Note 7. As at December 31, 2019 and 2018, the condominium units were already fully depreciated.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement 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. Details of the key assumptions and inputs used are discussed in Note 19.1 (a).

20.2 Critical accounting judgments

(a) Operating lease - Group as lessor

The Group has entered into a property lease with its related party. The Group has determined that it retains all the significant risks and rewards of ownership of these properties as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contract is accounted for as non-cancellable operating lease. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including economic consequence to the lessee. Total rent income arising from operating leases amounted to P28.5 million for the year ended December 31, 2019 (2018 - P22.7 million and 2017 - P18.0 million).

(b) Contingencies

The Group is currently involved in a legal proceeding and claims by third parties. The estimate of the probable cost for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings and claims by third parties will have a material effect on the Group's consolidated financial statements (Notes 10 and 18).

(c) Impairment of investment properties

The Group assesses impairment on investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. The Group recognizes an impairment loss if such indications are present and whenever the carrying amount of an asset exceeds its recoverable amount. This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As at December 31, 2019 and 2018, there are no noted indicators of impairment on the Group's investment properties. The carrying values of investment properties amounted to P205.3 million as at December 31, 2019 and 2018.

(d) Determining impairment of other current assets

Management believes that the Group's input VAT and CWT may not be recoverable because of the expected future minimal transactions where the Group's input VAT and CWT will be utilized. Provision for impairment loss amounted to P7.2 million as at December 31, 2019 (2018 - P4.4 million) (Note 4).

The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. If assessment of recoverability of input VAT and CWT was favorable, the Group's recorded expense would decrease by P3.3 million in 2019 (2018 - P1.6 million).

(e) Impairment of financial asset at FVOCI

The Group recognizes impairment losses on financial asset at FVOCI when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of market price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the market price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Group's consolidated financial statements. In 2019, the Company has written off financial assets at FVOCI with cost and allowance for impairment of P0.9 million (2018 - nil) (Note 5). Details of the sensitivity analysis performed on change in market price are shown in Note 19.1 (c).

(f) Impairment of investments in associates

Investments in associates carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

To determine if its investment in CLI is impaired, the Group evaluates whether its ownership interest in the net assets of its associate after fair value adjustments on non-depreciable non-current assets of CLI amounting to P2.4 million in 2019 (2018 - P2.3 million) is less than its cost. Other factors considered are financial health, and short and long-term business outlook, including operational and financing cash flows. As at December 31, 2019 and 2018, CLI's net assets after fair value adjustments amounted to P2.4 billion, hence, the asset is deemed not impaired. The carrying value of investment in CLI amounted to P337.6 million as at December 31, 2019 and 2018 (Note 6).

(g) Recognition of deferred income tax assets

The Group's assessment on the recognition of certain deferred income tax assets on non-deductible temporary differences, and carryforward benefit of NOLCO and MCIT, is based on the forecasted taxable income of the following subsequent periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. Management believes that future taxable profit may not be available against which these temporary differences and carryforward benefit of NOLCO and excess MCIT can be applied, thus, no deferred income tax assets and MCIT were recognized as at December 31, 2019 and 2018 (Note 15).

Note 21 - 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.

21.1 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.

The consolidated financial statements have been prepared on historical cost basis, except for:

- financial assets at FVOCI; and
- the retirement benefit asset recognized as the total of the fair value of plan assets less the present value of the defined benefit obligation.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates and assumptions. 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 estimates and assumptions are significant to the consolidated financial statements are disclosed in Note 20.

Changes in accounting policies and disclosures

(a) New standards, amendments to existing standards and interpretations adopted by the Group

- *PFRS 16, 'Leases'* (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Earlier application is permitted, but only in conjunction with PFRS 15, Revenue from Contracts with Customers. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group adopted the standard on January 1, 2019 but did not impact its financial statements as it is mainly the lessor in the existing lease agreements. While some differences may arise as a result of the new guidance on the definition of the lease, the Group has opted to apply such guidance only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not be reassessed and such expedient will be consistently applied to all contracts.

Other new standards, amendments to existing standards and interpretations that are effective for the financial year beginning on January 1, 2019 have no significant impact to the consolidated financial statements of the Group.

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

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

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

21.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019. The Group uses uniform accounting policies; any difference between the subsidiaries and Parent Company are adjusted properly.

All intra-group balances, transactions, and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Assessment of control

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly, or indirectly to the Parent Company. NCI represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income and consolidated statement of total comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the NCI having a deficit balance.
Acquisitions of NCI are accounted for using the acquisition method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity and attributed to the owners of the parent.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

As at December 31, 2019 and 2018, NCI pertains to 44% and 5% ownership of KPMI Retirement Plan and KPMI, respectively in GRDC.

The financial information of GRDC and its wholly-owned subsidiary, GMRI, is provided below. This information is based on amounts before inter-company eliminations.

	2019			2018		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	677,489	90,581,512	91,259,001	2,665,879	70,606,483	73,272,362
Noncurrent assets	3,229,782	570,064,378	573,294,160	3,229,782	571,912,912	575,142,694
Total assets	3,907,271	660,645,890	664,553,161	5,895,661	642,519,395	648,415,056
Current liabilities	144,707	686,555	831,262	2,316,473	646,939	2,963,412
Noncurrent liabilities	-	1,554,160	1,554,160	-	1,600,373	1,600,373
Total liabilities	144,707	2,240,715	2,385,422	2,316,473	2,247,312	4,563,785
Revenue	402,445	10,024,592	10,427,037	3,209,373	10,024,592	13,233,965
Other income	-	14,788,228	14,788,228	-	13,206,327	13,206,327
Net income	183,376	18,133,092	18,316,468	2,063,381	15,916,850	17,980,402
Total comprehensive income	183,376	18,133,092	18,316,468	2,063,381	15,916,850	17,980,402
Cash flows from:						
Operating activities	(488,390)	4,964,007	4,475,617	(1,095,036)	4,479,768	3,384,732
Investing activities	-	14,292,409	14,292,409	3,336,000	50,547,602	53,883,602
Financing activities	(1,500,000)	-	(1,500,000)	-	(70,000,000)	(70,000,000)
Net increase (decrease) in cash and cash equivalents	(1,988,390)	19,256,416	17,268,026	2,240,964	(14,972,630)	(12,731,666)
Accumulated balance of material NCI	-	-	366,446,360	-	-	358,232,249
Net income attributable to material NCI	-	-	8,214,111	-	-	8,941,780

There are no significant restrictions on the Group's ability to use the assets or settle liabilities within the Group. There is no difference on the voting rights on non-controlling interests compared to majority shareholders.

21.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risks of changes in value. These are carried in the consolidated statement of financial position at face amount or at nominal amount.

21.4 Receivables

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

Receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as non-current assets.

The Group applies the simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables 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 operating expenses in the 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. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the statement of total comprehensive income.

The expected loss rates are based on the collection profiles over a period of 60 months before January 1, 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 the bank interest rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Refer to Note 21.5 for other relevant accounting policies on receivables.

21.5 Financial instruments

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

21.5.1 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. 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 FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes. As at December 31, 2019 and 2018, the Group holds financial assets at FVOCI and at amortized cost.

(b) Recognition and derecognition

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. 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.

On the disposal of equity instruments classified as FVOCI, any related balance within the FVOCI reserve is reclassified to retained earnings.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Group’s business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within other income in the statement of total comprehensive income using the effective interest rate method. Impairment losses are presented as separate line item in profit or loss.

Where the Group's management has elected to present fair value gains and losses on investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 19 details how the Group determines whether there has been a significant increase in credit risk.

21.5.2 Financial liabilities

(a) Classification

The Group classifies its financial liabilities at initial recognition in the following categories: at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value) and financial liabilities at amortized cost. As at December 31, 2019 and 2018, the Group only holds financial liabilities at amortized cost.

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(b) Initial recognition and derecognition

Financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

21.5.3 Offsetting financial instruments

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

21.6 Investments in associates

An associate is an entity over which the Group has significant influence. 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.

The Group's investments in associates are accounted for using the equity method in the consolidated financial statements from the date on which it becomes an associate. Cumulative adjustments for periods prior to this event are not recognized.

Under the equity method, the investments in associates 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 associates, less any dividends declared and impairment in value. If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. 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 associate. The consolidated statement of income reflects the Group's share in the results of operations of the associates. This is included in the "Equity in net earnings of associates" account in the consolidated statement of 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.

When an associate makes dividend distributions to the Group in excess of the carrying amount, a liability should only be recognized if the Group is obliged to refund the dividend, has incurred a legal or constructive obligation or made payments on behalf of the associate. In the absence of such obligations, the Group recognizes the excess in net profit for the period. When the associate subsequently makes profits, the Group will start recognizing profits when they exceed the excess cash distributions recognized in net profit plus any previously unrecognized losses.

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

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

Investment in associate is derecognized upon disposal or loss of significant influence over an associate. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

21.7 Investment properties

Investment property is defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

The Group’s investment properties, principally comprising of land, building, and condominium units, are held for capital appreciation and is not occupied by the Group. The Group has adopted the cost model for its investment properties (Note 7).

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Land is not depreciated. Depreciation and amortization of other investment properties are computed using the straight-line method over the following estimated useful lives in years:

Building and improvements	7 to 25
Condominium units	25

The fair value of the investment properties is categorized as Level 3, which used adjusted inputs for valuation that are unobservable as at the date of valuation. The inputs used were asking prices of similar listings and offerings. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.

Investment properties are derecognized when either these have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

21.8 Property and equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the useful lives of the assets.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year-end. When a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives in years:

Condominium units	15 to 25
Office machine, furniture and fixtures	1 to 5
Transportation equipment	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

21.9 Impairment of non-financial assets

The Group assesses at the reporting date whether there is an indication that its non-financial assets 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 and 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 their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in the statement of total comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at the 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 the statement of total comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. 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 estimated useful life.

21.10 Fair value measurement

Fair value is the 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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. The financial asset at FVOCI of the Group is classified under Level 1 category (Note 19.3).

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group has no non-financial assets or liabilities classified under other categories.

21.11 Equity

(a) Share capital and share premium

Share capital is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as share premium. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from share premium.

(b) 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 the par value and the excess of cost over par value upon retirement is debited to share premium to the extent of the specific or average share premium when the shares were issued and to retained earnings for the remaining balance.

(c) Retained earnings

Retained earnings include current and prior year's results of operations, net of transactions with shareholders and dividends declared, if any.

Cash dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

21.12 Revenue, income, and expense recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The following specific recognition criteria must also be met before revenue and expenses are recognized:

(a) Revenue and income

The following specific recognition criteria must be met before revenue or income is recognized:

(i) Management fees

Management fees are recognized over time as the services are rendered based on the fixed terms and fixed price of the management contract.

(ii) Directors' fees

Directors' fees are recognized over time as the services are rendered based on the fixed terms and fixed price of the contract.

Other income not covered by PFRS 15, Revenue from customer contracts:

(i) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term.

(ii) Interest income

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

(iii) Dividend income

Dividend income is recognized at point in time when the shareholders' right to receive the payment is established.

(b) Expenses

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. Expenses are recognized in profit or loss in the period these are incurred.

21.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and non-monetary benefits, if expected to be settled wholly within 12 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. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value, if material.

The related liability on employee benefits is derecognized when the obligation is discharged or cancelled.

(b) Retirement benefits

The Group maintains a non-contributory defined benefit retirement plan which is a retirement plan that defines an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. In cases when the fair value of plan assets exceeds the present value of the defined benefit obligation at the end of the reporting period, the asset recognized is adjusted to the effect of asset ceiling which 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.

The defined benefit obligation is calculated annually by an independent actuary using the "projected unit credit" method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

21.14 Leases - Group as lessor

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

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

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

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Refundable deposits

Refundable deposits are measured initially at fair value and are subsequently measured at amortized cost using the using effective interest method. Refundable deposits are measured at the original amount (as the effect of discounting is immaterial). These are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities. These are derecognized once refunded to customers.

Advance rentals

Advance rentals represent rentals paid in advance by the tenants that are to be applied in subsequent month's rental. These are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities. These are derecognized once applied against rent due.

21.15 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates based on existing laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when related bases are realized/settled or when it is no longer realizable/due.

21.16 Other assets

Revenue, expenses, and assets are recognized net of the amount of value added tax 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 acquisition cost 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.

Input VAT is carried at face amount or at nominal amount less allowance for impairment loss. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of other current assets or liabilities in the consolidated statement of financial position.

CWT is recognized as assets in the period such excess income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right, as prescribed by the applicable laws, to apply the recognized amounts against the related income tax due.

Other assets are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Other assets are recognized as expense either with the passage of time or through use or consumption.

21.17 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.

21.18 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing net income attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year, excluding common shares purchased by and held as treasury shares.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Parent Company has no dilutive potential common shares.

21.19 Operating segments

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

21.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense in the consolidated statement of total comprehensive income.

Provisions are reviewed at the end of each reporting period 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 and derecognized from the consolidated statement of financial position.

21.21 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes 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 in the notes when inflows of economic benefits are probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

21.22 Related party relationships and transactions

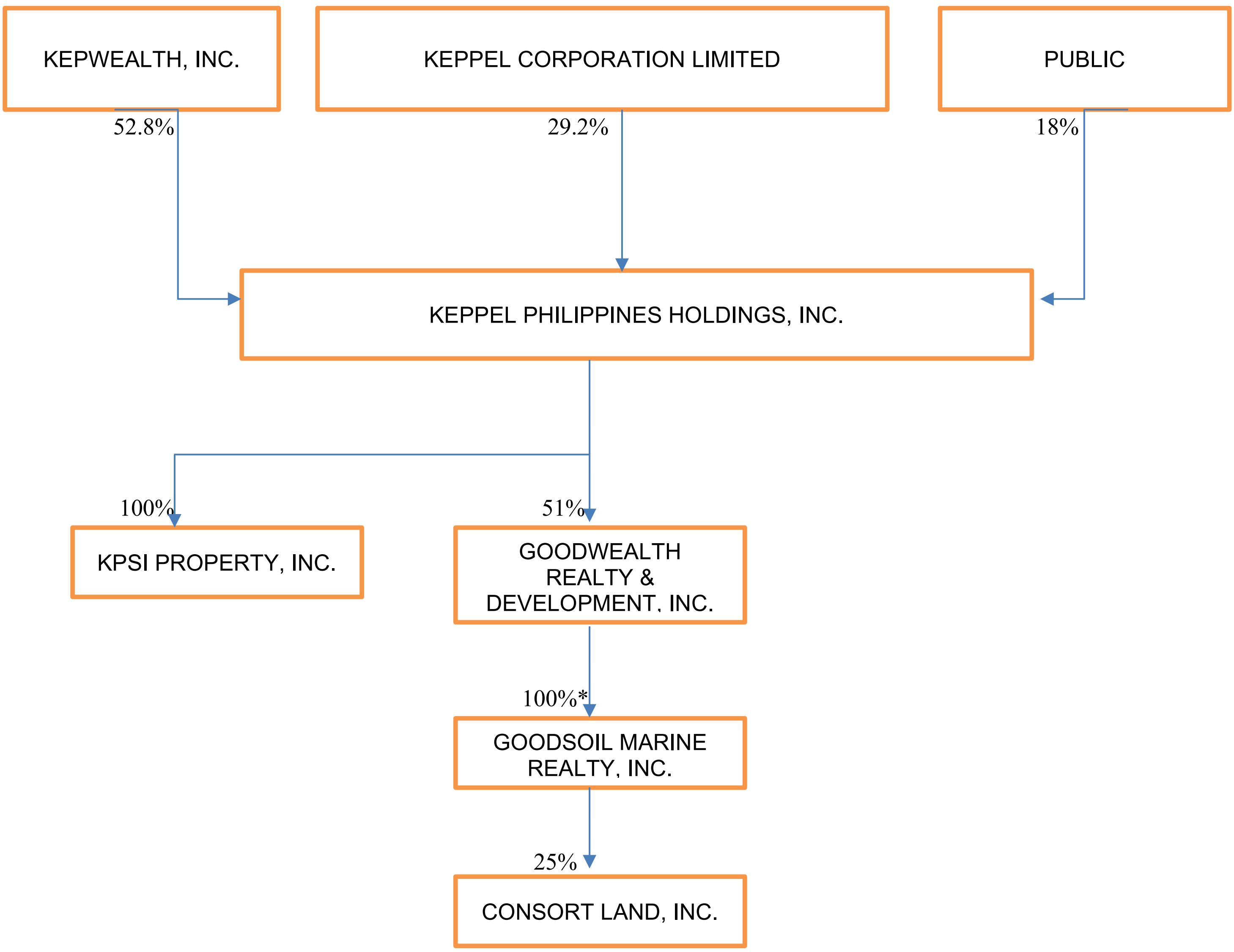
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among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

21.23 Events after the financial reporting date

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

Keppel Philippines Holdings, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
As at December 31, 2019



**Including voting rights*

Keppel Philippines Holdings, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2019 and 2018
(With comparative figures as at December 31, 2017)

Ratio	Formula		2019	2018	2017
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	327,191,185	46.54	18.02	31.01
	Divided by: Total current liabilities	7,031,005			
	Current ratio	46.54			
2. Acid test ratio	Total current assets	327,191,185	46.47	17.96	30.93
	Less: Other current assets	465,635			
	Quick assets	326,725,550			
	Divided by: Total current liabilities	7,031,005			
	Acid test ratio	46.47			
B. Solvency ratio	Net income	26,601,430	3.08	0.74	4.97
	Add: Depreciation	116,473			
	Net income before depreciation	26,717,903			
	Divided by: Total liabilities	8,664,421			
	Solvency ratio	3.08			
C. Debt to equity ratio	Total liabilities	8,664,421	0.01	0.02	0.01
	Divided by: Total equity	1,016,095,351			
	Debt to equity ratio	0.01			
D. Asset to equity ratio	Total assets	1,024,759,772	1.01	1.02	1.01
	Divided by: Total equity	1,016,095,351			
	Asset to equity ratio	1.01			
E. Debt ratio	Total liabilities	8,664,421	0.01	0.02	0.01
	Divided by: Total assets	1,024,759,772			
	Debt ratio	0.01			

Ratio	Formula		2019	2018	2017
G. Profitability ratios					
1. Return on assets (%)	Net income	26,601,430	2.60	1.40	5.40
	Divided by: Total assets	1,024,759,772			
	Return on assets (%)	2.60			
2. Return on equity (%)	Net income	26,601,430	2.62	1.43	5.46
	Divided by: Total equity	1,016,095,351			
	Return on equity (%)	2.62			
3. Net profit margin	Net income	26,601,430	46.64	29.28	60.15
	Divided by: Total revenues	57,037,267			
	Net profit margin (%)	46.64			
H. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	18,387,319	0.32	0.09	0.78
	Divided by: Total shares outstanding	57,802,419			
	EPS attributable to equity holders of Parent	0.32			
I. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	649,648,991	11.24	10.98	10.73
	Divided by: Total shares outstanding	57,802,419			
	BPS attributable to equity holders of Parent	11.24			

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2019
(All amounts in Philippine Peso)

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income received and accrued
Financial assets at fair value through other comprehensive income*				
Wack-Wack Golf and Country Club, Inc.	1	37,000,000	37,000,000	-
Universal Rightfield Property Holdings, Inc.	4,400,000	1	1	-
Cash and cash equivalents**		50,687,233	50,687,233	1,794,421
Receivables***		276,038,317	276,038,317	16,477,352
		326,725,550	326,725,550	18,271,773

* See Note 5 to the Consolidated Financial Statements.
** See Note 2 to the Consolidated Financial Statements.
*** See Note 3 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2019
(All amounts in Philippine Peso)

Name and designation of debtor	Beginning balance	Additions	Deduction: Amount collected	Deduction: Amount written-off	Current	Non-current	Ending balance
Accounts receivable							
Keppel Philippines Marine, Inc.	32,007,455	14,964,041	(15,888,308)	-	924,267	30,158,921	31,083,188
Keppel Energy Consultancy, Inc.	-	360,000	(360,000)	-	-	-	-
Keppel IVI Investments, Inc.	-	491,188	(491,188)	-	-	-	-
Kepwealth, Inc.	-	299,250	(299,250)	-	-	-	-
Kepventure, Inc.	-	71,625	(71,625)	-	-	-	-
Keppel Infrastructure Holdings Pte. Ltd.	-	10,204	-	-	10,204	-	10,204
Keppel DHCS Pte. Ltd.	-	5,801	-	-	5,801	-	5,801
Keppel Subic Shipyard, Inc.	-	1,800	-	-	1,800	-	1,800
	32,007,455	16,203,909	(17,110,371)	-	942,072	30,158,921	31,100,993
Loans receivable							
Keppel Philippines Marine, Inc.	273,479,386	16,477,452	(16,591,868)	-	273,364,970	-	273,364,970
	305,486,841	32,681,361	(33,702,239)		274,307,042	30,158,921	304,465,963

** Including interest receivable amounting to P1,364,970 and P1,479,386 as at December 31, 2019 and 2018, respectively. Information such as due dates, interest rates, terms of repayments and collateral, if any, are provided in Note 10 to the Consolidated Financial Statements.*

See Notes 3 and 10 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties
which are eliminated during the Consolidation of Financial Statements
As at December 31, 2019
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Goodwealth Realty and Development Corporation	765,000	-	(765,000)	-	-	-	-
Total	765,000	-	(765,000)	-	-	-	-

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule D - Intangible Assets - Other Assets
As at December 31, 2019
(All amounts in Philippine Peso)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Not applicable						

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule E - Long-Term Debt
As at December 31, 2019
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
	Not applicable		

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule F - Indebtedness to Related Parties
As at December 31, 2019
(All amounts in Philippine Peso)

Name of affiliate	Beginning balance	Ending balance
Advance rental		
Keppel Philippines Marine, Inc.	232,956	269,346
Keppel IVI Investments, Inc.	-	25,000
Keppel Energy and Consultancy, Inc.	-	10,000
Refundable deposit - Keppel Philippines Marine, Inc.	232,956	269,346
	465,912	573,692

See Notes 9 and 10 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule G - Guarantees of Securities of Other Issuers
As at December 31, 2019
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
Not applicable				

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule H - Share Capital
As at December 31, 2019
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by: Affiliates	Number of shares held by: Directors, officers, and employees	Number of shares held by: Others
Issued shares:						
Common class "A"	90,000,000	39,840,970	-	-	-	-
Common class "B"	200,000,000	33,332,530	-	-	-	-
Total	290,000,000	73,173,500	-	-	-	-
Less treasury shares:						
Common class "A"	-	3,675,000	-	-	-	-
Common class "B"	-	11,696,081	-	-	-	-
Total	-	15,371,081	-	-	-	-
Outstanding shares:						
Common class "A"	-	36,165,970	-	28,817,182	41	7,348,747
Common class "B"	-	21,636,449	-	18,609,835	3	3,026,611
Total	-	57,802,419	-	47,427,017	44	10,375,358

See Notes 11 and 12 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2019
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, based on audited financial statements, beginning		206,778,019
Add: Net income actually earned/realized during the period	10,581,522	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	-
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)	-	-
Unrealized actuarial gain	-	-
Fair value adjustment	-	-
Fair value adjustment of investment property resulting to gain	-	-
Adjustment due to deviation from PFRS/GAAP - gain	-	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	-
Sub-total	10,581,522	217,359,541
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)	-	-
Adjustment due to deviation from PFRS/GAAP - loss	-	-
Loss on fair value adjustment of investment property (after tax)	-	-
Net income actually earned during the period		217,359,541
Add (Less):		
Dividend declarations during the year	(5,780,342)	-
Appropriations of retained earnings during the year	-	-
Reversals of appropriations	-	-
Effects of prior period adjustments	-	-
Treasury shares	(22,628,577)	-
Accumulated share in income of an associate	-	-
		(28,408,919)
		188,950,622