

COVER SHEET

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S.E.C Registration Number

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(Company's Full Name)

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| V | I | L | | B | R | G | Y | | B | E | L | - | A | I | R | | M | A | K | A | T | I | | C | I | T | Y | |

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

| |
|--|
| Stefan Tong Wai Mun/Felicidad V. Razon/ MA. Melva E. Valdez |
|--|

Contact Person

| |
|------------------------------|
| 892 1816 815-9071 |
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Company Telephone Number

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SEC FORM 17-A

Annual Report- 2014

FORM TYPE

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Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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| 437 as of Dec. 31, 2014 |
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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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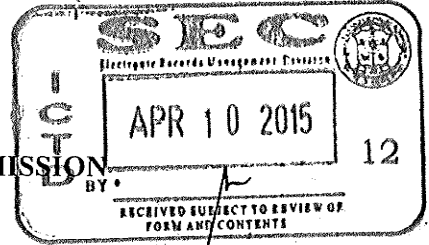
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SECURITIES AND EXCHANGE COMMISSION

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 December 31, 2014
- 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) 892-1816
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 |
|------------------------------------|---|
| Common - Class 'A' P1.00 Par Value | 38,730,970 |
| Common - Class 'B' P1.00 Par Value | 21,636,449 |
| Total | 60,367,419 |
| | (Net of Treasury Shares of 12,806,081) |

- 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:
P81,176,633 as of December 31, 2014 closing price (KPH P4.82; KPHB P5.10)

14. Documents Incorporated By Reference:
None

KEPPEL PHILIPPINES HOLDINGS, INC.
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PART 1 – BUSINESS AND GENERAL INFORMATION

1 - Business

- (a) **Keppel Philippines Holdings, Inc.** (hereafter 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 Ltd. (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 only has five (5) regular employees from 2012 to 2014. 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 20 of the audited financial statements.

Real Estate

The 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 and at Keppel Center, Cebu City. **Goodwealth Realty Development Corp. (GRDC)**, 51% owned by KPH, owns and leases parcels of land and improvements 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 together with the related services and operations of a shipyard. GMRI is a PEZA-registered Ecozone Developer/Operator 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. CLI also manages and operates the Subic Shipyard-special Export Processing Zone and distribute power to locators in Subic Shipyard Marine Industrial park.

2 - Properties

KPH Group owns the following properties:

| Owned by | Property Description | Area |
|-----------------|---|-------------|
| KPH | Two (2) office condominium units at Fedman Suite in Makati City | 166 sqm |
| KPSI | Six (6) office condominium units at Country Space I Building in Makati City | 1,204 sqm |
| KPSI | One (1) office condominium unit at Keppel Center in Cebu City | 206 sqm |
| GRDC | Five (5) lots of residential land in Batangas City | 1,500 sqm |
| GRDC | Two (2) residential land and improvement | 409 sqm |
| GMRI | Land located in Bauan, Batangas | 249,584 sqm |
| CLI | Land and building located in Subic, Zambales | 721,456 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 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 P4.1 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). The CA dismissed PNOC's appeal in December 2011. In July 2012, PNOC filed a petition with the Supreme Court (SC) for review on certiorari of the decision of the CA. In November 2013, the Company filed a Motion to Resolve with the SC to ask for an early resolution and issue an order dismissing the petition. The case is still outstanding as at December 31, 2014.

In July 2007, the Company and PNOC signed a compromise agreement wherein both parties agreed to increase the price to P6.1million. The compromise agreement is still pending approval by the Office of the Solicitor General as of December 31, 2014. Given the length of time that had lapsed, it is unlikely that the Compromise Agreement will be approved.

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 May 28, 2014.

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 2015 as traded at the Philippine Stock Exchange are as follows:

| STOCK PRICES | 2014 | | 2013 | |
|----------------|------------|------------|------------|------------|
| | High | Low | High | Low |
| First Quarter | ‘A’ ₱ 4.99 | ‘A’ ₱ 4.47 | ‘A’ ₱ 6.00 | ‘A’ ₱ 3.25 |
| | ‘B’ ₱ 5.00 | ‘B’ ₱ 4.90 | ‘B’ ₱ 5.80 | ‘B’ ₱ 4.90 |
| Second Quarter | ‘A’ ₱ 5.08 | ‘A’ ₱ 3.42 | ‘A’ ₱ 5.95 | ‘A’ ₱ 4.30 |
| | ‘B’ ₱ 6.66 | ‘B’ ₱ 3.52 | ‘B’ ₱ 5.64 | ‘B’ ₱ 5.00 |
| Third Quarter | ‘A’ ₱ 6.00 | ‘A’ ₱ 4.51 | ‘A’ ₱ 5.00 | ‘A’ ₱ 4.00 |
| | ‘B’ ₱ 6.99 | ‘B’ ₱ 4.24 | ‘B’ ₱ 5.30 | ‘B’ ₱ 5.30 |
| Fourth Quarter | ‘A’ ₱ 5.20 | ‘A’ ₱ 4.41 | ‘A’ ₱ 4.99 | ‘A’ ₱ 3.00 |
| | ‘B’ ₱ 5.10 | ‘B’ ₱ 4.30 | ‘B’ ₱ 4.80 | ‘B’ ₱ 4.80 |

| | 2015 | |
|---------------|------------|------------|
| | High | Low |
| First Quarter | ‘A’ ₱ 5.50 | ‘A’ ₱ 5.00 |
| | ‘B’ ₱ 5.30 | ‘B’ ₱ 4.82 |

(b) Holders

The number of shareholders of record as of December 31, 2014 was 437.

Common shares outstanding as of December 31, 2014 were 60,367,419 broken down as follows:

| Nationality | Class | No. of Shares | Percentage |
|--------------|-------|---------------|------------|
| Filipino - A | A | 38,730,970 | 64.16 |
| Filipino - B | B | 3,922,560 | 6.50 |
| Foreign | B | 17,713,889 | 29.34 |
| Total | | 60,367,419 | 100.00 |

The top 20 stockholders as of December 31, 2014 are as follows:

| | Shareholder | No. of Shares Held | % |
|-----|--|--------------------|--------|
| 1. | Kepwealth, Inc. | 26,807,533 | 44.407 |
| 2. | Keppel Corporation Ltd. | 16,894,082 | 27.985 |
| 3. | PCD Nominee Corp. – Filipino | 13,015,679 | 21.561 |
| 4. | International Container Terminal Services, Inc, | 2,121,287 | 3.514 |
| 5. | PCD Nominee Corp. – Foreign | 638,133 | 1.057 |
| 6. | Soh Ngoi May | 83,179 | 0.138 |
| 7. | Willy Y. C. Lim | 60,175 | 0.100 |
| 8. | Edbert G. Tantuco | 50,017 | 0.083 |
| 9. | New Court Nominees Ltd. | 49,779 | 0.082 |
| 10. | El Observatorio De Manila | 45,070 | 0.075 |
| 11. | Emilio C. Tiu | 23,238 | 0.038 |
| 12. | National Book Store, Inc. | 22,422 | 0.037 |
| 13. | Ang Guan Piao | 21,900 | 0.036 |
| 14. | Manolo Z. Alcasabas | 21,170 | 0.035 |
| 15. | Willy Yew Chai Lim | 20,085 | 0.033 |
| 16. | Yeo Chee Chiow | 18,848 | 0.031 |
| 17. | Lidayway Sy | 17,938 | 0.030 |
| 18. | Ma. Victoria R. Del Rosario | 17,938 | 0.030 |
| 19. | Ramon R. Del Rosario Jr. | 17,938 | 0.030 |
| 20. | Dr. Victorino Medrano Jr. &/or Ofelia R. Medrano | 13,952 | 0.023 |

(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 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 2014, 2013 and 2012. Details of cash dividend are as follows:

| | Y2014 | Y2013 | Y2012 |
|------------------------------|--------------|--------------|--------------|
| Date of BOD Approval | May 28 | June 6 | June 7 |
| Record Date | June 13 | June 21 | June 22 |
| Payment Date | July 9 | July 17 | July 18 |
| 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

Year Ended 2014

Results for the Year

Keppel Philippines Holdings, Inc. (KPH) recorded a net income of ₱26.2 million in 2014 as against ₱20.8 million in 2013 and ₱158.1 million in 2012. The Company achieved revenues of ₱45.1 million this year as against ₱44.7 million in 2013, and ₱126.3 million in 2012. Revenues in 2014 were mainly from equity share in net earnings of an associate, rental income, interest income, and management fees.

The Company realized an equity share in net earnings of associates of ₱20.0 million as of December 31, 2014 as against in 2013 of ₱17.9 million and in 2012 of ₱77.2 million. The 2012 share earnings arose from the realized gain on the upstream sale to GMRI amounting to ₱72.5 million and equity share in net earnings of associates of ₱4.7 million.

The rental revenue this year amounted to ₱19.3 million, 2% higher than in 2013 of ₱18.8 million and 8% higher than in 2012 of ₱17.9 million due to increase in rental rate.

The Company earned interest income of ₱4.7 million where in ₱2.7 million came from short-term deposits and ₱2.0 million came from the long-term loan of ₱200.0 million granted to a related company last September 2014. Interest income from short term deposits went down to ₱2.7 million this year from ₱6.9 million in 2013 and ₱14.6 million in 2012. This was due decrease in short term deposits brought by the payment of dividends and the drop of the annual interest rates ranging from 1.0% to 1.4% in 2014 as against 1.0% to 3.5% in 2013 and 3.5% to 4.6% in 2012.

Management fees charged to related parties amounted to ₱1.2 million this year and in 2013 as against ₱0.6 million in 2012. The Company received from an associate, CLI, cash dividend of ₱14.0 million in 2014, stock dividend of 6,549,823 shares in 2013 and cash dividend of ₱16.0 million in 2012 prior to step-acquisition of CLI by GMRI.

Operating expenses in 2014 amounted to ₱18.2 million, lower by 16% as against ₱21.7 million in 2013. Higher expenses were incurred in 2013 primarily due to ₱3.3 million provisions for impairment losses relating to input VAT and withholding tax receivables. Operating expenses in 2014 was 6% higher than in 2012 of ₱17.2 million. This was due to higher personnel expenses, professional fees, taxes and licenses partially offset by lower depreciation expenses, membership dues and subscriptions.

The Company generated other income of ₱1.9 million this year as against ₱0.4 million in 2013 and ₱52.8 million in 2012. The increase in 2014 as against 2013 was due to recovery of provision for impairment losses of ₱0.8 million and reversal of prior years' accrual amounting to ₱0.9 million. Higher income in 2012 of ₱52.8 million came from realized gain on purchase of investment in an associate.

The Company did not realize other comprehensive income from fair value gain or loss adjustment on AFS financial assets this year as against fair value loss of ₱1.5 million in 2013 and gain of ₱5.3 million in 2012. The unrealized gain of ₱72.5 million in 2011 from dividend distributed by Goodwealth Ventures, Inc. (GVI) from its income generated from the sale of its investments in CLI was realized in 2012.

Financial Condition

The cash position of the Company for the year ended December 31, 2014 amounted to ₱127.9 million as against same period last year of ₱312.3 million. The decrease of 59% or ₱184.4 million was brought mainly by the loan granted to a related company of ₱200.0 million and dividend payment of ₱8.5 million by the Parent Company and a subsidiary. This was offset by higher lease rental yield and collection.

Receivables-current portion increased from ₱2.0 million in 2013 to ₱13.2 million this year. This was brought mainly by the recognition of ₱13.0 million current portion of ₱200.0 million long-term granted to a related company. Other current assets decreased from ₱0.5 million in 2013 to ₱0.2 million this year. The decrease was due primarily to fully impaired creditable withholding tax.

Available-for-sale financial assets related to a quoted club share as of December 2014 and 2013 amounted to ₱15.0 million. Investment in an associate increased from ₱413.6 million in 2013 to ₱419.6 million this year due primarily to equity share in net income of CLI of ₱20.0 million this year as against ₱17.9 million 2013. The share was reduced by the cash dividend received from CLI this year amounting to ₱14.0 million. Investment properties and Property and equipment decreased from ₱212.1 million in 2013 to ₱210.4 million this period due to depreciation. There were no major purchases made in 2014.

Current liabilities decreased from ₱6.3 million in 2012 to ₱6.2 million this year. The slight decrease was due to reversal of accruals and provisions.

Total equity was ₱1,005.3 million in December 2014 and ₱987.6 million in December 2013. Retained earnings amounted to ₱423.5 million as of December 2014 as compared with ₱417.3 million in 2013. The increase was due to net income after non-controlling interests of ₱12.3 million partially offset by cash dividend of ₱6.0 million, as compared to ₱9.2 million in 2013.

The equity attributable to equity holders of the parent amounted to ₱574.4 million and ₱568.2 million as of December 2014 and 2013, respectively. The net book value per share as of December 2014 was ₱9.52 as against same period last year of ₱9.41. The earnings per share attributable to the equity holders of the parent as of December 2014 and 2013 were ₱0.20 and ₱0.15, respectively.

Year Ended 2013

Results for the Year

Keppel Philippines Holdings, Inc. (KPH) recorded a net income of ₱20.8 million in 2013 as against ₱158.1 million in 2012 and ₱511.3 million in 2011. The Company achieved revenues of ₱44.7 million this year as against ₱126.3 million in 2012, and ₱33.4 million in 2011. Revenues in 2013 were mainly from equity share in net earnings of an associate, rental income, interest income, and management fees.

The rental revenue this year amounted to ₱18.8 million which was 5% higher than in 2012 of ₱17.9 million and 2% higher than in 2011 of ₱18.5 million due to increase in rental rate and 100% occupancy. The Company realized equity share in net earnings of associates of ₱17.9 million as of December 31, 2013 as against in 2012 of ₱77.2 million which came from the realized gain on the upstream sale to GMRI amounting to ₱72.5 million and equity share in net earnings of associates of ₱4.7 million. Interest income this year went down to ₱6.9 million from ₱14.6 million in 2012 and ₱12.2 million in 2011. This was due decrease in short term deposits brought by the payment of dividends and decrease in interest annual rates ranging from 1.0% to 3.5% in 2013, 3.5% to 4.6% in 2012 and 3.4% to 4.1% in 2011. Management fees

charged to related parties amounted to ₱1.2 million this year as against ₱0.6 million both in 2012 and 2011. The Company did not receive cash dividend income from CLI this year as against ₱16.0 million and ₱2.1 million in 2012 and 2011, respectively.

Operating expenses in 2013 amounted to ₱21.7 million, higher by 26% as compared to 2012 of ₱17.2 million and 22% higher than in 2011 of ₱17.7 million. Higher expenses were incurred in 2013 primarily due to ₱3.3 million provisions for impairment losses relating to input VAT and withholding tax receivables. There was no interest expense incurred in 2013 and 2012 due to full payment of GMRI's loan with KPMI in January 2012 as against ₱1.8 million interests paid in 2011.

The Company generated other income of ₱0.4 million this year as against ₱52.8 million and ₱501.4 million in 2012 and 2011, respectively. In 2011, the Company generated a gain of ₱500.3 million from the disposal of shares in KCSLI. Also in 2011, when GVI sold its shares in CLI to GMRI, the Company recorded unrealized gain on the net income of GVI amounting to ₱72.5 million since the transaction was an upstream sale to GMRI which was reported under "Other Comprehensive Income". This unrealized gain on upstream sale to GMRI was then realized in 2012 and was included as part of the equity share in net earnings of associates as mentioned above. The realized gain was due to the increase in shareholdings of GMRI in CLI from 18% to 25% when GMRI availed CLI's right issue and purchased additional shares from KPMI. The increase in shareholdings also resulted to the reclassification of its investment in CLI from AFS financial assets to investment in an associate. The step-acquisition resulted to a total gain on purchase of an investment in an associate amounting to ₱52.2 million from fair value adjustments.

Other comprehensive income from unrealized gain on available-for-sale financial assets on quoted share amounted to loss of ₱1.5 million this year as against gain of ₱5.3 million and ₱0.2 million in 2012 and 2011, respectively. The unrealized gain of ₱72.5 million in 2011 from dividend distributed by GVI from its income generated from the sale of its investments in CLI was realized in 2012.

Financial Condition

The cash position of the Company for the year ended December 31, 2013 amounted to ₱312.3 million as against same period last year of ₱308.8 million. The increase of ₱3.5 million was brought mainly by the higher lease rental yield and interest income from short term deposits. This was offset by dividend payment of ₱6.0 million last July 2013.

Receivables and other current assets decreased from ₱5.2 million in 2012 to ₱2.4 million this year. The decrease was due primarily to provisions for impairment losses relating to input VAT and withholding tax receivables.

Available-for-sale financial assets related to a quoted club share as of December 2013 amounted to ₱15.0 million as compared to last year of ₱16.5 million. Investment in an associate increased from ₱395.7 million in 2012 to ₱413.6 million this year due to equity share of ₱17.9 million in net income of CLI this year as against ₱4.8 million from September to December 2012. Investment properties and Property and equipment decreased from ₱214.4 million in 2012 to ₱212.1 million this period due to depreciation. There were no purchases made in 2013.

Current liabilities increased from ₱5.4 million in 2012 to ₱6.3 million this year. The increase was due to increase in rental deposits and higher accrual of operating expenses.

Total equity was ₱987.6 million in December 2013 and ₱974.3 million in December 2012. Retained earnings amounted to ₱417.3 million as of December 2013 as compared with ₱414.1

million in 2012. The increase was due to net income of ₱9.2 million after non-controlling interests partially offset by cash dividend of ₱6.0 million or ₱0.10 per share released to stockholders last July 17, 2013, as per record date of June 21, 2013. There was also a decrease in unrealized cumulative gain of AFS financial assets by ₱1.5 due to decrease in market price of a club share from ₱16.5 million in 2012 to ₱15.0 million in 2013.

The equity attributable to equity holders of the parent amounted to ₱568.2 million and ₱566.5 million as of December 2013 and 2012, respectively. The net book value per share as of December 2013 was ₱9.41 as against same period last year of ₱9.38. The basic/diluted earnings per share as of December 2013 and 2012 were ₱0.15 and ₱1.92, respectively.

Year Ended 2012

Results for the Year

Keppel Philippines Holdings, Inc. (KPH) recorded a net income of ₱158.1 million in 2012 as against ₱511.3 million in 2011 and ₱11.0 million in 2010. The Company achieved revenues of ₱126.3 million this year as against ₱33.4 million in 2011, and ₱19.8 million in 2010. Revenues in 2012 were mainly from equity share in net earnings of an associate-net, rental income, dividend, interest income, and management fee.

The Company realized equity share in net earnings of associates- net of ₱77.2 million. This is from the realized gain on upstream sale to GMRI amounting to ₱72.5 million and equity share in net earnings of CLI from September to December 2012 amounting ₱4.8 million less equity share in net losses of GVI amounted to ₱0.1 million. Rental revenue this year amounted to ₱17.9 million which was 3% lower than in 2011 of ₱18.5 million and 3% higher than in 2010 of ₱17.3 million. Dividend income of ₱16.0 million received from CLI this year as against last year of ₱2.1 million. Interest income this year of ₱14.6 million was higher than ₱12.2 million in 2011 and ₱1.8 million in 2010. Management fee of ₱0.6 million this year was of same level as in 2011 and 2010.

Operating expenses in 2012 amounted to ₱17.2 million, slightly lower by 3% as compared to 2011 of ₱17.7 million and 8% lower than in 2010 of ₱18.8 million. Higher expenses were incurred in 2010 primarily to higher taxes and licenses paid from the sale of KCSLI property than taxes incurred in 2011 and 2012. This was partially offset by higher personnel expenses, provision for impairment of input VAT and professional fees in 2011 and 2012. No interest expense was incurred in 2012 due to full payment of loan of GMRI with KPMI in January 2012 as against ₱1.8 million in 2011 and ₱2.3 million in 2010.

The Company generated other income of ₱52.8 million, ₱501.4 million and ₱17.6 million in 2012, 2011 and 2010, respectively. In 2010, the Company generated a gain of ₱16.6 million from sale of properties of KCSLI. In 2011, the Company generated a gain of ₱500.3 million from the disposal of shares in KCSLI. Also in 2011, when GVI sold its shares in CLI to GMRI, the Company recorded unrealized gain on the net income of GVI amounting to ₱72.5 million since the transaction was an upstream sale to GMRI which was reported under "Other Comprehensive Income". This unrealized gain on upstream sale to GMRI was then realized in 2012 and was included as part of the equity share in net earnings of associates as mentioned above. The realized gain was due to the increase in shareholdings of GMRI in CLI from 18% to 25% when GMRI availed CLI's right issue and purchased additional shares from KPMI. The increase in shareholdings also resulted to the reclassification of its investment in CLI from AFS financial assets to investment in an associate. The step-acquisition resulted to a total gain on purchase of an investment in an associate amounting to ₱52.2 million from fair value adjustments.

Other comprehensive income from unrealized gain on available-for-sale financial assets on quoted share amounted to ₱5.3 million as against last year of ₱0.2 million. The unrealized gain of ₱72.5 million in 2011 from dividend distributed by GVI from its income generated from the sale of its investments in CLI was realized this 2012.

Financial Condition

The cash position of the Company for the year ended December 31, 2012 amounted to ₱308.8 million as against last year of ₱398.7 million. The decrease of ₱89.9 million or 22% was brought mainly by the payment of long-term loan and other payables to related parties of ₱18.4 million, purchase of CLI shares amounting to ₱96.7 million and payment of dividend by the Company of ₱6.0 million. This was offset by dividend income of ₱16.0 million, and interest income (net of final tax) from special deposits of ₱11.7 million and collection from lease rentals of about ₱19.7 million.

Receivables and other current assets of ₱5.2 million were slightly lower than last year of ₱6.5 million. The decrease was due higher collections from rental and lower accrued interest receivable.

Available-for-sale financial assets as of December 2012 amounted to ₱16.5 million as compared to last year of ₱252.1 million. The ₱16.5 million relates to quoted shares in a club share. The decrease of ₱252.1 million was due to the reclassification of AFS financial assets in CLI to Investment in Associates. As of December 2011, GMRI had 18% ownership in CLI. In July 2012, GMRI availed the rights issue of CLI amounting to ₱1.8 million. In September 2012, GMRI purchased additional CLI shares in the amount of ₱94.9 million. This resulted to the increase of GMRI's shareholdings in CLI from 18% or ₱240.9 million in December 2011 to 25% as of September 2012 or ₱337.6 million. With the increase in ownership to 25% in CLI, CLI became an associate of GMRI, thus the investment was reclassified to Investment in Associates. The Company has effective indirect ownership of 13% in CLI.

Investment in associates increased from ₱1.2 million as of December 2011 to ₱395.7 million this 2012. As mentioned above, there was reclassification of AFS financial assets in CLI to this account. This was due to the 25% increase in the shareholdings of GMRI in CLI amounting to ₱337.6 million. With the step-acquisition and increase in shareholding of GMRI in CLI, GMRI recognized gain of ₱52.2 million from fair value adjustments. The Company also recognized equity share of ₱4.8 million from CLI's net income from September to December 2012 and equity share of ₱0.1 million from GVI's net loss as of December 31, 2012.

Current Liabilities decreased from ₱8.5 million in 2011 to ₱5.4 million in 2012. The decrease was due to payment to related parties by ₱1.3 million and payment of accruals made in 2011 of ₱1.6 million.

The long-term loan payable of GMRI to KPMI amounting to ₱17.1 million as of December 2011 was fully paid in January 2012.

Total Stockholders' Equity was ₱974.3 million in December 2012 and ₱889.5 million in December 2011. Retained earnings amounted to ₱414.1 million as of December 2012 as compared with ₱304.5 million last year. The increase was due to net income of ₱115.7 million after non-controlling interests. Cash dividend of ₱6.0 million or ₱0.10 per share was released to stockholders last July 18, 2012, as per record date of June 22, 2012. This was offset by net realized cumulative gain of AFS financial assets of ₱72.5 million due to step acquisition of CLI shares and increase in market price of a club share from ₱11.2 million in 2011 to ₱16.5 million in 2012.

The equity attributable to equity holders of the parent amounted to ₱566.5 million versus last year of ₱524.0 million. The net book value per share as of December 2012 was ₱9.38 as against last year of ₱8.68. The basic/diluted earnings per share as of December 2012 and 2011 were ₱1.92 and ₱4.31 per share, respectively.

Plan of Action for 2015

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 | 2014 | 2013 | 2012 |
|---|-------|-------|-------|
| Current Ratio (Current Assets/Current Liabilities) | 22.90 | 49.58 | 57.91 |
| Acid Test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities) | 22.87 | 49.50 | 57.10 |
| Solvency Ratio (Net Income + Depreciation)/Total Liabilities | 3.52 | 2.82 | 21.95 |
| Asset to Equity Ratio | 1.01 | 1.01 | 1.01 |
| Debt Ratio (Total Liabilities/Total Assets) | 0.01 | 0.01 | 0.01 |
| Debt to Equity Ratio (Total Liabilities/Stockholders' Equity) | 0.01 | 0.01 | 0.01 |
| Return on Assets (%) (Net Income/Total Assets) | 2.59 | 2.09 | 16.10 |
| Return on Equity (%) (Net Income/Ending Stockholders' Equity) | 2.61 | 2.10 | 16.22 |
| Earnings per Share Attributable to Equity Holders of Parent (₱) | 0.20 | 0.15 | 1.92 |

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 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 December 31, 2014 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 retains the previous year's auditors, SyCip Gorres Velayo & Co. (SGV) to audit the current year's financial statements. The aggregate fee billed by SGV for the audit of the Company's annual financial statements was ₱320,000 for 2014 and ₱310,000 from 2012 to 2013. There were no other services performed by SGV for each of the last three fiscal years. The services performed by the Company's external auditors and the fees are reviewed by the Audit Committee prior to submission to the Board of Directors for approval.

(ii) **Tax Fees** - No tax fees were paid for the years 2014, 2013 and 2012.

(iii) **Other Fees** - No other fees were paid for the years 2014, 2013 and 2012.

(iv) **Audit 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 2 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 nine (9) members of the Board, two (2) 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) **Chow Yew Yuen**, 60, Singaporean, was elected Chairman of the Company in June 2014. He is currently the Chief Executive Director of Keppel Offshore & Marine (Keppel O&M), Ltd. He also serves on Board of Keppel O&M and holds directorships on the Board of several Keppel subsidiaries including Keppel FELS, Keppel Shipyard, Keppel O&M Technology Centre, Keppel Infrastructure Holdings and Keppel Energy. He is also the Chairman of Keppel Singmarine, Keppel AmFels, Keppel O&M USA and Keppel FELS Brazil. Mr. Chow has a Bachelor of Science degree in Mechanical Engineering with First Class Honours from the University of Newcastle-upon-Tyne. He has attended the Harvard Business School's Advance Management Program. He is the Vice President of Association of Singapore Marine Industries, a Council Member of Singapore Accreditation Council and a member of The American Bureau of Shipping (ABS), ABS Southeast Asia Regional Committee, ABS Offshore Technical Committee and DNV GL South East Asia & Pacific Committee. Mr. Chow has been with Keppel companies for more than 30 years and first joined Keppel FELS in 1981 as Project Engineer.
- (ii) **Stefan Tong Wai Mun**, 42, Malaysian, was elected as President and regular Director in June 2007. He has been a regular Director of Keppel Philippine Properties, Inc. since June 2007 and was 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 Institute of Chartered Accountants in Australia. He has 18 years of experience in banking, finance and real estate.
- (iii) **Celso P. Vivas**, 68, Filipino, has been an Independent Director since June 2005 and is currently the Chairman of the Audit Committee of the Company. Mr. Vivas is a Certified Public Accountant. He is a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. 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. 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 has 48 years of experience in audit, finance, enterprise risk management and corporate governance.

- (iv) **Noel M. Mirasol**, 77, Filipino, was elected Independent Director of the Company in June 2003 and currently a member of its Audit Committee. He currently serves as Special Consultant to the CEO of International Container Terminal Services, Inc. He is also a regular Director and President of ICTSI Georgia Corporation-Cayman Islands. He is also a regular Director of ICTSI Warehousing, Inc., Container Terminal Systems Solutions, Inc. - Mauritius, and Guam-International Container Terminal, Inc., and of other international container terminals both here and abroad. Mr. Mirasol graduated from the De La Salle College, Manila with a Bachelor of Science Degree in Mechanical Engineering. He also obtained Masters of Science Degree in Management from Rennselaer Polytechnic Institute, Troy, New York and a PhD in Operations Research from Case Institute of Technology, Cleveland, Ohio. Mr. Mirasol has 48 years of experience in finance in various industries.
- (v) **Mayo Jose B. Ongsingco***, 63, Filipino, was elected as regular Director of the Company in June 2002 and is currently a member of its Audit Committee. He has been the President and Chief Operating Officer of Insular Life Assurance Co. Ltd. since 2004 and Chairman of the Board for Insular Life Employees' Retirement Fund and Insular Life General Insurance Agency, Inc. He is Vice-Chairman of Insular Health Care, Inc., Insular Life Management & Development Corp., Insular Life Property Holdings, Inc. and Home Credit MBLA. He is also a regular Director of Insular Investment Corp., Insular Life Foundation, Mapfre Insular Insurance Corp., Pilipinas Shell Petroleum Corp., PPI Prime Venture, 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 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 (both with Honors). Mr. Ongsingco has 41 years of experience in banking, finance and insurance.
- (vi) **Benjamin P. Mata**, 84, Filipino, was first elected regular Director of the Company in 1975 on its incorporation, resigned in 1991 and was subsequently re-elected as regular Director again in 2003. Admiral Mata has been serving as Vice-Chairman of the Board of Marine Inquiry, Philippine Coast Guard and Chief of Marine Environment Protection Group of the Philippine Coast Guard Auxiliary since 2004. Admiral Mata also serves as Chairman of B. P. Mata, Inc., Goodsoil Marine Realty Inc. and Goodwealth Realty Development Corp. He graduated from the Philippine Merchant Marine Academy with a Bachelor of Science degree in Marine Transportation and taken up Shipbuilding Management Course at the Yokohama Shipbuilding Cooperation Center, Japan. As a licensed Master Mariner, Admiral Mata has more than 47 years of experience in the maritime industry and has sat in various committees relating to maritime issues.
- (vii) **Toh Ko Lin**, 62, Singaporean, was a regular Director and President of the Company from 2002 to 2007. He was also President of Keppel Philippines Marine, Inc. from 2001 until 2011. In October 2012, he was appointed as the Chairman of the Board and President of Keppel Philippines Marine, Inc. He holds chairmanship in Keppel Subic Shipyard, Inc. and also regular directorship in various affiliated companies in the Keppel Group. He is currently the

Executive Director of Keppel Singmarine Pte. Ltd. in Singapore. Mr. Toh graduated from the University of Newcastle-upon-Tyne in UK with a Bachelor of Science (Honors) degree in Naval Architecture. He also obtained a degree of Master of Business Administration from the University of Western Ontario, Canada. His work experience includes 38 years in the marine industry.

- (viii) **Ma. Melva E. Valdez**, 55, Filipino, holder of degrees of Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines, has been the Corporate Secretary of the Company since 1998 and a regular Director since 2001. She is a Senior Partner of the law firm of Jimenez Bello Valdez Caluya and Fernandez Law Offices (JGLaw). She is also currently the Corporate Secretary of Keppel Philippines Properties, Inc. and Mabuhay Vinyl Corporation (both listed companies) and Keppel Philippines Marine, Inc. She is likewise the Corporate Secretary of Asian Institute of Management and Keppel Subic Shipyard, Inc., and various Keppel companies in the Philippines and a regular Director of Leighton Contractors (Phils.) Inc. Atty. Valdez has 30 years of working experience in her field of profession as a lawyer.
- (ix) **Felicidad V. Razon**, 54, Filipino, was elected as a regular Director of the Company last May 2014. She joined the Company as Finance Manager in May 2008 and was elected as Treasurer in June 2008 and was appointed as Vice President/Treasurer and Compliance Officer in November 2013. She is also a regular Director of Goodsoil Marine Realty, Inc. and Goodwealth Realty Development Corp., Treasurer of Kepwealth Property Philippines, Inc., President of Keppel Center Condominium Inc. and Finance Manager of KPH related companies. She graduated from Polytechnic University of the Philippines with Bachelor of Science Degree in Commerce major in Accountancy and a Certified Public Accountant.

* *Mayo Jose B. Ongsingco resigned as a member of KPH's Board of Directors as well as member of the Audit Committee and the Compensation Committee effective March 18, 2015.*

Executive Officers

- (i) **Stefan Tong Wai Mun**, President – (See foregoing Director's Profile)
- (ii) **Ma. Melva E. Valdez**, Corporate Secretary – (See foregoing Director's Profile)
- (iii) **Felicidad V. Razon**, Vice President/Treasurer – (See foregoing Director's Profile)
- (iv) **Lory Anne P. Manuel-McMullin**, 45, Filipino, has been the Asst. Corporate Secretary of the Company since 1998. She is also the Asst. Corporate Secretary Keppel Philippines Marine, Inc., Phil. Nagano Seiko, Inc., Cavite Nagano Seiko, Inc., South Sea Nagano Dev. Inc., Karumona Nagano Seiko, Inc., Mitsuba Philippines Technical Center Corp., Sunnelit Philippines Corp., Logwin Air + Ocean Phils., Inc., Goodsoil Marine Realty, Inc., Goodwealth Realty Dev. Corp., Goodwealth Ventures, Inc., KPSI Property, Inc., Keppel Batangas Shipyard, Inc., Consort Capital, Inc., Kepwealth, Inc. and Kepventure, Inc. She is also a Director and Corporate Secretary/Treasurer of Cominix (Philippines), Inc.; Director/Corporate Secretary of Fonality (Philippines), Inc. and Mekttec (Philippines) Corp. and Resident Agent of Mekttec Corp. (Singapore) Pte. Ltd. Atty. McMullin is a Junior Partner of JGLaw Offices. 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 only two (2) executive officers, namely the President and Vice President - Treasurer.

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 | Bonus | Other Annual Compensation |
|---|---------------|------------|-------|---------------------------|
| Aggregate for All Officers | 2015 Estimate | ₱4,650,000 | None | None |
| | 2014 | ₱4,565,000 | None | None |
| | 2013 | ₱4,425,000 | None | None |
| Aggregate for All Officers & Directors as a Group | 2015 Estimate | ₱5,138,000 | None | None |
| | 2014 | ₱5,053,000 | None | None |
| | 2013 | ₱4,925,000 | 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 December 31, 2014, 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. Sen. Gil J. Puyat Ave., Makati City | None | Filipino | 'A': 25,091,784 'B': 1,715,749 <hr/> 26,807,533 | 44.407 |
| Common | Keppel Corporation Ltd. ² 1 Harbour Front Ave., #18-01 Keppel Bay Tower, Singapore 098632 | None | Singaporean | 'B': 16,894,082 | 27.985 |
| Common | <i>PCD Nominee Corp.</i> ³ <i>37/F Enterprise Bldg., Ayala Avenue, Makati City</i> | | Filipino Filipino Foreign | 'A': 10,995,360 'B': 2,020,319 'B': 638,133 <hr/> 13,653,812 | 22.618 |
| | <ul style="list-style-type: none"> <i>HSBC Securities Services</i>⁴ | <i>The Insular Life Assurance Co. Ltd. (ultimate beneficial owner)</i> | | 'A': 6,408,422 | 10.616 |

- 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.*
- 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.*
- 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 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.*
- HSBC Securities Services is the beneficial owner of 6,408,422 shares or 10.616% of the total outstanding capital stock. HSBC Securities Services is a corporation organized and existing under and by virtue of the Republic of the Philippines as a Securities Broker. The Insular Life Assurance Co. Ltd. (Insular Life), a non-stock corporation incorporated in the Philippines, is the ultimate beneficial owner of 6,408,422 shares.*

Security Ownership of Management as of December 31, 2014

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of Class |
|----------------|---|---|-------------|------------------|
| Common | Chow Yew Yuen / Chairman / Director | 'B' : 1(r) | Singaporean | - |
| | Stefan Tong Wai Mun / President / Director | 'B' : 1(r) | Malaysian | - |
| | Celso P. Vivas / Independent Director | 'A' : 1(r) | Filipino | - |
| | Noel M. Mirasol / Independent Director | 'B' : 1(r) | Filipino | - |
| | Mayo Jose B. Ongsingco / Director | 'A' : 1(r) | Filipino | - |
| | Benjamin P. Mata / Director | 'A' : 897(r) 'B' : 1(r) | Filipino | - |
| | Toh Ko Lin/ Director | 'B' : 1(r) | Singaporean | - |
| | Ma. Melva E. Valdez / Director / Corp. Sec. | 'B' : 1(r) | Filipino | - |
| | Felicidad V. Razon / Vice President -Treasurer | 'A' : 1(r) | Filipino | - |
| | Lory Anne P. Manuel-McMullin / Asst. Corp. Sec. | - | Filipino | - |

Free float level

The Company has 17% or 10,256,476 shares owned by the public out of the 60,367,419 total outstanding shares as of December 31, 2014.

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) Since 1993, GMRI has lease agreement with Keppel Philippines Marine, Inc. (KPMI) for a period of 50 years, covering the property which is the site of KPMI's shipyard. In May 2007, the lease contract was amended revising the annual lease rate from ₱6.0 million to ₱10.2 million effective January 1, 2007, which will be subject to escalation clause of 2% after every five years. Rent income based on straight-line method amounted to ₱9.6 million in 2014, 2013, and 2012. Total outstanding balance of lease receivables amounted to ₱35.4 million and ₱37.9 million as of December 31, 2014 and 2013, respectively.
- (b) GRDC leased its properties to KPMI for one year and renewable annually. Rental income derived from this transaction amounted to ₱0.2 million in 2014, 2013 and 2012. The outstanding balance of lease receivable amounted to nil and ₱0.03 million as of December 31, 2014 and 2013, respectively.
- (c) KPSI leases certain properties to KPMI, Keppel IVI Investments, Inc., Kepwealth Property Phils, Inc. and Keppel Energy Consultancy, Inc., its affiliates. Rental income derived from the lease amounted to ₱1.2 million in 2014, 2013 and 2012.
- (d) In June 2008, the Parent Company and KPMI entered into a lease agreement, whereby the Parent Company leased to KPMI a piece of land which is the subject of complaint against PNO. The lease is for a period of one year subject to renewal. Rental income derived from the land amounted to ₱2.0 million in 2014 and 2013 and ₱1.9 million 2012.

- (e) In September 2010, GMRI purchased 4.3% of CLI shares for ₱59.8 million. In July 2011, GMRI purchased 7.7% and 5.7% of CLI shares in the amount of ₱104.0 million and ₱77.1 million from GVI and KCL, respectively. The acquisition of additional shares in CLI increased GMRI's direct ownership from 4.3% to 17.7%.

In July 2012, CLI increased its capitalization through a rights issue. GMRI exercised its rights and obtained 1,763,275 shares for ₱1.8 million at par value of ₱1.0 per share. In addition, GMRI acquired 212,500 stock rights of KSSI Retirement Plan, a related party, at par value. Further, in September 2012, GMRI purchased additional 2,950,000 CLI shares at ₱32.17 per share from KPMI amounting to ₱94.9 million which increased GMRI's direct ownership interest in CLI to 25% resulting to the change in classification of the investment from AFS financial assets to an investment in an associate. The step-acquisition resulted to a gain on purchase of an investment in an associate of ₱52.2 million from fair value adjustments.

In July 2012, prior to the step acquisition, GMRI received ₱16.0 million cash dividend from CLI. In June 2013, CLI's BOD declared 60% stock dividend and GMRI received additional shares of 6,549,823. In July 2014, GMRI received cash dividend of ₱14.0 million.

- (f) In July 2011, GVI sold its 2,701,556 shares in CLI to GMRI for a total consideration of ₱104.0 million. The gain of GVI on the transaction amounted to ₱102.0 million. Subsequently, in August 2011, GVI declared cash dividends amounting to ₱82.0 million, of which, the Parent Company received ₱71.3 million. The dividend received by the Company was treated as a reduction of the carrying amount of the Parent Company's investment in GVI. The Company recorded unrealized gain on the AFS financial assets of GVI in 2011 amounting to ₱72.5 million since the transaction is an upstream sale to GMRI. In 2012, the Company recognized realized gain amounting to ₱72.5 million as a result of the transfer of its investment in CLI from AFS financial assets to an investment in an associate and was presented as part of the "Equity in net earnings of associates" account in the consolidated statements of income.
- (g) In September 2014, GMRI granted a long-term interest bearing loan to KPMI amounting to ₱200.0 million. The loan has five-year term, 15 months grace period on principal payment and payable in equal quarterly installment. The loan is subject to interest repricing on semi-annual basis. The loan has an option for prepayment. The interest rate applied in 2014 ranges from 3.4% to 3.5%. Interest income received as of December 31, 2014 amounted to ₱1.5 million and accrued interest of ₱0.5 million.
- (h) Compensation of the key management personnel of the Company pertains to salaries and other short-term employee benefits amounting to ₱4.5 million in 2014, ₱4.3 million in 2013 and ₱3.8 million in 2012.
- (i) In 2014, the Parent Company entered into a Memorandum of Understanding (MOU) with KPMI to form a joint venture agreement for upcoming projects. As at year end, the Parent Company has not received any income in relation to this MOU.

PART IV - CORPORATE GOVERNANCE

13 – Corporate Governance

Please refer to the attached Y2014 Annual Corporate Governance Report (ACGR).

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 2014 as follows:

| | |
|------------------|--|
| January 29, 2014 | Update on Annual Corporate Governance Report for year 2013 |
| February 5, 2014 | Setting of date of the Annual Stockholders Meeting on May 28, 2014 and the record date for stockholders entitled to notice of and to vote at said meeting on April 30, 2014 |
| | Board of Directors’ approval of KPH’s 2013 SEC Form 17-A (Annual Report and Audited Financial Statements (AFS) for the year ended 31 December 2013 and release of said AFS |
| April 10, 2014 | Resignation of a Director, Rogelio C. Cabuñag |
| April 11, 2014 | Acceptance of Resignation of a Director and replacement to be announced in the forthcoming stockholders meeting |
| | Board approval on the reappointment of SGV & Co. as KPH’s external auditor for the year 2014 |
| | Board approval of the Amendment of the Corporation’s Articles of Incorporation particularly Third Article thereof to indicate the principal office address of the corporation, in compliance with SEC Memorandum Circular No. 6, Series of 2014 |
| | Details /Agenda of May 28, 2014 Annual Stockholders Meeting |
| May 28, 2014 | Result of Board of Directors Meeting May 28, 2014 <ul style="list-style-type: none"> - Approval of Directors’ Remuneration for 2013 - Declaration of Cash Dividend - declaration of 10% or P0.10 per share cash dividend to all stockholders of record of the Company as of June 13, 2014, to be paid on or before July 9, 2014 |
| | Results of the Annual Stockholders Meeting Held May 28, 2014 <ul style="list-style-type: none"> - Appointment of External Auditor, SGV & Co. for the financial year 2014 - Election of Directors for year 2014-2015 - Approval of the Corporation’s Audited Financial Statements for the year ended December 31, 2013 - Approval of Directors’ Annual Remuneration of P60,000 for 2013 - Amendment of the Corporation’s Articles of Incorporation, more particularly Third Article thereof to indicate the principal office address of the Corporation |
| | Results of Organizational Meeting – May 28, 2014 Election of officers for the ensuing year 2014-2015, appointment of chairman, members of the various committees and compliance officer/corporate information officer |
| June 2, 2014 | Resignation of Chairman, Mr. Teo Soon Hoe |
| June 26, 2014 | Acceptance of Resignation of Mr. Teo Soon Hoe and Election of new Chairman and Director, Mr. Chow Yew Yuen |
| July 28, 2014 | Manual on Corporate Governance as amended on July 28, 2014 |

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 3B Country Space 1 Building
133 Sen. Gil Puyat Avenue, Salcedo Village
Barangay Bel-Air, Makati City 1200**

Attn: The Corporate Secretary

SIGNATURES

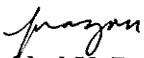
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on _____, 2015.

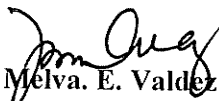
KEPPEL PHILIPPINES HOLDINGS, INC.

Issuer

By:


Stefan Tong Wai Mun
President



Felicidad V. Razon
Vice President /Treasurer


Ma. Melva E. Valdez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 8th day of April 2015; affiants exhibiting to me their Passport or Social Security System (SSS) IDs, as follows:

| <u>Names</u> | <u>Passport /SSS Nos.</u> | <u>Expiry</u> |
|---------------------|---------------------------|-------------------------|
| Stefan Tong Wai Mun | Passport No. A22011774 | June 17, 2015, Malaysia |
| Felicidad V. Razon | SSS No. 03-5429848-7 | |
| Ma. Melva E. Valdez | SSS No. 03-8437676-4 | |

Doc No. 427
Page No. 87
Book No. 11
Series of 2015.


ETHELENE G. VELASCO
Notary Public, Agrif. No. M-501, Makati City
Valid until: 31 December 2015
JGLaw, 6th Floor, SOL Bldg., 112 Amorsolo St.
Legaspi Village, Makati City
PTR No. 4752012 1/5/15, Makati City
IBP No. 6984898 1/7/15 Pangasinan Chapter
Roll No. 62420



101122015001715



SECURITIES AND EXCHANGE COMMISSION

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

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Industry Classification
Company Type Stock Corporation

Document Information

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Document Code LTR
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COVER SHEET

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(Company's Full Name)

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

**Ms. Fely Razon/
Atty. Ma. Melva E. Valdez/
Lory Anne P. Manuel-McMullin**

Contact Persons

**892 1816
815 9071**

Company Telephone Number

1 | 2
Month

3 | 1
Day

**Summary of Changes
in the Y2014 ACGR of KPHI**

FORM TYPE

5
Month

2 | 8
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Annual Meeting

N/A

Secondary License Type, if Applicable

| | | |
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Dept. Requiring this Doc.
Number/Section

n/a

Amended Articles

**437 as of
December 2014**

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | | | | | | |
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S T A M P S



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

Tel.: (632) 892 1816
Tel.: (632) 892 1820 to 24
Fax: (632) 8152581, 8926510

12 January 2015

Atty. Justina F. Callangan

Director

**Corporate Governance and Finance Department
Securities & Exchange Commission (SEC)**

SEC Building
Mandaluyong City

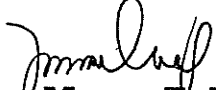
Dear Director Callangan:

Re: **Summary of Changes in the Y2014
Annual Corporate Governance Report
of Keppel Philippines Holdings, Inc.**

In compliance with *SEC Memorandum Circular nos. 1, 5 and 12*, series of 2014, please see attached notarized Secretary's Certificate which reflects the summary of changes in the **Y2014 ACGR of Keppel Philippines Holdings, Inc.** with relevant excerpts of minutes of the meetings of the Board of Directors and Stockholders.

We hope that said Secretary's Certificate meets substantially your formal requirements/standards.

Very truly yours,


MA MELVA E. VALDEZ
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year 2014
2. Exact Name of Registrant as Specified in its Charter - KEPPEL PHILIPPINES HOLDINGS, INC.
3. Unit 3-B, Country Space I Building,
#133 Sen. Gil Puyat Avenue, Salcedo Village,
Brgy. Bel-Air, Makati City 1200
Address of Principal Office Postal Code

4. SEC Identification Number 62596 5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number 000-163-715-000
7. (632) 892-1816
Issuer's Telephone number, including area code
8. N/A
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | 9 |
|---|---|

| | |
|---|----------------|
| Actual number of Directors for the year | 9 ¹ |
|---|----------------|

(a) Composition of the Board

Complete the table with information on the Board of Directors as of 2012:

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) ¹ | Elected when (Annual /Special Meeting) | No. of years served as director |
|------------------------|---|------------------------------------|---|--------------------|--|--|---------------------------------|
| Teo Soon Hoe* | NED | N/A | Keppel Corp. Ltd. | June 1999 | 2014 | ASM | 14* |
| TohKo Lin | NED | N/A | Keppel Corp. Ltd. | June 2002 | 2014 | ASM | 6** |
| Stefan Tong Wai Mun | ED | N/A | Kepwealth, Inc. | June 2007 | 2014 | ASM | 7 |
| Celso P. Vivas | ID | N/A | Stefan Tong Wai Mun | June 2005 | 2014 (3) | ASM | 9 |
| Noel M. Mirasol | ID | N/A | Ma. Melva E. Valdez | June 2003 | 2014 (3) | ASM | 11 |
| Mayo Jose B. Ongsingco | NED | N/A | PCD Nominee | June 2002 | 2014 | ASM | 12 |
| Felicidad V. Razon | NED | N/A | Kepwealth, Inc. | May 2014 | 2014 | ASM | 0 |
| Benjamin P. Mata | NED | N/A | Kepwealth, Inc. | 1975 | 2014 | ASM | 39 |
| Ma. Melva E. Valdez | NED | N/A | Kepwealth, Inc. | 2001 | 2014 | ASM | 13 |

*Replaced by Mr. Chow Yew Yuen on 26 June 2014.

**First Elected in 2002 and served up to 2007, then re-elected in 2014

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

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

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. (Article VI B, Amended Manual on Corporate Governance)

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or

¹Reckoned from their election as of the annual stockholders' meeting (ASM) held on 28 May 2014.

by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. (Article VI B, Amended Manual on Corporate Governance)

The Board of Directors, Management, employees and shareholders believe that corporate governance is an indispensable component towards achieving long-term success and profitability in the company. Furthermore, sound strategic business management must be implemented and observed awhile creating full awareness within the organization. (Article I, Amended Manual on Corporate Governance)

(c) How often does the Board review and approve the vision and mission? None.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

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

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|----------------------------|--|--|
| Teo Soon Hoe* | Keppel Telecommunications & Transportation Ltd. | Chairman |
| | M1 Limited | Chairman |
| | Keppel Corporation Limited | Executive |
| | Keppel Infrastructure Fund Management Pte Ltd | Non-Executive |
| | K1 Ventures Limited | Non-Executive |
| | Keppel Offshore & Marine Ltd. | Non-Executive |
| | Keppel Energy Pte Ltd., | Non-Executive |
| | Singapore Tianjin Eco-City Investment Holdings Pte. Ltd. | Non-Executive |
| Chow Yew Yuen | Keppel Singmarine | Chairman |
| | Keppel AmFELS | Chairman |
| | Keppel O&M USA | Chairman |
| | Keppel FELS Brasil | Chairman |
| | Keppel Offshore & Marine (Keppel O&M), Ltd. | Executive |
| | Keppel FELS | Non-Executive |
| | Keppel Shipyard | Non-Executive |
| | Keppel O&M Technology Centre | Non-Executive |
| | Keppel Infrastructure Holdings | Non-Executive |
| | Keppel Energy | Non-Executive |
| Stefan Tong Wai Mun | Consort Land, Inc. | Chairman |
| | Consort Capital, Inc | Chairman |
| | Keppel Fels Energy Manila, Inc. | Chairman |
| | Dyna-Mac Keppel Philippines, Inc. | Executive |

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

*Replaced by Mr. Chow Yew Yuen on 26 June 2014.

| | | |
|----------------------------|---|--------------------|
| | Keppel Energy Consultancy, Inc. | Executive |
| | Keppel Fels Energy , Inc. | Executive |
| | Keppel Philippines Marine, Inc. | Executive |
| | Kepwealth Property Phils., Inc. | Executive |
| | Keppel IVI Capital, Inc. | Non-Executive |
| | Keppel Philippines Properties, Inc. | Non-Executive |
| | Keppel Subic Shipyard, Inc. | Non-Executive |
| | Kepventure, Inc. | Non-Executive |
| | Kepwealth, Inc. | Non-Executive |
| | KPSI Property, Inc. | Non-Executive |
| | | |
| Celso P. Vivas | Keppel Philippines Marine, Inc. | Independent |
| | Keppel Philippines Properties, Inc. | Independent |
| | Keppel Subic Shipyard, Inc. | Independent |
| | | |
| Benjamin P. Mata | Goodsoil Marine Realty, Inc. | Chairman |
| | Goodwealth Realty and Development Corp. | Chairman |
| | | |
| Ma. Melva E. Valdez | Opon Realty & Development Corp | Chairman/Executive |
| | Opon-Ke Properties, Inc. | Chairman/Executive |
| | Buena Homes (Sandoval), Inc. | Executive |
| | Buena Homes, Inc. | Executive |
| | Residencia Grande, Inc. | Executive |
| | Consort Land, Inc. | Non-Executive |
| | Goodsoil Marine Realty, Inc. | Non-Executive |
| | Goodwealth Realty and Development Corp. | Non-Executive |
| | Goodwealth Ventures, Inc. | Non-Executive |
| | Keppel IVI Capital, Inc. | Non-Executive |
| | Kepventure, Inc. | Non-Executive |
| | Kepwealth, Inc. | Non-Executive |
| | Kepwealth Property Phils., Inc. | Non-Executive |
| | KP Capital, Inc. | Non-Executive |
| | KPSI Property, Inc. | Non-Executive |
| | Opon Ventures, Inc. | Non-Executive |
| | | |
| Toh Ko Lin | Keppel Philippines Marine, Inc. | Chairman/Executive |
| | Keppel Batangas Shipyard, Inc. | Chairman |
| | Keppel Subic Shipyard, Inc. | Chairman |
| | KPSI Property, Inc. | Chairman |
| | Kepwealth Property Phils Inc. | Chairman |
| | Goodwealth Ventures, Inc. | Chairman |
| | Keppel Singmarine Pte. Ltd. (Singapore) | Executive |
| | Keppel Singmarine Philippines, Inc. | Non-Executive |
| | Keppel Cebu Shipyard, Inc. | Non-Executive |
| | | |
| Felicidad V. Razon | Goodsoil Marine Realty, Inc. | Non-Executive |
| | Goodwealth Realty and Development Corp. | Non-Executive |
| | Keppel Fels Energy Manila Inc. | Non-Executive |

(ii) Directorship in Other Listed Companies

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

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|------------------------|-------------------------------|--|
| Mayo Jose B. Ongsingco | Union Bank of the Philippines | Executive |

(iii) Relationship within the Company and its Group

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

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the members of the Board of Directors which links them to significant shareholders in the company and/or in its group.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Per Article IV(3) of KPHI's By-Laws and Article III(C), Company Manual on Corporate Governance (Amended), "[t]he optimum number (of Board seats that an individual director may hold simultaneously) should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities." Further "[t]he Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised."

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company as of 2014:

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|------------------------|--------------------------|--|--------------------|
| Teo Soon Hoe* | Class 'B' : 1 | - | 0.00% |
| Chow Yew Yuen | Class 'B' : 1 | - | 0.00% |
| Stefan Tong Wai Mun | Class 'B' : 1 | - | 0.00% |
| Celso P. Vivas | Class 'A' : 1 | - | 0.00% |
| Noel M. Mirasol | Class 'B' : 1 | - | 0.00% |
| Mayo Jose B. Ongsingco | Class 'A' : 1 | - | 0.00% |
| Toh Ko Lin | Class 'B' : 1 | - | 0.00% |
| Benjamin P. Mata | Class 'A' : 897; 'B' : 1 | - | 0.00% |
| Ma. Melva E. Valdez | Class 'B' : 1 | - | 0.00% |
| Felicidad V. Razon | Class 'A' : 1 | - | 0.00% |
| TOTAL | 906** | | |

*Replaced by Mr. Chow Yew Yuen on 26 June 2014.

** Excluding share of Mr. Teo Soon Hoe

2) Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

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|-----------------------|--------------------|
| Chairman of the Board | Chow Yew Yuen* |
| CEO/President | Stefan Tong WaiMun |

*Replaced Mr. Teo Soon Hoe on 26 June 2014.

(b) Roles, Accountabilities and Deliverables

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

| | Chairman | Chief Executive Officer |
|------------------|---|--|
| Role | The Chairman, who shall be elected by the Board from their own members, shall preside at all meetings of the Board of Directors and stockholders and shall perform such functions and exercise such duties as may be delegated to him by the Board of Directors. (Section 2, Article V, KPHI By-Laws) | The President, who shall be elected by the Board of Directors from their own members, shall have the following powers and duties: a) He shall preside at all meetings in the absence of the Chairman; b) He shall sign all certificates of stock; and c) He shall perform all such other duties as may be delegated to him by the Board of Directors. (Section 3, Article V, KPHI By-Laws) |
| Accountabilities | <p>The Chairman is subject to the following permanent and temporary disqualifications imposed upon all board members:</p> <p><u>1. Permanent Disqualification</u></p> <p>The following shall be grounds for the permanent disqualification of a director:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:</p> <p>(a) involves the purchase or sale of securities, as defined under the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:</p> <p>(a) acting as underwriter, broker, dealer investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Securities & Exchange Commission (SEC or the "Commission") or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law</p> | <p>The President, being a member of the Board of Directors, is also subject to the same permanent and temporary disqualifications imposed upon all board members to wit:</p> <p><u>1. Permanent Disqualification</u></p> <p>The following shall be grounds for the permanent disqualification of a director:</p> <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:</p> <p>(a) involves the purchase or sale of securities, as defined under the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:</p> <p>(a) acting as underwriter, broker, dealer investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Securities & Exchange Commission (SEC or the "Commission") or any court or</p> |

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| | <p>administered by the Commission or BangkoSentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) Any person who has been adjudged by final judgment or Order of the Securities & Commission, court, or other competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and</p> <p>(ix) Such other grounds as the Committee may reasonably provide as a disqualification.</p> <p>2. Temporary Disqualification</p> <p>The following shall be grounds for the temporary disqualification of a director:</p> <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>(iii) Dismissal or termination for cause as director of any corporation covered by this Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of</p> | <p>administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BangkoSentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) Any person who has been adjudged by final judgment or Order of the Securities & Commission, court, or other competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and</p> <p>(ix) Such other grounds as the Committee may reasonably provide as a disqualification.</p> <p>2. Temporary Disqualification</p> <p>The following shall be grounds for the temporary disqualification of a director:</p> <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the</p> |
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| | <p>its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>(Section D, Article III, KPHI Amended Manual on Corporate Governance)</p> | <p>succeeding election.</p> <p>(iii) Dismissal or termination for cause as director of any corporation covered by this Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>(Section D, Article III, KPHI Amended Manual on Corporate Governance)</p> |
| Deliverables | <p>(i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;</p> <p>(ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and</p> <p>(iii) Maintain qualitative and timely lines of communication and information between the Board and Management. (Section C, Article III, KPHI Amended Manual on Corporate Governance)</p> | <p>The President, who shall be elected by the Board of Directors from their own members, shall have the following powers and duties:</p> <p>a) He shall preside at all meetings in the absence of the Chairman;</p> <p>b) He shall sign all certificates of stock; and</p> <p>c) He shall perform all such other duties as may be delegated to him by the Board of Directors.</p> <p>(Section 3, Article V, KPHI By-Laws)</p> |

- 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? There is no succession planning but any requirements or changes in the key management positions are supported by the Keppel Group of companies.
- 4) Other Executive, Non-Executive and Independent Directors

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

Per Article III of KPHI's Amended Manual on Corporate Governance, "KPH subscribes to the tenet that the Board serves a crucial role in corporate leadership by serving as the governance icon and soul of the corporation. Thus, the members of its Board are a collective mix of executive and non-executive directors who possess appropriate expertise, knowledge and experience to guide and direct the activities of the Company within the framework of its vision and mission, strategic objectives, policies and procedures."

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

Per Article III of KPHI's Amended Manual on Corporate Governance, "KPH subscribes to the tenet that the Board serves a crucial role in corporate leadership by serving as the governance icon and soul of the corporation. Thus, the members of its Board are a collective mix of executive and non-executive directors who possess appropriate expertise, knowledge and experience to guide and direct the activities of the Company within the framework of its vision and mission, strategic objectives, policies and procedures."

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

| | Executive | Non-Executive | Independent Director |
|------|--|--|---|
| Role | The President is the only executive director of the Company. | A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability | "Independent director means a person who, apart from his fees and shareholdings, is independent of management |

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| | <p>The President, who shall be elected by the Board of Directors from their own members, shall have the following powers and duties:</p> <p>a) He shall preside at all meetings in the absence of the Chairman;</p> <p>b) He shall sign all certificates of stock; and</p> <p>c) He shall perform all such other duties as may be delegated to him by the Board of Directors. (Section 3, Article V, KPHI By-Laws)</p> | <p>and fairness.</p> <p>It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.</p> <p>The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the management's performance. (Section F, Article III, KPHI Amended Manual on Corporate Governance)</p> | <p>and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director x xx." (Section 1, Article III, KPHI By-Laws)</p> |
| Accountabilities | <p><i>Subject to the same temporary and permanent disqualifications under Section D, Article III, of the Company's Amended Manual on Corporate Governance.</i></p> | <p><i>Subject to the same temporary and permanent disqualifications under Section D, Article III, of the Company's Amended Manual on Corporate Governance.</i></p> | <p><i>Subject to the same temporary and permanent disqualifications under Section D, Article III, of the Company's Amended Manual on Corporate Governance.</i></p> <p>In addition, an Independent Director shall be disqualified if:</p> <p>a. He becomes an officer or employee of the corporation where he is such member of the board of directors, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate Governance;</p> <p>b. His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;</p> <p>c. Fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency; and</p> <p>d. Such other disqualifications which the company's Manual on Corporate Governance provide. (Section 5, Article III, KPHI By-Laws)</p> |
| Deliverables | <p>In addition to the Executive Director's deliverables as President, he shall also have the following responsibilities:</p> <p>a) Implement a process for the selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective</p> | <p>a) Implement a process for the selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.</p> <p>b) Provide sound strategic policies and guidelines to the</p> | <p><i>Same deliverables as that of a regular director.</i></p> |

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| | <p>succession planning program for Management.</p> <p>b) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p> <p>c) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>d) Establish and maintain an effective investor relations program that will keep the stockholders informed of important developments on the Corporation. If feasible, the Company's CEO or chief financial officer shall exercise oversight responsibility over this program.</p> <p>e) Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>f) Adopt a system of check and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>g) Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint</p> | <p>Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.</p> <p>c) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>d) Establish and maintain an effective investor relations program that will keep the stockholders informed of important developments on the Corporation. If feasible, the Company's CEO or chief financial officer shall exercise oversight responsibility over this program.</p> <p>e) Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>f) Adopt a system of check and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.</p> <p>g) Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and</p> | |
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| | <p>ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>i) Endeavor to provide appropriate technology and utilize available resources to ensure a competitive position'</p> <p>k) Constitute an audit, nomination, compensation and remuneration committees, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities and which shall aid to the attainment of corporate goals.</p> <p>l) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.</p> <p>m) Properly discharge Board functions by meeting regularly or frequently as may be needed, and the minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>n) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>o) Appoint a Compliance Officer.</p> <p>p) Define the duties and responsibilities of the Chief Executive Officer/President and select or approve an individual with appropriate ability, integrity and experience to perform the role of the Chief Executive Officer/President.</p> <p>q) Review proposed senior management appointments and ensure the selection, appointment and retention of qualified and competent management.</p> | <p>dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>i) Endeavor to provide appropriate technology and utilize available resources to ensure a competitive position'</p> <p>k) Constitute an audit, nomination, compensation and remuneration committees, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities and which shall aid to the attainment of corporate goals.</p> <p>l) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.</p> <p>m) Properly discharge Board functions by meeting regularly or frequently as may be needed, and the minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.</p> <p>n) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.</p> <p>o) Appoint a Compliance Officer.</p> <p>p) Define the duties and responsibilities of the Chief Executive Officer/President and select or approve an individual with appropriate ability, integrity and experience to perform the role of the Chief Executive Officer/President.</p> <p>q) Review proposed senior management appointments and ensure the selection, appointment and retention of qualified and competent management.</p> <p>r) Review the Corporation's personnel and human resource policy and sufficiency, conflict of interest situations, changes</p> | |
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| | <p>r) Review the Corporation's personnel and human resource policy and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plans. (Section F, Article III, KPHI Amended Manual on Corporate Governance)</p> | <p>to the compensation plan for employees and officers and management succession plans. (Section F, Article III, KPHI Amended Manual on Corporate Governance)</p> | |
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

Per Article III of KPHI's By-Laws, an "[i]ndependent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company x xx."

At present, the independent directors Messrs. Vivas and Mirasol:

- i. are not directors or officers of the Company or of its related companies or any of its substantial shareholders except in their capacities as independent directors of any of the foregoing;
- ii. do not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;
- iii. are not related to any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders (*for this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister*);
- iv. are not acting as nominees or representatives of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to Deeds of Trust or under any other contracts or arrangements;
- v. have not been employed in any executive capacity by the Company, any of its related companies and/or any of its substantial shareholders within the last two (2) years;
- vi. are not retained, either personally or through their firms or any similar entities, as professional advisers by the Company, any of its related companies or by any of its substantial shareholders within the last two (2) years;
- vii. have not engaged and do not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by themselves and/or with other persons and/or through a firm of which they are partners and/or a company of which they are directors or substantial shareholders, other than transactions which are conducted at arms-length are immaterial.

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

Aside from adherence to SEC rules and regulations which include SEC Memorandum Circular No. 9, series of 2011, which provides for term limits and a "cooling off" period for independent directors, the Company has no other policy regarding the same.

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

(a) Resignation/Death/Removal

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

| Name | Position | Date of Cessation | Reason |
|--------------------|-------------------|-------------------|-------------|
| Rogelio R. Cabuñag | Director | 11 April 2014 | Resignation |
| Teo Soon Hoe | Chairman/Director | 26 June 2014 | Resignation |

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

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

| Procedure | Process Adopted | Criteria |
|---------------------------------|---|--|
| a. Selection/Appointment | | |
| (i) Executive Directors | The general management of the Corporation shall be vested in a board of directors composed of nine (9) members who shall be stockholders and who shall serve until the election and qualification of their successors. Any vacancy in the Board of Directors shall be filled by a majority vote of the Board of Directors provided that the remaining directors constitute a quorum. The directors or director so chosen shall serve for the unexpired term. | (i) Holder of at least one (1) share of stock of the Corporation; (ii) At least a college graduate or holder of equivalent academic degree; (iii) At least twenty one (21) years old; (iv) Membership in good standing in relevant industry, business or professional organizations; (v) Previous business experience; (vi) Practical understanding of the business of the Company; (vii) Proven to possess integrity and probity; (viii) Assiduous; and (ix) Such other qualifications as the Nominations Committee may reasonably require based on the nature and requirements of the position at stake. |
| (ii) Non-Executive Directors | <i>same as above</i> | <i>same as above</i> |
| (iii) Independent Directors | Nomination of independent director/s shall be conducted by the [Nominations] Committee prior to stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Securities and Exchange Commission ("Commission") and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the company is required to | (i) He shall have at least one (1) share of stock of the corporation; (ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years; (iii) He shall possess integrity and probity; and (iv) He shall be assiduous. |

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| | <p>submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.</p> <p>Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.</p> | |
| b. Re-appointment | | |
| (i) Executive Directors | <i>Same as that for selection/appointment</i> | <i>Same as that for selection/appointment</i> |
| (ii) Non-Executive Directors | <i>Same as that for selection/appointment</i> | <i>Same as that for selection/appointment</i> |
| (iii) Independent Directors | <i>Same as that for selection/appointment</i> | <i>Same as that for selection/appointment; in addition, (i) a regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a two (2) year "cooling-off period"; (ii) Persons appointed as Chairman "Emeritus", "Ex Officio Directors/Officers or members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director.</i> |
| c. Permanent Disqualification | | |
| (i) Executive Directors | <p>"Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock x xx; Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders x xx of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders x xx of a corporation for the purpose of removal of directors x xx or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, x xx on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders x xx by any stockholder x xx of the</p> | <p>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:</p> <ul style="list-style-type: none"> (a) involves the purchase or sale of securities, as defined under the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them. <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:</p> <ul style="list-style-type: none"> (a) acting as underwriter, broker, dealer investment adviser, principal distributor, mutual fund dealer, futures |

| | | |
|--|---|--|
| | <p>corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of this Code." (Section 28, Corporation Code of the Philippines)</p> | <p>commission merchant, commodity trading advisor, or floor broker;</p> <p>b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;</p> <p>(c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Securities & Exchange Commission (SEC or the "Commission") or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) Any person who has been adjudged by final judgment or Order of the Securities & Commission, court, or other competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment of</p> |
|--|---|--|

| | | |
|--------------------------------------|---|---|
| | | an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and (ix) Such other grounds as the Committee may reasonably provide as a disqualification. |
| (ii) Non-Executive Directors | <i>same as above</i> | <i>same as above</i> |
| (iii) Independent Directors | <i>same as above</i> | same as above; in addition, a. He becomes an officer or employee of the corporation where he is such member of the board of directors, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate Governance; b. His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director; c. Fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency; and d. Such other disqualifications which the company's Manual on Corporate Governance provide. |
| d. Temporary Disqualification | | |
| (i) Executive Directors | <p>"Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock x xx; Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders x xx of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders x xx of a corporation for the purpose of removal of directors x xx or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, x xx on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders x xx by any stockholder x xx of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders x xx of the right of representation to which they may be entitled under Section 24 of this</p> | <p>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists. (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. (iii) Dismissal or termination for cause as director of any corporation covered by this Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. (iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> |

| | | |
|------------------------------|---|--|
| | Code.” (Section 28, Corporation Code of the Philippines) | |
| (ii) Non-Executive Directors | <i>same as above</i> | <i>same as above</i> |
| (iii) Independent Directors | <i>same as above</i> | <i>same as above</i> |
| e. Removal | | |
| (i) Executive Directors | As provided in Section 28, Corporation Code of the Philippines | Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under Section 24 of this Code.” (Section 28, Corporation Code of the Philippines) |
| (ii) Non-Executive Directors | <i>same as above</i> | <i>same as above</i> |
| (iii) Independent Directors | <i>same as above</i> | <i>same as above</i> |
| f. Re-instatement | | |
| (i) Executive Directors | No provision for reinstatement | No provision for reinstatement |
| (ii) Non-Executive Directors | No provision for reinstatement | No provision for reinstatement |
| (iii) Independent Directors | No provision for reinstatement | No provision for reinstatement |
| g. Suspension | | |
| (i) Executive Directors | Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. (Article XI, KPHI Manual on Corporate Governance) | Non-compliance with the Manual on Corporate Governance. (Article XI, KPHI Manual on Corporate Governance) |
| (ii) Non-Executive Directors | <i>same as above</i> | <i>same as above</i> |
| (iii) Independent Directors | <i>same as above</i> | <i>same as above</i> |

Voting Result of 28 May 2014 Annual General Meeting

| Name of Director | Votes Received |
|------------------------|-----------------------------------|
| Teo Soon Hoe* | 100% of shares present and voting |
| Toh Ko Lin | 100% of shares present and voting |
| Stefan Tong Wai Mun | 100% of shares present and voting |
| Celso P. Vivas | 100% of shares present and voting |
| Noel M. Mirasol | 100% of shares present and voting |
| Mayo Jose B. Ongsingco | 100% of shares present and voting |
| Felicidad V. Razon | 100% of shares present and voting |
| Benjamin P. Mata | 100% of shares present and voting |
| Ma. Melva E. Valdez | 100% of shares present and voting |

*Replaced by Mr. Chow Yew Yuen on 26 June 2014.

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.
A new director or a senior manager is required to attend Corporate Governance Seminar.
- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: See below

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

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

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|------------------|--|--|
| Chow Yew Yuen (Chairman/Director) | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Toh Ko Lin (Director) | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Celso P. Vivas (Independent Director) | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Benjamin P. Mata (Director) | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Mayo Jose B. Ongsingco (Director) | 29 October 2014 | Corporate Governance | Institute of Corporate Directors |
| Stefan Tong Wai Mun (President/Director) | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |
| Noel M. Mirasol (Independent Director) | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |
| Ma. Melva E. Valdez (Director/Corporate Secretary) | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |
| Felicidad V. Razon (Director/Treasurer/ Compliance Officer/ Corporate Information Officer) | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |

B. CODE OF BUSINESS CONDUCT & ETHICS

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

As guided by the Keppel Group's Code of Conduct, the Group considers it important that employees understand the rules of conduct the Group operates and which they are accountable and the consequences of non-adherence to the rules, thus the Code of Conduct is disseminated to all employees of Keppel Group here and abroad.

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|--|-------------------|-----------|
| (a) Conflict of Interest | Employees must avoid any conflict between their own interests and the interest of the Group. This includes transaction in securities of the Group, any affiliate, and any non-affiliate organization, in dealing with suppliers, customers and other third parties. Employees are required to declare immediately any immediate relationship with the Director or the CEO, direct reporting relationships between an employee and his immediate family members, any ownership interest in any supplier, customer, etc. | | |
| (b) Conduct of Business and Fair Dealings | This addresses standards of ethical business behavior including anti-corruption, the offering and receiving of gifts, hospitality and promotional expenditures and | | |

| | |
|---|---|
| | dealings with Keppel associates. |
| (c) Receipt of gifts from third parties | While it is recognized that giving and receiving gifts and hospitality payments may help in the building of business relationships, good judgment must be exercised at all times. The offer and receipts of gifts, hospitality or expense must be avoided whenever they could affect or perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fide. Employees should avoid giving or receiving of gifts or hospitality (including entertainment, meals, tickets to social, entertainment or sports events, etc) which is excessive in value, given too often, or leaves the employee or (as the case may be) the other person in a position of obligation. Gifts in the form of cash or cash equivalent should be avoided. |
| (d) Compliance with Laws & Regulations | To conduct business with integrity, fairly and impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. In conducting our business, integrity must underline all relationships, including those with customers, suppliers, communities and employees. In this connection, employees are required to have the strength to do what they believe to be right in difficult situations. |
| (e) Respect for Trade Secrets/Use of Non-public Information | Employees must always act in the best interests of the Company; must at all times act honestly and use reasonable care, skill and diligence in the discharge of their duties and responsibilities; should not place himself in a position where his duty to the relevant Group company and his personal interest may conflict; must employ the powers and assets that they are entrusted with for the purposes authorized by the relevant Group Company; must not make improper use of any information acquired by virtue of his position to gain advantage for himself or for any other person or to cause detriment to a Group Company. |
| (f) Use of Company Funds, Assets and Information | |
| (g) Employment & Labor Laws & Policies | Management and employees adheres to the government regulations and standards. |
| (h) Disciplinary action | Appropriate disciplinary action, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the rules of conduct of the Company. |
| (i) Whistle Blower | The purpose of this policy is to encourage the reporting in good faith of suspected reportable conduct by establishing clearly defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. It should be noted however that employees and other persons who file reports or provide evidence which they know to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by this policy and may be subject to administrative and/or disciplinary action including termination of employment and other contract, as the case may be. |
| (j) Conflict Resolution | In all instances, the Company retains the prerogative to determine the circumstances warrant an investigation and, in conformity with the policy and applicable laws and regulations, the appropriate investigative process to be employed and corrective or remedial actions to take. |

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Copies of the Keppel Group's code of ethics or conduct have been provided to all officers and employees.
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. Employees are encouraged to report violations of the Keppel Group's code of ethics or conducts in accordance with the procedure set out in the Keppel Whistle-Blower Protection Policy.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures,

subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

| Related Party Transactions | Policies and Procedures |
|--|---|
| (1) Parent Company | None. However, as per employees code of conduct, employees must avoid any conflict between their own interests and the interest of the Group. This includes transaction in securities of the Group, any affiliate, and any non-affiliate organization, in dealing with suppliers, customers and other third parties. Employees are required to declare immediately any immediate relationship with the Director or the CEO, direct reporting relationships between an employee and his immediate family members, any ownership interest in any supplier, customer, etc. |
| (2) Joint Ventures | |
| (3) Subsidiaries | |
| (4) Entities Under Common Control | |
| (5) Substantial Stockholders | |
| (6) Officers including spouse/children/siblings/parents | |
| (7) Directors including spouse/children/siblings/parents | |
| (8) Interlocking director relationship of Board of Directors | |

(b) Conflict of Interest

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

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

| | Details of Conflict of Interest (Actual or Probable) |
|----------------------------------|--|
| Name of Director/s | None |
| Name of Officer/s | None |
| Name of Significant Shareholders | None |
| | |
| | |

(ii) Mechanism

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

| | Directors/Officers/Significant Shareholders |
|---------|---|
| Company | Please refer to the Keppel Group's Code of Business Conducts and Ethics |
| Group | |

5) Family, Commercial and Contractual Relations - None

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

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship |
|---|----------------------|---------------------------------------|
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |

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

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company: None

| Names of Related Significant Shareholders | Type of Relationship | Brief Description |
|---|----------------------|-------------------|
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: None

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|----------------------|---------------------------------------|--------------------------------------|
| None | None | None |
| None | None | None |

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities. None

| | Alternative Dispute Resolution System |
|--------------------------------------|---------------------------------------|
| Corporation & Stockholders | None |
| Corporation & Third Parties | None |
| Corporation & Regulatory Authorities | None |

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year? At the beginning of the year. The Board of Directors regularly conduct quarterly meetings with special meetings conducted when the need arises.
- 2) Attendance of Directors

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|-------------|------------------------|------------------|--------------------------------------|--------------------------|---------|
| Chairman | Teo Soon Hoe* | 28 May 2014 | 7 | 4* | 100%* |
| Member | Chow Yew Yuen | 28 May 2014 | 7 | 3* | 100% |
| Member | Stefan Tong Wai Mun | 28 May 2014 | 7 | 7 | 100% |
| Member | Mayo Jose B. Ongsingco | 28 May 2014 | 7 | 5 | 71.43% |
| Member | Rogelio R. Cabuñag** | 28 May 2014 | 7 | 1 | 100%** |
| Member | Toh Ko Lin | 28 May 2014 | 7 | 7 | 100% |
| Member | Benjamin P. Mata | 28 May 2014 | 7 | 7 | 100% |
| Member | Ma. Melva E. Valdez | 28 May 2014 | 7 | 7 | 100% |
| Independent | Noel M. Mirasol | 28 May 2014 | 7 | 7 | 71.43% |
| Independent | Celso P. Vivas | 28 May 2014 | 7 | 7 | 100% |
| Member | Felicidad V. Razon*** | 28 May 2014 | 7 | 4*** | 100%*** |

*replaced by Mr. Chow Yew Yuen on 26 June 2014

**resigned as Director of KPHI on 11 April 2014

***elected as director only on 28 May 2014

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? No.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. No. Per Section 2, Article II of the Company's By-Laws, " xxx majority of the directors shall be necessary at all the meetings to constitute a quorum for the transaction of any business, and every decision of majority of the quorum duly assembled as a Board shall be valid as a corporate act, except in the case of electing a director/s to fill up a vacancy in the Board."

5) Access to Information

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

As practiced, board papers are required to be sent to the directors at least seven days before the board meeting so that the members may have better understanding of the matters prior to the meeting and they will have time to discuss any questions they may have.

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

The directors are provided with the names and contact details of the Company's managers and corporate secretaries to facilitate direct access to them.

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

Yes. The Corporate Secretary is an officer of the Corporation who is a resident and citizen of the Philippines. At the most basic level, the Corporate Secretary is the one in charge of issuing notices of all meetings of directors and stockholders, drawing and keeping the minutes of meetings, safekeeping of the books, records and seal of the Corporation, rendering such reports and performing such other duties which are incidental to his/her office. The Corporate Secretary also ensures that Board members have the proper advice and resources for discharging their fiduciary duties, is responsible for ensuring that the records of the Board's actions reflect the proper exercise of those fiduciary duties, and provides advice on corporate governance issues.

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

Yes. The Company's current Corporate Secretary, Atty. Ma. Melva E. Valdez, is a holder of degrees of Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines. She has been the Corporate Secretary of the Company since 1998 and a Director since 2001 and a Senior Partner of the law firm of Jimenez Gonzales Bello Valdez Caluya and Fernandez Law Offices (JGLaw). She is also currently the Corporate Secretary of the following companies: Keppel Philippines Properties, Inc. and Mabuhay Vinyl Corporation (both listed companies) and Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Asian Institute of Management, Keppel Subic Shipyard, Inc and various Keppel companies in the Philippines, and a Director of Leighton Contractors (Phils.), Inc. Atty. Valdez has 30 years working experience in her field of profession as a lawyer.

(e) Committee Procedures

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

Yes

No

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

| Committee | Details of the procedures |
|------------------|--|
| Executive | Notice of agenda is distributed to the members of the committee at least a week before the meeting. Emails are also sent out prior to the release of the agenda. Tentative schedule of meetings for the year is also sent out so that directors can block their calendars ahead. |
| Audit | |
| Nomination | |
| Remuneration | |
| Others (specify) | |

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details: None. However, directors are not restricted in seeking or receiving external advice.

| Procedures | Details |
|------------|---------|
| None | None |
| None | None |
| None | None |
| None | None |

7) Change/s in existing policies

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

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

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers: The Company promotes a performance-based remuneration system for its executive director and key management personnel that is highly flexible and responsive to the market and individual employee's performance. The Company has only 2 management officers, the President and the Treasurer.

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|---|--|
| (1) Fixed remuneration | As decided by the Chairman | As decided by the CEO |
| (2) Variable remuneration | None | None |
| (3) Per diem allowance | None | None |
| (4) Bonus | As decided by the Chairman, based on financial and operating performance of the Company | As decided by the CEO, based on financial and operating performance of the Company |
| (5) Stock Options and other financial instruments | None | None |
| (6) Others (specify) | As decided by the Chairman | As decided by the CEO |

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

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

Under the Company's By-Laws, directors shall receive such compensation for their services from time to time as may be 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 services 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 right to purchase securities.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|-------------------------|--|------------------------------------|--------------------------------|
| Executive Directors | The Chairman is responsible for the compensation package of the Executive or the CEO. | | |
| Non-Executive Directors | The non-executive directors' annual compensation is approved by the shareholders during the annual general meeting and disclosed in the SEC 17C. | | |

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

| Remuneration Scheme | Date of Stockholders' Approval |
|-----------------------------|--------------------------------|
| Fixed amount (Php60,000.00) | 28 May 2014 |
| Fixed amount (Php60,000.00) | 06 June 2013 |
| Fixed amount (Php60,000.00) | 07 June 2012 |

3) Aggregate Remuneration

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

| Remuneration Item | Executive Director/President & Treasurer | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|--|--|--|
| (a) Fixed Remuneration | Php4,425,000 as stated in the 17A and IS | Php348,000 as stated in the 17A and IS | Php152,000 as stated in the 17A and IS |
| (b) Variable Remuneration | | | |
| (c) Per diem Allowance | | | |
| (d) Bonuses | | | |
| (e) Stock Options and/or other financial instruments | | | |
| (f) Others (Specify) | | | |
| Total | | | |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|---------------------|---|-----------------------|
| 1) Advances | None | None | None |
| 2) Credit granted | None | None | None |
| 3) Pension Plan/s Contributions | None | None | None |
| (d) Pension Plans, Obligations incurred | None | None | None |
| (e) Life Insurance Premium | None | None | None |
| (f) Hospitalization Plan | None | None | None |
| (g) Car Plan | None | None | None |
| (h) Others (Specify) | None | None | None |
| Total | None | None | None |

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

| Director's Name | Number of Direct Option/Rights/Warrants | Number of Indirect Option/Rights/Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|------------------------|---|---|-----------------------------|----------------------------|
| Teo Soon Hoe* | None | None | N/A | N/A |
| Toh Ko Lin | None | None | N/A | N/A |
| Stefan Tong Wai Mun | None | None | N/A | N/A |
| Celso P. Vivas | None | None | N/A | N/A |
| Noel M. Mirasol | None | None | N/A | N/A |
| Mayo Jose B. Ongsingco | None | None | N/A | N/A |
| Felicidad V. Razon | None | None | N/A | N/A |
| Benjamin P. Mata | None | None | N/A | N/A |
| Ma. Melva E. Valdez | None | None | N/A | N/A |

*Replaced by Mr. Chow Yew Yuen on 26 June 2014.

(b) Amendments of Incentive Programs

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

| Incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
| None | None | None |
| None | None | None |
| None | None | None |

5) Remuneration of Management

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

| Name of Officer/Position | Total Remuneration |
|--|--|
| There is only one member of the management who is not at the same time executive director. | Remuneration included in D.3 above, as stated in the 17A and IS. |

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|-----------|-------------------------|------------------------------|---------------------------|-------------------------|---|----------------------|-------|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | 1 | 2 | 0 | N/A | The Committee shall perform tasks delegated to it from time to time by the Board of Directors, subject to applicable laws and except on the following matters: a.Approval of any action for which shareholders' approval is also required; b.The filling of vacancies in the board; c.The amendment or repeal of by-laws or the adoption of new by-laws; d.The amendment or repeal of any resolution of the board which by its express terms are not so amenable or repealable; and e.A distribution of cash dividends to the shareholders. (Section 2, Article IV, KPHI By-Laws; Section K, Article III, KPHI Manual on Corporate Governance) | | |
| Audit | 1 | 2 | 2 | Audit Committee Charter | The Audit Committee shall have the following functions: a)Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; b)Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities; c)Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit. d)Perform oversight functions over the internal and external auditors. It should ensure that the internal and external | | |

| | | | | | |
|--|--|--|--|--|--|
| | | | | | <p>auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>e)Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;</p> <p>f)Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <p>g)Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>h)Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;</p> <p>i)Review the reports submitted by the internal and external auditors;</p> <p>j)Review the accounts, quarterly, half-year and annual financial statements of the Company before submission to the Board of Directors and/or stockholders for approval, with particular focus on the following matters:</p> <ul style="list-style-type: none"> •Any change/s in accounting policies and, practices •Major judgmental areas •Significant adjustments resulting from the audit •Going concern assumptions •Compliance with accounting standards •Compliance with tax, legal and regulatory requirements. <p>k)Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>l)Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;</p> <p>m)Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p> <p>n)Review cooperation given by the Corporation's officers to the external and internal auditor;</p> <p>o)Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:</p> <p>i)Definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.</p> <p>ii)An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.</p> |
|--|--|--|--|--|--|

| | | | | |
|--|--|--|--|---|
| | | | | <p>p) Review interested party transactions;</p> <p>q) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization;</p> <p>r) Keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the company's total expenditure on consultancy. The non-audit work should be disclosed in the annual report and not exceed 40% of the total audit fees; and</p> <p>s) Perform tasks delegated to it from time to time by the Board of Directors, subject to applicable laws. (Section K, Article III, KPHI Manual on Corporate Governance)</p> <p>In addition, Section 5, Article IV of KPHI's By-Laws provides that the Audit Committee shall:</p> <p>a. Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;</p> <p>b. Review and pre-approve audit plans of the Corporation's external auditors and, scope and frequency one (1) month before the conduct of external audit;</p> <p>c. Review the external auditor's evaluation and recommendation of the systems of internal accounting arising from their audit examination;</p> <p>d. Review the accounts, quarterly, half-year and annual financial statements of the Company before submission to the Board of Directors and/or stockholders for approval;</p> <p>e. Review the scope and results of internal audit procedures;</p> <p>f. Review cooperation given by the Company's officers to the external and internal auditor;</p> <p>g. Review interested party transactions;</p> <p>h. Perform oversight financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;</p> <p>i. Perform direct interface functions with the internal and external auditors;</p> <p>j. Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:</p> <p>1. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant;</p> <p>2. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;</p> <p>k. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization;</p> <p>l. Keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on</p> |
|--|--|--|--|---|

| | | | | | |
|--------------|---|---|---|-----|---|
| | | | | | <p>consultancy. The non-audit work should be disclosed in the annual report and not exceed 40% of the total audit fees; and</p> <p>m. Perform tasks delegated to it from time to time by the Board of Directors, subject to applicable laws.</p> |
| Nomination | 1 | 3 | 1 | N/A | <p>Under Section K, Article III, KPHI Manual on Corporate Governance, the Nomination Committee shall:</p> <p>a) Pre-screen and shortlist all candidates to the Board and other appointments that require Board approval, in accordance with the qualifications and disqualifications enumerated provided under this Manual, the Corporation Code, Securities & Regulations Code, and other pertinent rules and regulations.</p> <p>b) Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.</p> <p>c) In consultation with the Executive Committee, re-define the role, duties and responsibilities of the Chief Executive Officer/President by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.</p> <p>Under Section 3, Article IV of KPHI's By-Laws, the Nomination Committee "shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications provided under the Code of Corporate Governance.</p> <p>"The Nomination Committee shall, in consultation with the Executive Committee, re-define the role, duties and responsibilities of the Chief Executive Officer/President by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance for the Board."</p> |
| Remuneration | 1 | 3 | 1 | N/A | <p>Under Section K, Article III, KPHI Manual on Corporate Governance, the Compensation and Remuneration Committee shall:</p> <p>a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.</p> <p>b) Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.</p> <p>c) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</p> <p>d) Disallow any director to decide his or her own remuneration.</p> <p>e) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.</p> <p>f) Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory</p> |

| | | | | | | | |
|------------------|-----|-----|-----|-----|--|-----|-----|
| | | | | | requirements that must be periodically met in their respective posts. g)In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above." | | |
| Others (specify) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

2) Committee Members

(a) Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|----------------------|---------------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman/Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 0 | 0 | | 8 years |
| Member (NED) | Ma. Melva E. Valdez | 28 May 2014 | 0 | 0 | | 8 years |
| Member (NED) | Toh Ko Lin | 28 May 2014 | 0 | 0 | | 2 years |

*appointed as Chairman of the Committee on June 2013

(b) Audit Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---------------|------------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman (ID) | Celso P. Vivas | 28 May 2014 | 4 | 4 | 100% | 8 years |
| Member (ID) | Noel M. Mirasol | 28 May 2014 | 4 | 4 | 100% | 8 years |
| Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 4 | 4 | 100% | 7 years |
| Member (NED) | Toh Ko Lin* | 28 May 2014 | 2 | 2 | 100% | 0 year |
| Member (NED) | Mayo Jose B. Ongsingco | 28 May 2014 | 4 | 4 | 100% | 8 years |

*replaced Mr. Rogelio Cabunag only on 28 May 2014.

Disclose the profile or qualifications of the Audit Committee members.

Celso P. Vivas, 67, Filipino, has been elected Independent Director of Keppel Philippines Holdings since June 2005 and is currently the Chairman of the Audit Committee of the Company. Mr. Vivas is a Certified Public Accountant and is currently Vice-Chairman and CEO of the Corporate Governance Institute of the Philippines. He is a member of Marubeni Foundation's Board of Trustees and Canadian Chamber of Commerce's Board of Governors. He is an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc. and an Independent Director and member of the Audit Committee of Keppel Philippines Properties, Inc. He was formerly the Vice Chairman of Corporate Holdings Management, Inc. and Acacia Hotel Manila. 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 University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar). Mr. Vivas has 47 years of experience in audit, finance, enterprise risk management and corporate governance.

Noel M. Mirasol, 76, Filipino, was elected Independent Director of the Company in June 2003 and currently a member of the Audit Committee of the Company. He currently serves as Special Consultant to the CEO of International Container Terminal Services, Inc. He is also a Director and President of ICTSI Georgia Corp.-Cayman Islands. He is also a Director of ICTSI Warehousing, Inc., Container Terminal Systems Solutions, Inc.-Mauritius and Guam-International Container Terminal, Inc. and other international container terminals here and abroad. Mr. Mirasol graduated from De La Salle College, Manila with a Bachelor of Science Degree in

Mechanical Engineering. He also obtained Masters of Science Degree in Management from Rennselaer Polytechnic Institute, New York and a PhD. in Operations Research from Case Institute of Technology, Cleveland, Ohio. Mr. Mirasol has 47 years of experience in finance in various industries.

Stefan Tong Wai Mun, 41, Malaysian, was elected as President and Director in June 2007. He has been a Director of Keppel Philippines Properties, Inc. since June 2007 and was elected as Director Keppel Philippines Marine, Inc. in February 2010 and Executive Vice-President in June 2011. He is also a 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 Institute of Chartered Accountants in Australia. He has 17 years of experience in banking, finance and real estate.

Mayo Jose B. Ongsingco, 62, Filipino, was elected as Director of Keppel Philippines Holdings in June 2002 and currently a member of the Audit Committee of the Company. He has been the President and Chief Operating Officer of Insular Life Assurance Co. Ltd. since 2004 and Chairman of the Board of Insular Life Employees' Retirement Fund and Insular Life General Insurance Agency, Inc. He is the Vice-Chairman of Insular Life Health Care, Inc., Insular Life Management & Development Corp., Insular Life Property Holdings, Inc. and Home Credit MBLA. He is also a Director of Insular Investment & Trust Corp., Insular Life Foundation, Mapfre Insular Insurance Corp., Pilipinas Shell Petroleum Corp., PPI Prime Venture, 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 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 has 40 years of experience in banking, finance, and insurance.

Toh Ko Lin, 61 Singaporean, was re-elected as a Director of the Company in June 2013. He has been a Director and President of the Company since 2002 up to June 2007. He was also President of KPMI from January 2001 until June 2011. In October 2012, he was appointed as the Chairman of the Board and President of KPMI. He holds chairmanship in Keppel Subic Shipyard, Inc. as well as Keppel Cebu Shipyard, Inc. and also directorship in various affiliated companies in the Keppel Group. He is currently the Executive Director of Keppel Singmarine in Singapore. Mr. Toh graduated from the University of Newcastle-upon-Tyne in UK with a Bachelor of Science (Honors) degree in Naval Architecture. He also obtained a degree of Master of Business Administration from the University of Western Ontario, Canada. His work experience includes 37 years in the marine industry.

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

The Audit Committee pre-approves all audit plans, scope and frequency one (1) month before the conduct of external audit and performs oversight functions over the external auditors. It also ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Prior to the commencement of the audit, the Audit Committee discusses with the external auditor the nature, scope and expenses of the audit, and ensures proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. (Section K(2), Article III, Amended Manual on Corporate Governance)

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-------------|---------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | Toh Ko Lin* | 28 May 2014 | 1 | 1 | 100% | 2 years |
| Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 1 | 1 | 100% | 7 years |
| Member (ID) | Noel M. Mirasol | 28 May 2014 | 1 | 1 | 100% | 8 years |
| Member (ID) | Celso Vivas** | 28 May 2014 | 0 | 0 | n/a | 0 year |
| | | | | | | |

* replaced Mr. Teo Soon Hoe as Chairman on 28 May 2014/served the Committee as member since 6 June 2013

** replaced Mr. Rogelio Cabunag only on 28 May 2014.

(d) Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman | Toh Ko Lin* | 28 May 2014 | 0 | N/A | N/A | 0 year |
| Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 0 | N/A | N/A | 7 years |
| Member (ID) | Celso P. Vivas | 28 May 2014 | 0 | N/A | N/A | 8 years |
| Member (NED) | Mayo Jose B. Ongsingco | 28 May 2014 | 0 | N/A | N/A | 8 years |

*appointed as Chairman only on 28 May 2014

(e) Others (Specify)

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

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

3) Changes in Committee Members

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

| Name of Committee | Name | Reason |
|-------------------|---------------------------------|-------------|
| Executive | None | N/A |
| Audit | Rogelio Cabunag | Resignation |
| Nomination | Teo Soon Hoe Rogelio Cabunag | Resignation |
| Remuneration | Teo Soon Hoe | Resignation |
| Others (specify) | N/A | N/A |

4) Work Done and Issues Addressed

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

| Name of Committee | Work Done | Issues Addressed |
|-------------------|--|------------------------------------|
| Executive | <ul style="list-style-type: none"> Recommendation on cash dividend of P0.10 per share. | No issue was raised and addressed. |
| Audit | <ul style="list-style-type: none"> Recommendation on the approval of quarterly financial results; Recommendation on the re-appointment of External Auditor; Recommendation on the approval of the Company's Annual Report (SEC Form 17-A); and Recommendation on the approval of the Company's Y2011 Audited Financial Statements; Adoption of an Audit Committee Charter | No issue was raised and addressed. |

| | | |
|------------------|---|------------------------------------|
| Nomination | Screening and nomination of Directors (regular and independent) for election at the Annual Stockholders' Meeting. | No issue was raised and addressed. |
| Remuneration | None | None |
| Others (specify) | N/A | N/A |

5) Committee Program

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

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

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

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

The Keppel Group assessed the management risk through its quarterly desktop review of the financials of the company. The Company including its subsidiaries and associates submits on monthly basis the financial reports to the Keppel Group.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof; None
- (c) Period covered by the review; None
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not. None. Any risk or issues shall be raised and settled in the Audit Committee meetings.

2) Risk Policy

(a) Company

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

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |

(b) Group

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

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |

(c) Minority Shareholders

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

| Risk to Minority Shareholders |
|-------------------------------|
| Lack of control |

3) Control System Set Up

(a) Company - None

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

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|---|--|
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |

(b) Group - None

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

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|---|--|
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |
| None | None | None |

(c) Committee

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

| Committee/Unit | Control Mechanism | Details of its Functions |
|-----------------|---|--|
| Audit Committee | The Audit Committee provides oversight over Management's activities in managing credit, | 1. Check all financial reports against its compliance with both the internal financial |

| | | |
|--|--|--|
| | <p>market, liquidity, operational, legal and other risks of the corporation which function includes regular receipt from Management of information on risk exposures and risk management activities. (Section K(2), Article III, Amended Manual on Corporate Governance)</p> | <p>management handbook and pertinent accounting standards, including regulatory requirements; 2. Review interested party transactions; 3. Perform oversight financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management; 4. Perform direct interface functions with the internal and external auditors (Section 5 (a,g,h,i), Article IV, KPHI By-Laws)</p> |
|--|--|--|

G. INTERNAL AUDIT AND CONTROL

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

Internal Control System

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

- (a) Explain how the internal control system is defined for the company;
The control environment of the Corporation consists of:
- (1) the Board which ensures that the Corporation is properly and effectively managed and supervised;
 - (2) a Management that actively manages and operates the Corporation in a sound and prudent manner;
 - (3) the organizational and procedural controls supported by effective management information and risk management reporting systems; and
 - (4) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts. (Section H, Article III, Amended Manual on Corporate Governance)
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate; None
- (c) Period covered by the review; None
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not. None. No issues were raised during the audit committee meetings.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

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

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

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? N/A

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? N/A

(d) Resignation, Re-assignment and Reasons

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

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

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

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

| | |
|------------------------|-----|
| Progress Against Plans | N/A |
| Issues ⁶ | N/A |
| Findings ⁷ | N/A |
| Examination Trends | N/A |

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

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

(f) Audit Control Policies and Procedures

⁶"Issues" are compliance matters that arise from adopting different interpretations.
⁷"Findings" are those with concrete basis under the company's policies and rules.

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

| Policies & Procedures | Implementation |
|-----------------------|----------------|
| None | None |
| None | None |
| None | None |

(g) Mechanisms and Safeguards

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

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|-------------------------------------|--------------------|------------------|-----------------|
| None | None | None | None |
| None | None | None | None |

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Messrs. Chow Yew Yuen and Stefan Tong Wai Mun, Chairman of the Board and President, respectively, of the Corporation, confirms that the Corporation is in full compliance with the SEC Code of Corporate Governance and further confirms that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following: No established policy and activities

| | Policy | Activities |
|--|--------|------------|
| Customers' welfare | None | None |
| Supplier/contractor selection practice | None | None |
| Environmentally friendly value-chain | None | None |
| Community interaction | None | None |
| Anti-corruption programmes and procedures? | None | None |
| Safeguarding creditors' rights | None | None |

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
None

3) Performance-enhancing mechanisms for employee participation.

- (a) What are the company's policy for its employees' safety, health, and welfare? None. However, the company provides basic health and benefits.
- (b) Show data relating to health, safety and welfare of its employees. The Company provides basic health and other benefits.
- (c) State the company's training and development programmes for its employees. Show the data.
Annual PSE seminar on new disclosures- December 2014, Global Finance Management Conference – Singapore August 2014, CFA Conference for Forensic and Risk Management Seminar –May 2014 and October 2014; Futuristic Studies and Management -May 2014 and October 2014, Corporate Governance Seminar- October 2014, Seminar on Corporate Governance for Publicly-Listed companies –June 2014.
- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures - The Company provides regular annual salary increases depending on the employee's individual performance and bonuses depending upon the Company's operating and financial performance.
- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation. The Company has Whistle Blower Protection Policy which provide the mechanisms by which the Whistle-Blowers may report reportable conduct and enable the Group to effectively deal with reports from Whistle-Blowers in a way that will protect, to the extent possible, the identity of the Whistle-Blowers and persons who participate (or who intend to participate) in investigations.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|------------------------------------|------------------|---------|------------------|
| Kepwealth, Inc. | 26,807,533 | 44.407% | N/A |
| Keppel Corporation Ltd. | 16,894,082 | 27.985% | N/A |
| PCD Nominee Corp. – Filipino ***** | 13,015,679 | 21.561% | N/A |

***** The Insular Life and Assurance Co., Ltd has 6,408,422 shares or 10.616% - under PCD Nominee Corporation. Filipino; Net of the share of The Insular Life and Assurance Co., Ltd., PCD Nominee-Filipino will have 10.945%

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| Stefan Tong Wai Mun | 1 | None | 0.00% |
| Felicidad V. Razon | 1 | None | 0.00% |
| TOTAL | 2 | | 0.00% |

2) Does the Annual Report disclose the following:

| | |
|--------------------------------------|-----|
| Key risks | No |
| Corporate objectives | No |
| Financial performance indicators | Yes |
| Non-financial performance indicators | No |
| Dividend policy | Yes |
| Details of whistle-blowing policy | No |

| | |
|---|-----|
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner | No |
| Number of board of directors/commissioners meetings held during the year | Yes |
| Attendance details of each director/commissioner in respect of meetings held | No |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |

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

3) External Auditor's fee

| Name of auditor | Audit Fee | Non-audit Fee |
|---------------------------------|----------------|---------------|
| SyCip Gorres Velayo & Co. (SGV) | Php 320,000.00 | N/A |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information. Through PSE Website

5) Date of release of audited financial report: The 17A or Annual Report was submitted to Philippine Stock Exchange and was posted on its website on April 11, 2014.

6) Company Website

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

On 14 May 2014, KPHI submitted with the SEC an advisement letter and formally informed SEC of its compliance with SEC Resolution no. 393, series of 2011. Further, in compliance with SEC Memorandum Circular No.11, series of 2014, KPHI has reconstructed its website in accordance with SEC template. The website of KPHI may be visited at: <http://www.keppelph.com>.

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

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

Material information mentioned above is likewise disclosed in comprehensive, accurate timely manner via Philippine Stock Exchange (PSE) website. Email addresses of the Company's compliance and information officers are also available at PSE's website.

7) **Disclosure of Related Party Transactions**

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? The Company enters into a related party transaction based on the market rate. Proper disclosures are made on the Company's 17Q, 17A, IS and 17C when required and necessary.

J. **RIGHTS OF STOCKHOLDERS**

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

(a) Quorum

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

| | |
|------------------------|--|
| Quorum Required | Section 3, Article X of the Company's By-Laws provides that "[n]o stockholders' meeting shall be competent to decide any matter or transact any business unless a majority of the subscribed capital stock is present or represented thereat, except in those cases in which the Corporation Law expressly requires the affirmative vote of a greater proportion". |
|------------------------|--|

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|--------------------|---|
| System Used | One share, one vote |
| Description | Section 4, Article X of the Company's By-Laws provides that "[v]oting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita." |

(c) Stockholders' Rights

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

| Stockholders' Rights under The Corporation Code | Stockholders' Rights <u>not</u> in The Corporation Code |
|--|--|
| Voting right on all matters that require their consent or approval | No additional right is conferred. |
| Right of Inspection of Corporate Books/Records | |
| Right to Information | |
| Right to Dividends | |
| Appraisal Right | |

Dividends

| Declaration Date | Record Date | Payment Date |
|------------------|--------------|--------------|
| 28 May 2014 | 13 June 2014 | 09 July 2014 |

(d) Stockholders' Participation

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

| Measures Adopted | Communication Procedure |
|-----------------------------------|---|
| Notices | Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. |
| Questions and answers | Shareholders are invited at such meetings to put forth questions they may have on the motions to be debated and decided upon. All Board committee's Chairman and members are present to address queries at the Annual General Meeting. The external auditor is also present to assist the Board in addressing the shareholders' questions, if necessary. |
| Proxy | If any shareholder is unable to attend, he is allowed to appoint proxy to vote on his behalf at the meeting through proxy forms sent in ahead together with the notice of the meeting and Definitive Information Statement. |
| Minutes of Annual General Meeting | The minutes of shareholders' meetings, which contain substantial information that transpired during the meeting are prepared by the Corporate Secretary and are attached and included in the Definitive Information Statement. |

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

- a. Amendments to the company's constitution

The Corporation adheres to the provision of Section 16 of the Corporation Code of the Philippines which provides that "x xany provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors or trustees and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock x xx." (underlining ours)

- b. Authorization of additional shares

Since an increase in the authorized capital stock of the Corporation requires an amendment of the Articles of Incorporation, the Corporation adheres to the provision of Section 16 of the Corporation Code of the Philippines which provides that "x xany provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors or trustees and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock x xx." (underlining ours)

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

The Corporation adheres to the provision of Section 40 of the Corporation Code of the Philippines which provides that "x xxa corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stockx xx." (underlining ours)

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes, notwithstanding Section 5, Article X of KPHI's By-Laws which provides that "[w]ritten notice stating the date, time and place of the annual meeting shall be sent to each registered owner of stock at his postal address as registered in the Corporation books, at least fifteen (15) business days prior to the date of such meeting."
- a. Date of sending out notices: 30 April 2014
- b. Date of the Annual/Special Stockholders' Meeting: 28 May 2014
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. None.
5. Result of June 2014 Annual/Special Stockholders' Meeting's Resolutions

| Resolution | Approving | Dissenting | Abstaining |
|--|-----------|------------|------------|
| Reading and Approval of the Minutes of the Annual Stockholders' meeting held on 06 June 2013 | All | None | None |
| Presentation of the Annual Report and Approval of the Audited Financial Statements of 2013 | All | None | None |
| Ratification of the Acts and Proceedings of the Board of Directors, Officers and Management | All | None | None |
| Election of Directors for year 2014-2015 | All | None | None |
| Directors' Remuneration of Php60,000 each for the last fiscal year | All | None | None |
| Appointment of the External Auditor | All | None | None |
| Announcement of Cash Dividend | N/A | N/A | N/A |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: The result of the votes taken during the most recent AGM for all resolutions was submitted to SEC thru Form 17C on same day of AGM on 28 May 2014 and published by PSE the following day 29 May 2014.

(e) Modifications

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

| Modifications | Reason for Modification |
|---------------|-------------------------|
| None | N/A |

(f) Stockholders' Attendance

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

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|---|-----------------|---|-----------------------------|------------------|--------------------------|
| Annual | Teo Soon Hoe Stefan Tong WaiMun Celso P. Vivas TohKo Lin Benjamin P. Mata Melva E. Valdez Felicidad V. Razon | 28 May 2014 | One share, one vote | 0.007% | 86.620% | 86.627% |

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? No.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes. The Company has two classes of shares (Class 'A' and 'B') but have the same voting rights.

(g) Proxy Voting Policies

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

| | Company's Policies |
|-------------------------------------|--|
| Execution and acceptance of proxies | Stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Secretary for inspection and record at a date set by the Board prior to the holding of said meeting. (Section 2, Article X, KPHI By-Laws) A proxy executed by a Corporation shall be in a form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing said corporate officer to execute said proxy. (Section 1(a), Article XI, KPHI By-Laws) |
| Notary | Notarization is not required. |
| Submission of Proxy | Unless a longer period is fixed by the Board of Directors, proxies shall be submitted not later than ten (10) days prior to the date of stockholders' meeting. (Section 1(b), Article XI, KPHI By-Laws) |
| Several Proxies | No specific policy. |
| Validity of Proxy | No proxy shall be valid and effective for a period longer than five (5) years at any one time. (Section 58, Corporation Code of the Philippines) |
| Proxies executed abroad | No specific policy. |
| Invalidated Proxy | No specific policy. |
| Validation of Proxy | No specific policy. |

| | |
|--------------------|---------------------|
| Violation of Proxy | No specific policy. |
|--------------------|---------------------|

(h) Sending of Notices

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

| Policies | Procedure |
|---|--|
| Section 5, Article X of KPHI's By-Laws provides that "[w]ritten notice stating the date, time and place of the annual meeting shall be sent to each registered owner of stock at his postal address as registered in the Corporation books, at least fifteen (15) business days prior to the date of such meeting." | Copies of the notice of the stockholders' meeting together with the copy of the Definitive Information Statement, Audited Financial Statements and Annual Report are sent or delivered to the stockholders at least 15 business days prior to the stockholders' meeting. |

(i) Definitive Information Statements and Management Report

| | |
|---|---|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | All stockholders of record |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | N/A |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | 30 April 2014 |
| State whether CD format or hard copies were distributed | Hard copies are distributed. Soft copies are available at PSE's website |
| If yes, indicate whether requesting stockholders were provided hard copies | Hard copies are sent via postal mail and are available during Annual General Meeting. |

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

| | |
|---|-----|
| Each resolution to be taken up deals with only one item. | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |
| The auditors to be appointed or re-appointed. | Yes |
| An explanation of the dividend policy, if any dividend is to be declared. | Yes |
| The amount payable for final dividends. | Yes |
| Documents required for proxy vote. | Yes |

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

2) Treatment of Minority Stockholders

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

| Policies | Implementation |
|---|---|
| <p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</p> <p>The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. (Section 6B, Amended Manual on Corporate Governance)</p> | <ul style="list-style-type: none"> • Copies of the notice of the stockholders' meeting together with the copy of the Definitive Information Statement, Audited Financial Statements and Annual Report including 1st Quarter 2013 SEC Form 17Q, is sent or delivered to the stockholders at least 15 business days prior to the stockholders' meeting. • The notice of the holding of the annual stockholders' meeting is published in a newspaper of general circulation. • Materials/documents relative to the stockholders' meeting are available at the registration desk at the scheduled meeting. • Proxies are submitted not later than ten (10) days prior to the date of the stockholders' meeting. • At the stockholders' meeting, all stockholders of record, whether personally present or represented by proxy, are entitled to vote on matters presented therein. |

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

Yes, subject to the approval of the Nomination Committee which shall pre-screen and shortlist all candidates in accordance with the qualifications and disqualifications provided under the Code of Corporate Governance as well as the Company's Amended Manual on Corporate Governance.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee. There is no company policy on external and internal communication. As a procedure, major information is announced or disclosed by the Corporate Information Officer or Secretariat, as mandated by the regulations thru PSE website.
- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations. There is no investors' relation program. However, stakeholders can contact the Secretariat, the Management and can also check the PSE website for the names of contact persons as stated below.

| | Details |
|---------------------------------|--|
| (1) Objectives | None |
| (2) Principles | None |
| (3) Modes of Communications | Telephone, Fax, Email |
| (4) Investors Relations Officer | <p>Felicidad V. Razon – Corporate Information Officer/Vice President/Treasurer <i>Tel. No. 892-1816; Fax No. 894-3684;</i> <i>Email address - fely.razon@keppelph.com</i></p> <p>Melva E. Valdez – Corporate Secretary <i>Jimenez Bello Valdez Caluya & Fernandez (JGLAW)</i> <i>Tel. No. 815-9071; Fax No. 813-0081</i> Email address – mevaldez@jglawph.com</p> <p>Stefan Tong Wai Mun – President <i>Tel. No. 892-1816; Fax No. 894-3684</i> Email address – stefan.tong@keppelph.com</p> |

- 3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? The management prepares and submits proposal and secures approval of the Board of Directors.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. Independent directors – Celso P. Vivas and Noel M. Mirasol

- L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES** – Depends upon the need of the situation of the environment and the solicitation of an institution.

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

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

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

| | Process | Criteria |
|----------------------|------------------|-------------|
| Board of Directors | None | |
| Board Committees | None | |
| Individual Directors | None | |
| CEO/President | Yearly Appraisal | Performance |

N. INTERNAL BREACHES AND SANCTIONS

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

| Violations | Sanctions |
|---|--|
| Violation of any of the provisions of KPHI's Manual on Corporate Governance | <p>1. In case of first violation, the subject person shall be reprimanded.</p> <p>2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.</p> <p>3. For third violation, the maximum penalty of removal from office shall be imposed.</p> <p>The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p> |

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

(Per SEC Memorandum Circular Nos. 1, 5 and 12, series of 2014, attached herewith is a notarized Secretary's Certificate with excerpts of Board Resolutions or Minutes of meetings regarding said updates and changes in the ACGR.)

SIGNATURES

TohKo Lin
Chairman of the Board

Stefan Tong WaiMun
Chief Executive Officer

Celso P. Vivas
Independent Director

Noel M. Mirasol
Independent Director

Ma. Melva E. Valdez
Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of _____ affiant(s) exhibiting to me their TIN/passports, as follows:

| <u>NAME</u> | <u>TIN/Passport No.</u> | <u>DATE OF ISSUE</u> | <u>PLACE OF ISSUE</u> |
|---------------------|-------------------------|----------------------|-----------------------|
| Teo Soon Hoe | E3819521J | 15 April 2013 | Singapore |
| Stefan Tong WaiMun | 201-588-126 | | |
| Celso P. Vivas | 123-305-216 | | |
| Noel M. Mirasol | 111-430-461 | | |
| Ma. Melva E. Valdez | 123-493-209 | | |

NOTARY PUBLIC

Doc No. _____;
Page No. _____;
Book No. _____;
Series of _____.

SECRETARY'S CERTIFICATE

I, MA. MELVA E. VALDEZ, of legal age, Filipino with postal address at 6th Floor, SOL Building, 112 Amorsolo Street, Legaspi Village, Makati City, after being duly sworn, hereby depose and state that:

1. I am the Corporate Secretary of Keppel Philippines Holdings, Inc. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office at Unit 3-B, Country Space I Building, #133 Sen. Gil Puyat Avenue, Salcedo Village, Brgy. Bel-Air, Makati City;
2. In connection with SEC Memorandum Circular nos. 1, 5 and 12, series of 2014, the following are the excerpts of Board of Directors and Stockholders' Minutes of Meetings reflecting the Consolidated Changes in KPHI's Annual Corporate Governance Report for year 2014 and other details relevant thereto:

• **Item A(1)(a) Board Matters --Composition of the Board**

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) ¹ | Elected when (Annual /Special Meeting) | No. of years served as director. |
|------------------------|---|------------------------------------|---|--------------------|--|--|----------------------------------|
| Teo Soon Hoe* | NED | N/A | Keppel Corp. Ltd. | June 1999 | 2014 | ASM | 14* |
| Toh Ko Lin | NED | N/A | Keppel Corp. Ltd. | June 2002 | 2014 | ASM | 6 |
| Stefan Tong Wai Mun | ED | N/A | Kepwealth, Inc. | June 2007 | 2014 | ASM | 7 |
| Celso P. Vivas | ID | N/A | Stefan Tong Wai Mun | June 2005 | 2014 (3) | ASM | 9 |
| Noel M. Mirasol | ID | N/A | Ma. Melva E. Valdez | June 2003 | 2014 (3) | ASM | 11 |
| Mayo Jose B. Ongsingco | NED | N/A | PCD Nominee | June 2002 | 2014 | ASM | 12 |
| Felicidad V. Razon | NED | N/A | Kepwealth, Inc. | May 2014 | 2014 | ASM | 0 |
| Benjamin P. Mata | NED | N/A | Kepwealth, Inc. | 1975 | 2014 | ASM | 39 |
| Ma. Melva E. Valdez | NED | N/A | Kepwealth, Inc. | 2001 | 2014 | ASM | 13 |

¹ Reckoned from their election as of the annual stockholders' meeting (ASM) held on 28 May 2014.

*Replaced by Mr. Chow Yew Yuen on 26 June 2014.

In the regular meeting of the Board of Directors of KPHI, held on 28 May 2014, "the Chairman inquired from the Corporate Secretary if there had been any nominations submitted in accordance with the Corporation's By-laws and Manual on Corporate Governance. The Secretary answered in the affirmative and read the names of the seven (7) nominees for election as regular members of the Board of Directors and two (2) nominees for independent directors for the year 2014-2015. She added that there were no other nominations filed in accordance with the By-laws and Manual on Corporate Governance other than the names she had mentioned.

Considering that there were nine (9) nominees to fill in nine (9) seats in the Board, the Chairman directed the Corporate Secretary to cast the votes equally in favor of the 9 nominees. The following were elected as directors of the Corporation for the year 2014-2015 and shall serve as such until their successors are elected and shall have qualified:

1. Teo Soon Hoe
2. Stefan Tong Wai Mun
3. Celso P. Vivas – Independent Director
4. Noel M. Mirasol – Independent Director
5. Mayo Jose B. Ongsingco
6. Toh Ko Lin
7. Benjamin P. Mata
8. Ma. Melva E. Valdez
9. Felicidad V. Razon

After having been elected in the just concluded stockholders' meeting, the members of the Board of Directors proceeded to organize the Corporation by electing its officers.

On even date, an organizational meeting was also held, "whereupon, after proper nomination and on motion duly seconded, the following officers were elected to the position(s) indicated opposite their respective names for the year 2014-2015 and shall serve as such until their successors are elected and shall have qualified:

| | |
|------------------------------|--------------------------------|
| Teo Soon Hoe | -Chairman |
| Stefan Tong Wai Mun | -President |
| Felicidad V. Razon | -Vice President/Treasurer |
| Ma. Melva E. Valdez | -Corporate Secretary |
| Lory Anne P. Manuel-McMullin | -Assistant Corporate Secretary |

In said organizational meeting, the following were appointed as chairmen, members of various committees and compliance officer/corporate information officer:

a. Executive Committee

Chairman: Stefan Tong Wai Mun
 Members: Toh Ko Lin
 Ma. Melva E. Valdez

b. Nominations Committee

Chairman: Toh Ko Lin
 Members: Celso P. Vivas – Independent Director
 Noel M. Mirasol - Independent Director
 Stefan Tong Wai Mun

c. Compensation Committee

Chairman: Toh Ko Lin
 Members: Celso P. Vivas – Independent Director
 Mayo Jose B. Ongsingco
 Stefan Tong Wai Mun

d. Audit Committee

Chairman: Celso P. Vivas - Independent Director
 Members: Noel M. Mirasol - Independent Director
 Mayo Jose B. Ongsingco
 Toh Ko Lin
 Stefan Tong Wai Mun

e. Compliance Officer & Corporate Information Officer
 Felicidad V. Razon"

• **Item A(1) (d)(i) Directorship in the Company's Group**

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|-----------------|---|--|
| Chow Yew Yuen | Keppel Singmarine | Chairman |
| | Keppel AmFELS | Chairman |
| | Keppel O&M USA | Chairman |
| | Keppel FELS Brasil | Chairman |
| | Keppel Offshore & Marine (Keppel O&M), Ltd. | Executive |
| | Keppel FELS | Non-Executive |
| | Keppel Shipyard | Non-Executive |
| | Keppel O&M Technology Centre | Non-Executive |
| | Keppel Infrastructure Holdings | Non-Executive |
| | Keppel Energy | Non-Executive |

• Item A(1) (e) Shareholdings in the Company

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|------------------|-------------------------|--|--------------------|
| Chow Yew Yuen | Class 'B' : 1 | - | 0.00% |

• Item A(2) Changes in the Board of Directors--Chairman and CEO

| | |
|-----------------------|---------------------|
| Chairman of the Board | Chow Yew Yuen |
| CEO/President | Stefan Tong Wai Mun |

**Please see excerpt of minutes as written in the item below.*

• A(5)(a) Changes in the Board of Directors--Resignation/Death/Removal

| Name | Position | Date of Cessation | Reason |
|--------------------|-------------------|-------------------|-------------|
| Rogelio R. Cabuñag | Director | 11 April 2014 | Resignation |
| Teo Soon Hoe | Chairman/Director | 26 June 2014 | Resignation |

On 11 April 2014, the Board of Directors accepted the resignation of Mr. Rogelio Cabuñag.

"The Chairman reported to the Board that a resignation letter dated 10 April 2014 was previously received from Mr. Rogelio R. Cabuñag, informing the Company of his resignation as Director of Keppel Philippines Holdings, Inc. Furthermore, a copy of said resignation letter was also given to the Nomination Committee. The Nomination Committee had convened earlier today to discuss the matter and proceeded on the business of selecting a replacement for Mr. Cabuñag.

Anent thereto, he presented the signed resignation letter of Mr. Cabuñag; said resignation to take effect upon submission by the Nomination Committee of the Final List of Candidates which contained one qualified candidate, Ms. Felicidad V. Razon, and acceptance thereof by the Board there being no other nomination received by the Committee. Ms. Razon had been attending the various KPH meetings as the incumbent Vice-President and Treasurer of KPH.

The Board likewise noted that Mr. Cabuñag was also a member of the Audit and Nomination Committee and, as a result of said resignation from the Board, is likewise effectively resigned as a member of said Committees.

After several discussions and on motion duly made and seconded, the Board resolved as follows:

"RESOLVED, That the Board of Directors hereby accepts with regrets the resignation of Mr. Rogelio R. Cabuñag as a member of the Board of Directors as well as the Audit and Nomination Committee effective immediately and hereby expresses its appreciation for his invaluable services/contribution to the Company;

"RESOLVED FURTHER, That in light of the vacancy created by such resignation, the stockholders will elect his replacement at the forth coming annual stockholders' meeting;

"RESOLVED FURTHERMORE, That by reason of Mr. Cabuñag's resignation as Director, his appointment as member of the Audit and Nomination Committee is likewise deemed vacated. Mr. Cabunag's replacement in the said committees will be appointed during the Board's organizational meeting on 28 May 2014, to be held shortly after the annual stockholders' meeting."

On 26 June 2014, the Board of Directors accepted the resignation of Mr. Teo Soon Hoe and elected Mr. Chow Yew Yuen as Chairman and member of the Board of Directors.

"After some discussion and on motion duly made and seconded, the following resolution was approved:

"RESOLVED, That the resignation of Mr. Teo Soon Hoe as Chairman and member of the Board of Directors of the Corporation, effective 01 June 2014, is hereby accepted;

RESOLVED FURTHER, That the Corporation hereby expresses its profound gratitude and deepest appreciation for the invaluable services and contribution of Mr. Teo Soon Hoe to the Corporation;

RESOLVED FURTHERMORE, That the Corporation hereby elects Mr. Chow Yew Yuen as Chairman and member of the Board of Directors, effective immediately;

RESOLVED FINALLY, That the Board of Directors warmly welcomes Mr. Chow Yew Yuen as its new Chairman."

• Item A(6)(c) Continuing Education Programs for Directors

| Name of Director/Officer | Date of Training | Program | Name of training Institution |
|--|------------------|--|--|
| Chow Yew Yuen <i>(Chairman/Director)</i> | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Toh Ko Lin <i>(Director)</i> | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Celso P. Vivas <i>(Independent Director)</i> | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Benjamin P. Mata <i>(Director)</i> | 05 December 2014 | Corporate Governance | Risks, Opportunities, Assessment and Management (ROAM), Inc. |
| Mayo Jose B. Ongsingco <i>(Director)</i> | 29 October 2014 | Corporate Governance | Institute of Corporate Directors |
| Stefan Tong Wai Mun <i>(President/Director)</i> | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |
| Noel M. Mirasol <i>(Independent Director)</i> | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |
| Ma. Melva E. Valdez <i>(Director/Corporate Secretary)</i> | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |
| Felicidad V. Razon <i>(Director/Treasurer/ Compliance Officer/ Corporate Information Officer)</i> | 21 October 2014 | SEC-PSE Corporate Governance Forum for Publicly Listed Companies | SEC Corporate Governance and Finance Department |

• Item B(1)(a) Disclosure and Transparency—Ownership Structure

(a) Holding 5% shareholding or more

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|------------------------------------|------------------|---------|------------------|
| Kepwealth, Inc. | 26,807,533 | 44.407% | N/A |
| Keppel Corporation Ltd. | 16,894,082 | 27.985% | N/A |
| PCD Nominee Corp. – Filipino ***** | 13,015,679 | 21.561% | N/A |

***** The Insular Life and Assurance Co., Ltd has 6,408,422 shares or 10.616% - under PCD Nominee Corporation. Filipino; Net of the share of The Insular Life and Assurance Co., Ltd., PCD Nominee-Filipino will have 10.945%

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| Stefan Tong Wai Mun | 1 | None | 0.00% |
| Felicidad V. Razon | 1 | None | 0.00% |
| TOTAL | 2 | | 0.00% |

• Item B(3) External Auditor's Fee

| Name of auditor | Audit Fee | Non-audit Fee |
|---------------------------------|---------------|---------------|
| SyCip Gorres Velayo & Co. (SGV) | Php320,000.00 | N/A |

• Item C(2) Board Meetings and Attendance--Details of the Attendance of Directors (Y2014)

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|-------------|------------------------|------------------|--------------------------------------|--------------------------|---------|
| Chairman | Teo Soon Hoe* | 28 May 2014 | 7 | 4* | 100%* |
| Member | Chow Yew Yuen | 28 May 2014 | 7 | 3* | 100% |
| Member | Stefan Tong Wai Mun | 28 May 2014 | 7 | 7 | 100% |
| Member | Mayo Jose B. Ongsingco | 28 May 2014 | 7 | 5 | 71.43% |
| Member | Rogelio R. Cabuñag** | 28 May 2014 | 7 | 1 | 100%** |
| Member | Toh Ko Lin | 28 May 2014 | 7 | 7 | 100% |
| Member | Benjamin P. Mata | 28 May 2014 | 7 | 7 | 100% |
| Member | Ma. Melva E. Valdez | 28 May 2014 | 7 | 7 | 100% |
| Independent | Noel M. Mirasol | 28 May 2014 | 7 | 7 | 71.43% |
| Independent | Celso P. Vivas | 28 May 2014 | 7 | 7 | 100% |
| Member | Felicidad V. Razon*** | 28 May 2014 | 7 | 4*** | 100%*** |

*replaced by Mr. Chow Yew Yuen on 26 June 2014

**resigned as Director of KPHI on 11 April 2014

***elected as director only on 28 May 2014

• Item D(2) Remuneration Matters-- Total Remuneration Details for the last 3 years and Item D(3) Aggregate Remuneration

Total remuneration details for the last 3 years

| Remuneration Scheme | Date of Stockholders' Approval |
|-----------------------------|--------------------------------|
| Fixed amount (Php60,000.00) | 28 May 2014 |
| Fixed amount (Php60,000.00) | 06 June 2013 |
| Fixed amount (Php60,000.00) | 07 June 2012 |

Aggregate Remuneration

| Remuneration Item | Executive Director/President & Treasurer | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|--|--|--|
| (a) Fixed Remuneration | Php4,425,000 as stated in the 17A and IS | Php348,000 as stated in the 17A and IS | Php152,000 as stated in the 17A and IS |
| (b) Variable Remuneration | | | |
| (c) Per diem Allowance | | | |
| (d) Bonuses | | | |
| (e) Stock Options and/or other financial instruments | | | |
| (f) Others (Specify) | | | |
| Total | | | |

On 28 May 2014 meeting of the Board of Directors, the following resolution was approved and adopted by the Stockholders on a meeting held on even date:

“RESOLVED, That the directors’ remuneration for the year ended 2013 be maintained at Sixty Thousand Pesos (P60,000.00) per annum for each director and that the same be submitted to the stockholders for approval during the annual stockholders’ meeting.”

x x x.”

• **Item E(2)(a) Board Committees--Executive Committee**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|----------------------|---------------------|---------------------|----------------------|--------------------------|---|------------------------------------|
| Chairman/Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 0 | 0 | | 8 years |
| Member (NED) | Ma. Melva E. Valdez | 28 May 2014 | 0 | 0 | | 8 years |
| Member (NED) | Toh Ko Lin | 28 May 2014 | 0 | 0 | | 2 years |
| | | | | | | |

*appointed as Chairman of the Committee on June 2013

• **Item E(2)(b) Audit Committee**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---------------|---------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman (ID) | Celso P. Vivas | 28 May 2014 | 4 | 4 | 100% | 8 years |
| Member (ID) | Noel M. Mirasol | 28 May 2014 | 4 | 4 | 100% | 8 years |
| Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 4 | 4 | 100% | 7 years |

| | | | | | | |
|--------------|------------------------|-------------|---|---|------|---------|
| Member (NED) | Toh Ko Lin* | 28 May 2014 | 2 | 2 | 100% | 0 year |
| Member (NED) | Mayo Jose B. Ongsingco | 28 May 2014 | 4 | 4 | 100% | 8 years |
| | | | | | | |

• Item E(2)(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-------------|---------------------|---------------------|----------------------|--------------------------|------|------------------------------------|
| Chairman | Toh Ko Lin* | 28 May 2014 | 1 | 1 | 100% | 2 years |
| Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 1 | 1 | 100% | 7 years |
| Member (ID) | Noel M. Mirasol | 28 May 2014 | 1 | 1 | 100% | 8 years |
| Member (ID) | Celso Vivas** | 28 May 2014 | 0 | 0 | n/a | 0 year |
| | | | | | | |

• Item E(2)(d) Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman | Toh Ko Lin* | 28 May 2014 | 0 | N/A | N/A | 0 year |
| Member (ED) | Stefan Tong Wai Mun | 28 May 2014 | 0 | N/A | N/A | 7 years |
| Member (ID) | Celso P. Vivas | 28 May 2014 | 0 | N/A | N/A | 8 years |
| Member (NED) | Mayo Jose B. Ongsingco | 28 May 2014 | 0 | N/A | N/A | 8 years |
| | | | | | | |

• Item G(2)(h) Internal Audit and Control—Internal Audit

(h) x x x

Messrs. Chow Yew Yuen and Stefan Tong Wai Mun, Chairman of the Board and President, respectively, of the Corporation, confirms that the Corporation is in full compliance with the SEC Code of Corporate Governance and further confirms that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

• Item H(3)(c) Role of Stockholders—Training and Development Programmes

(c) State the company's training and development programmes for its employees. Show the data.

Annual PSE seminar on new disclosures- December 2014, Global Finance Management Conference – Singapore August 2014, CFA Conference for Forensic and Risk Management Seminar –May 2014 and October 2014; Futuristic Studies and Management -May 2014 and October 2014, Corporate Governance Seminar- October 2014, Seminar on Corporate Governance for Publicly-Listed companies –June 2014.

• **Item I(5) Disclosure and Transparency – Release of Audited Financial Report**

The 17A or Annual Report was submitted to Philippine Stock Exchange and was posted on its website on April 11, 2014.

• **Item I(6) Company Website**

On 14 May 2014, KPHI submitted with the SEC an advisement letter and formally informed SEC of its compliance with SEC Resolution no. 393, series of 2011. Further, in compliance with SEC Memorandum Circular No.11, series of 2014, KPHI has reconstructed its website in accordance with SEC template. The website of KPHI may be visited at: <http://www.keppelph.com>.

• **Item J(1)(c) Rights of Stockholders--Dividends**

| Declaration Date | Record Date | Payment Date |
|------------------|--------------|--------------|
| 28 May 2014 | 13 June 2014 | 09 July 2014 |

On 28 May 2014 Board of Directors and Stockholders' meeting, the following resolution was approved:

"RESOLVED, That the Board of Directors of Keppel Philippines Holdings, Inc. (the "Corporation") hereby declares a cash dividend of Php 0.10 (10%) per share, or a total of Php 6.04 Million for 60,367,419 shares issued and outstanding, from the unrestricted retained earnings of the Corporation as of 31 December 2013, to be distributed to all stockholders record as of 13 June 2014;

RESOLVED FURTHER, That the payment date shall not be later than 09 July 2014;

x x x. "

• **Item J(1)(d)(5) Results of 28 May 2014 Annual Stockholders' Meeting**

| Resolution | Approving | Dissenting | Abstaining |
|--|-----------|------------|------------|
| Reading and Approval of the Minutes of the Annual Stockholders' meeting held on 06 June 2013 | All | None | None |
| Presentation of the Annual Report and Approval of the Audited Financial Statements of 2013 | All | None | None |
| Ratification of the Acts and Proceedings of the Board of Directors, Officers and Management | All | None | None |
| Election of Directors for year 2014-2015 | All | None | None |

| | | | |
|--|-----|------|------|
| Directors' Remuneration of Php60,000 each for the last fiscal year | All | None | None |
| Appointment of the External Auditor | All | None | None |
| Announcement of Cash Dividend | N/A | N/A | N/A |

During the 2014 Annual Stockholders' Meeting, it was "indicated that copies of the minutes of the last annual meeting held on 06 June 2013 were made available to the stockholders before the start of the meeting. Thus, on proper motion duly made and seconded, the reading of the aforesaid minutes was dispensed with and the minutes of the 06 June 2013 Annual Stockholder's Meeting was accordingly approved."

PRESENTATION OF ANNUAL REPORT AND APPROVAL OF AUDITED FINANCIAL STATEMENTS

"The Chairman stated that the Annual Report was not prepared for 2013 and even prior to that to save on costs. However, he indicated that all relevant information can be found under the Company's Annual Report (SEC Form 17-A) and/or Definitive Information Statement (SEC Form 20-IS). Furthermore, a copy of SEC Form 17-A is available at the PSE website or may be requested from the Corporate Secretary. The SEC Form 20-IS which contained the audited financial statements has been sent out to the stockholders prior to the stockholders' meeting and that copies thereof were made available at the entrance of the venue for the meeting for those who have not received a copy yet."

RATIFICATION OF THE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, OFFICERS AND MANAGEMENT DURING THE YEAR UNDER REVIEW

"Whereupon, on motion duly made and seconded, the following resolution was adopted:

"RESOLVED, That all the official or corporate acts and proceedings of the Board of Directors, Officers and Management of the Corporation since the last annual meeting of the stockholders up to the present are hereby ratified."

x x x"

APPOINTMENT OF EXTERNAL AUDITOR

Whereupon, on motion duly made and seconded, the following resolution was adopted:

"RESOLVED, That SyCip Gorres Velayo & Co. be as it is hereby reappointed as the external auditor of the Corporation for the year 2014 at a fee to be fixed by Management."

• Item J(1)(f)(i) Details of AGM Attendance

| Type of Meeting | Names of Board Members / Officers Present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|-----------------|---|-----------------------------|------------------|--------------------------|
| Annual | Teo Soon Hoe Stefan Tong Wai Mun Celso P. Vivas Toh Ko Lin Benjamin P. Mata Melva E. Valdez Felicidad V. Razon | 28 May 2014 | One share, one vote | 0.007% | 86.620% | 86.627% |

During the 2014 Annual Stockholders' Meeting, "the Corporate Secretary advised the Chairman that out of the total outstanding shares, about 86.63% were present either in person or by proxy; hence, there was a quorum."

3. The foregoing information is in accordance with the records of the Corporation in my custody as Assistant Corporate Secretary.
4. This certification is being issued in compliance with SEC Memorandum Circulars no. 1, 5 and 12, series of 2014 and for whatever legal purposes it may serve.


IN WITNESS WHEREOF, I have hereunto affixed my signature at Makati City, on 12th day of January 2015.

Prepared by:


 MA MELVA E. VALDEZ
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this 12th day of January 2015 in Makati City; affiant MA. MELVA E. VALDEZ exhibited to me her Social Security System (SSS) ID No. 03-8437676-4

Doc. No. 83;
 Page No. 18;
 Book No. 11;
 Series of 2015.


 ETHELENE G. VELASCO
 Notary Public, Appt. No. M-501, Makati City
 Valid until: 31 December 2015
 JGlaw, 6th Floor, SOL Bldg., 112 Amoroso St.
 Legaspi Village, Makati City
 PTR No. 4230477, 02 Jan. 2014, Makati City
 IBP No. 950784, 06 Jan. 2014, Pangasinan Chapter
 Roll No. 62420

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

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FORM 17-A, Item 7

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Consolidated Financial Statements

Consolidated Statement of Management's Responsibility for Financial Statements

Report of Independent Auditors' Report

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Consolidated Statements of Income for the years ended Dec. 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Income for the years ended
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Consolidated Statements of Changes in Stockholders' Equity for the years ended
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Consolidated Statements of Cash Flows for the years ended Dec. 31, 2014, 2013 and 2012

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COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

info@keppelph.com

Company's Telephone Number/s

8921816

Mobile Number

-

No. of Stockholders

437 as of Dec 31, 2014

Annual Meeting
Month/Day

May 28

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Stefan Tong Wai Mun

Email Address

info@keppelph.com

Telephone Number/s

8921816

Mobile Number

-

Contact Person's Address

Unit 3B CountrySpace 1 Bldg., 133 Sen. Gil Puyat Ave., Salcedo Vil., Brgy. Bel-Air, Makati City

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



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

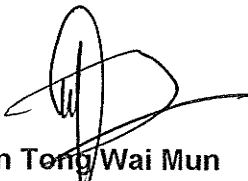
Tel.: (632) 892 1816
 Tel.: (632) 892 1820 to 24
 Fax: (632) 8152581, 8926510

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **KEPPEL PHILIPPINES HOLDINGS, INC. & SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the additional components attached therein, for the years ended **December 31, 2014** and **2013**, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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


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



Stefan Tong Wai Mun
 President



Chow Yew Yuen
 Chairman



Felicidad V. Razon
 Vice President - Treasurer

Signed this 3rd day of February 2015

MAR 26 2015

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2015,
 affiants exhibiting to me their Passport Nos. as follows:

| <u>Name</u> | <u>Passport No.</u> | <u>Issued At</u> | <u>Expiry</u> |
|---------------------|---------------------|------------------|-----------------|
| Chow Yew Yuen | E4493965E | Singapore | 29 October 2019 |
| Stefan Tong Wai Mun | A22011774 | Malaysia | 17 June 2015 |
| Felicidad V. Razon | EB0534556 | Manila | 05 July 2015 |

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 Book No. XVII
 Series of ANK

ATTY. GENERAL B. ORSINI JR.
 Notary Public City of Makati
 Until December 31, 2015
 IBP No. 656159-Lifetime Member
 MCLE Compliance No. III-0014282
 Appointment No. M-199-(2015-2016)
 PTR No. 4748512 Jan. 5, 2015
 Makati City Roll No. 40091
 201 Urban Area
 A member of the **Keppel** Group. Singapore

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
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 accompanying consolidated financial statements of Keppel Philippines Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.





Building a better
working world

- 2 -

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Keppel Philippines Holdings, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),

April 15, 2013, valid until April 14, 2016

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-81-2012,

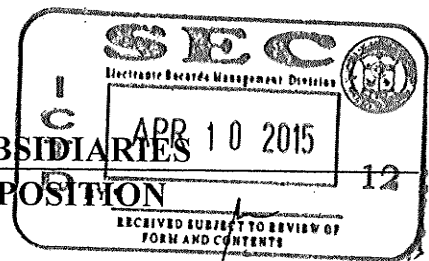
June 19, 2012, valid until June 18, 2015

PTR No. 4751347, January 6, 2015, Makati City

February 3, 2015



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



December 31

| | 2014 | 2013 |
|---|-----------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 6 and 21) | ₱127,884,635 | ₱312,310,233 |
| Receivables - net (Notes 7, 14 and 21) | 13,216,948 | 1,953,570 |
| Other current assets - net (Note 8) | 185,868 | 479,295 |
| Total Current Assets | 141,287,451 | 314,743,098 |
| Noncurrent Assets | | |
| Available-for-sale financial assets (Notes 9 and 21) | 15,000,001 | 15,000,001 |
| Investments in associates (Note 10) | 419,572,134 | 413,581,086 |
| Loan receivable - net of current portion (Notes 7, 14 and 21) | 187,500,000 | - |
| Lease receivables - net of current portion (Notes 7, 14, and 21) | 35,393,933 | 36,162,905 |
| Investment properties - net (Note 11) | 210,334,162 | 211,676,776 |
| Property and equipment - net (Note 12) | 42,662 | 440,101 |
| Other noncurrent assets - net (Note 23) | 4,140,710 | 4,140,710 |
| Total Noncurrent Assets | 871,983,602 | 681,001,579 |
| TOTAL ASSETS | ₱1,013,271,053 | ₱995,744,677 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities (Notes 13, 14 and 21) | ₱4,125,996 | ₱4,441,286 |
| Refundable deposits (Note 21) | 1,794,468 | 1,871,655 |
| Income tax payable (Note 18) | 248,007 | 35,299 |
| Total Current Liabilities | 6,168,471 | 6,348,240 |
| Noncurrent Liability | | |
| Deferred tax liability (Note 18) | 1,774,381 | 1,825,786 |
| Total Liabilities | 7,942,852 | 8,174,026 |
| Equity Attributable to Equity Holders of the Parent | | |
| Capital stock (Note 15) | 73,173,500 | 73,173,500 |
| Additional paid-in capital | 73,203,734 | 73,203,734 |
| Retained earnings (Note 16) | 423,538,262 | 417,284,390 |
| Unrealized gain on available-for-sale financial assets (Note 9) | 14,422,058 | 14,422,058 |
| Treasury shares (Note 16) | (9,898,178) | (9,898,178) |
| Total | 574,439,376 | 568,185,504 |
| Noncontrolling Interests (Note 2) | | |
| Total Equity | 1,005,328,201 | 987,570,651 |
| TOTAL LIABILITIES AND EQUITY | ₱1,013,271,053 | ₱995,744,677 |

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|-------------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 |
| REVENUE AND INCOME | | | |
| Equity in net earnings of associates (Notes 10 and 14) | P19,964,035 | P17,868,723 | P77,181,761 |
| Rental income (Notes 11 and 14) | 19,270,326 | 18,804,270 | 17,887,264 |
| Interest income (Notes 6, 7 and 14) | 4,675,608 | 6,874,863 | 14,612,691 |
| Management fees (Note 14) | 1,200,000 | 1,175,000 | 600,000 |
| Dividend (Notes 10 and 14) | - | - | 15,977,802 |
| | 45,109,969 | 44,722,856 | 126,259,518 |
| EXPENSES | | | |
| Operating expenses (Note 17) | (18,217,619) | (21,656,806) | (17,187,573) |
| OTHER INCOME | | | |
| Recovery of provision for impairment (Note 8) | 765,873 | - | - |
| Director's fees (Note 14) | 212,000 | 259,000 | 223,000 |
| Gain on purchase of investment in an associate (Notes 10 and 14) | - | - | 52,238,150 |
| Others | 900,513 | 110,963 | 319,123 |
| | 1,878,386 | 369,963 | 52,780,273 |
| INCOME BEFORE INCOME TAX | 28,770,736 | 23,436,013 | 161,852,218 |
| PROVISION FOR INCOME TAX (Note 18) | 2,562,944 | 2,674,499 | 3,785,325 |
| NET INCOME | P26,207,792 | P20,761,514 | P158,066,893 |
| NET INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the parent (Note 19) | P12,290,614 | P9,219,933 | P115,664,581 |
| Noncontrolling interests | 13,917,178 | 11,541,581 | 42,402,312 |
| | P26,207,792 | P20,761,514 | P158,066,893 |
| EARNINGS PER SHARE ATTRIBUTABLE TO | | | |
| EQUITY HOLDERS OF THE PARENT (Note 19) | P0.204 | P0.153 | P1.916 |

See accompanying Notes to Consolidated Financial Statements.



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

| | Years Ended December 31 | | |
|--|-------------------------|--------------------|---------------------|
| | 2014 | 2013 | 2012 |
| NET INCOME | ₱26,207,792 | ₱20,761,514 | ₱158,066,893 |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Unrealized fair value gain (loss) on available-for-sale financial assets (Note 9) | - | (1,500,000) | 5,300,000 |
| Realized gain on transfer from AFS financial assets to investments in associates (Notes 10 and 14) | - | - | (72,454,888) |
| TOTAL COMPREHENSIVE INCOME | ₱26,207,792 | ₱19,261,514 | ₱90,912,005 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the parent | ₱12,290,614 | ₱7,719,933 | ₱48,509,693 |
| Noncontrolling interests | 13,917,178 | 11,541,581 | 42,402,312 |
| | ₱26,207,792 | ₱19,261,514 | ₱90,912,005 |

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | | | Total Equity |
|---|--|----------------------------------|-----------------------------------|---|---------------------------------|--------------|-----------------------------|-----------------|
| | Capital Stock (Note 15) | Additional Paid-in Capital | Retained Earnings (Note 16) | Available-for- sale Financial Assets (Note 9) | Treasury Shares (Note 16) | Total | Noncontrolling Interests | |
| | | | | | | | | |
| Balance at January 1, 2014 | ₱73,173,500 | ₱73,203,734 | ₱417,284,390 | ₱14,422,058 | (₱9,898,178) | ₱568,185,504 | ₱419,385,147 | ₱987,570,651 |
| Total comprehensive income for the year | — | — | 12,290,614 | — | — | 12,290,614 | 13,917,178 | 26,207,792 |
| Cash dividend declared (Note 16) | — | — | (6,036,742) | — | — | (6,036,742) | (2,413,500) | (8,450,242) |
| Balance at December 31, 2014 | ₱73,173,500 | ₱73,203,734 | ₱423,538,262 | ₱14,422,058 | (₱9,898,178) | ₱574,439,376 | ₱430,888,825 | ₱1,005,328,201 |
| Balance at January 1, 2013 | ₱73,173,500 | ₱73,203,734 | ₱414,101,199 | ₱15,922,058 | (₱9,898,178) | ₱566,502,313 | ₱407,843,566 | ₱974,345,879 |
| Net income | — | — | 9,219,933 | — | — | 9,219,933 | 11,541,581 | 20,761,514 |
| Unrealized fair value loss on available-for-sale financial assets (Note 9) | — | — | — | (1,500,000) | — | (1,500,000) | — | (1,500,000) |
| Total comprehensive income for the year | — | — | 9,219,933 | (1,500,000) | — | 7,719,933 | 11,541,581 | 19,261,514 |
| Cash dividend declared (Note 16) | — | — | (6,036,742) | — | — | (6,036,742) | — | (6,036,742) |
| Balance at December 31, 2013 | ₱73,173,500 | ₱73,203,734 | ₱417,284,390 | ₱14,422,058 | (₱9,898,178) | ₱568,185,504 | ₱419,385,147 | ₱987,570,651 |
| Balance at January 1, 2012 | ₱73,173,500 | ₱73,203,734 | ₱304,473,360 | ₱83,076,946 | (₱9,898,178) | ₱524,029,362 | ₱365,441,254 | ₱889,470,616 |
| Net income | — | — | 115,664,581 | — | — | 115,664,581 | 42,402,312 | 158,066,893 |
| Unrealized fair value gain on available-for-sale financial assets (Note 9) | — | — | — | 5,300,000 | — | 5,300,000 | — | 5,300,000 |
| Realized gain on transfer from AFS financial assets to investments in associates (Note 10) | — | — | — | (72,454,888) | — | (72,454,888) | — | (72,454,888) |
| Total comprehensive income for the year | — | — | 115,664,581 | (67,154,888) | — | 48,509,693 | 42,402,312 | 90,912,005 |
| Cash dividend declared (Note 16) | — | — | (6,036,742) | — | — | (6,036,742) | — | (6,036,742) |
| Balance at December 31, 2012 | ₱73,173,500 | ₱73,203,734 | ₱414,101,199 | ₱15,922,058 | (₱9,898,178) | ₱566,502,313 | ₱407,843,566 | ₱974,345,879 |

See accompanying Notes to Consolidated Financial Statements.



KEPPEL PHILIPPINES HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|-------------------------|--------------------|---------------------|
| | 2014 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | P28,770,736 | P23,436,013 | P161,852,218 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 11, 12 and 17) | 1,751,481 | 2,267,672 | 2,244,871 |
| Provision for impairment losses (Notes 8 and 17) | 514,735 | 3,257,275 | 124,434 |
| Recovery of provision for impairment (Note 8) | (765,873) | - | - |
| Interest income (Notes 6 and 14) | (4,675,608) | (6,874,863) | (14,612,691) |
| Equity in net earnings of associates (Notes 10 and 14) | (19,964,035) | (17,868,723) | (77,181,761) |
| Dividend income (Notes 10 and 14) | - | - | (15,977,802) |
| Gain on purchase of investment in an associate (Notes 10,14 and 22) | - | - | (52,238,150) |
| Operating income before working capital changes | 5,631,436 | 4,217,374 | 4,211,119 |
| Decrease (increase) in: | | | |
| Receivables | 2,287,171 | (550,717) | 1,576,426 |
| Other current assets | 544,565 | 644,859 | (217,139) |
| Increase (decrease) in: | | | |
| Accounts payable and other current liabilities | (315,290) | 852,511 | (1,640,997) |
| Refundable deposits | (77,187) | 100,455 | 78,120 |
| Payable to a related party | - | (21,326) | (1,320,480) |
| Net cash generated from operations | 8,070,695 | 5,243,156 | 2,687,049 |
| Income tax paid | (2,401,641) | (2,734,948) | (3,795,835) |
| Net cash provided by (used in) operating activities | 5,669,054 | 2,508,208 | (1,108,786) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash dividends received (Note 10 and 14) | 13,972,987 | - | 14,214,527 |
| Interest received | 4,394,032 | 7,012,091 | 15,287,813 |
| Acquisitions of: | | | |
| Property and equipment (Note 12) | (11,429) | - | (258,161) |
| Available-for-sale financial assets (Notes 10 and 14) | - | - | (94,901,500) |
| Long-term loan granted to a related party (Note 14) | (200,000,000) | - | - |
| Net cash provided by (used in) investing activities | (181,644,410) | 7,012,091 | (65,657,321) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash dividends paid (Note 16) | (8,450,242) | (6,036,742) | (6,036,742) |
| Payment of long-term loan (Note 14) | - | - | (17,095,367) |
| Cash used in financing activities | (8,450,242) | (6,036,742) | (23,132,109) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (184,425,598) | 3,483,557 | (89,898,216) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 312,310,233 | 308,826,676 | 398,724,892 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6) | P127,884,635 | P12,310,233 | P308,826,676 |

See accompanying Notes to Consolidated Financial Statements.



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

1. Corporate 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's registered office address is 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.

KPHI shares are publicly traded in the Philippine Stock Exchange (PSE). As of December 31, 2014 and 2013, the top four beneficial shareholders are the following:

| | Percentage of Ownership | |
|--|-------------------------|-------|
| | 2014 | 2013 |
| Keppelwealth, Inc. | 44.4% | 38.7% |
| Keppel Corporation Limited (KCL) | 28.0% | 28.0% |
| The Insular Life Assurance Company, Ltd. | 10.6% | 10.6% |
| Public | 17.0% | 22.7% |

Keppelwealth, Inc. and KCL are affiliate companies of the Group.

The following are the Parent Company's subsidiaries which all belong to the real estate industry:

| | Percentage of Ownership | |
|------|-------------------------|------|
| | 2014 | 2013 |
| KPSI | 100% | 100% |
| GRDC | 51% | 51% |
| GMRI | 51% | 51% |

GRDC is 44% owned by Keppel Philippines Marine, Inc. Retirement Plan (KPMI Retirement Plan) and 5% by Keppel Philippines Marine, Inc. (KPMI) in 2014 and 2013. GRDC owns 100% of GMRI, thus, KPHI has 51% effective ownership on GMRI.

Information relating to the Group's associates follows:

| | Percentage of Direct Ownership | | Percentage of Indirect Ownership | |
|---------------------------------|--------------------------------|------|----------------------------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| KP Capital, Inc. (KPCI) | 40% | 40% | - | - |
| Goodwealth Ventures, Inc. (GVI) | 40% | 40% | - | - |
| Consort Land, Inc. (CLI) | - | - | 13% | 13% |

In September 2012, GMRI gained significant influence in CLI and increased its ownership to 25% (see Notes 10 and 14). KPHI has 13% effective indirect ownership in CLI through GMRI.

All of the Group's associates were incorporated in the Philippines.

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on February 3, 2015.



2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets, which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014. Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

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

Assessment of Control

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Noncontrolling interests (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 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 (OCI) 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.

As of December 31, 2014 and 2013, NCI pertains to 49% and 5% ownership of KPMI Retirement Plan and KPMI, respectively in GRDC.



Consolidated financial information of GRDC and GMRI, which has material NCI is provided below:

| | 2014 | 2013 |
|----------------------------|--------------------|--------------------|
| Current assets | P35,457,546 | P222,080,676 |
| Noncurrent assets | 848,076,463 | 655,448,866 |
| Total assets | 883,534,009 | 877,529,542 |
| Current liabilities | 5,718,134 | 6,757,294 |
| Noncurrent liabilities | 1,769,698 | 18,202,475 |
| Total liabilities | 7,487,832 | 24,959,769 |
| Revenue | 35,636,098 | 32,968,784 |
| Total comprehensive income | 28,402,405 | 23,554,245 |

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

3. Summary of Changes in Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment did not have an impact to the Group's consolidated financial statements since the Parent Company's investment in subsidiaries would not qualify as investment entities.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments did not have any impact on the Group's financial position or performance since it does not offset its financial instruments.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014. The recoverable amounts of the Group's non-financial assets for which impairment losses were recognized are presented in Note 8.



- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The amendments did not have any impact on the Group's financial position or performance since it has no hedging instruments.
- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The interpretation will not have any impact on the Group's consolidated financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- *Amendment to PFRS 13, Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment did not have an impact on the Group's financial position or performance since the Group's policy is already consistent with the amendment.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

Future Change in Accounting Policies

The Group will adopt the following new and amended standards and interpretations enumerated below when these becomes effective.

Effective in 2015

- *PAS 19, Employee Benefits- Defined Benefit Plans: Employee Contributions*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost



upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. This amendment will not be relevant to the Group since none of the entities within the Group has defined benefit plans.

Annual Improvements to PFRSs (2010 - 2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015.

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.
- *Amendment to PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- *Amendment to PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only on the judgment made by management in aggregating operating segments and have no impact on the Group's financial position or performance.
- *Amendment to PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.



The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance since the Group does not carry its property and equipment at revalued amount.

- *Amendment to PAS 24, Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will not have an impact on the Group's financial position or performance since the key management personnel of the Group are employees of the Group.
- *Amendment to PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance since the Group has no intangible assets.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's consolidated financial statements since the Group has not entered into any joint arrangements.



- *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's financial position or performance since the Group's accounting policy is already consistent with the improvement.
- *PAS 40, Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Group shall consider this amendment for future acquisition of investment property.

Effective in 2016

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact to the Group given that the Group has not used a revenue-based method to depreciate its property and equipment.
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 and is measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact to the Group since the Group is not involved in any agricultural activities.
- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for



annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements since the Group is already using equity accounting. The Group is currently assessing the impact of these amendments in the separate financial statements of each entity in the Group.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have an impact on the Group's consolidated financial statements since the Group is not involved in any sale or contribution of assets with its associates.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact to the Group since the Group does not expect to enter into any joint arrangements.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment will not have an impact on the Group's consolidated financial statements since the Group is an existing PFRS preparer and has no activities subject to rate regulation.



Annual Improvements to PFRSs (2012-2014 cycle)

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

- *PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment will not have an impact on the Group's financial statements since the Group does not have noncurrent assets held for sale nor any discontinued operations.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. The amendment will not have an impact on the Group's financial statement since the Group is not a party to any servicing contracts.
- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment does not apply to the Group's consolidated financial statements.
- *PAS 19, Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments will not have an impact on the Group's financial statements since the Group does not have defined benefit plans.
- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments will not have an impact on the Group's financial statements since the Group already presents the required interim disclosures in its interim financial statements.



Effective in 2018

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The amendments will not have an impact on the Group's consolidated financial statements since the Group is not involved in any hedging transactions.



- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of financial liabilities.

No effective date yet

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation will not have any impact on the financial statements of the Group since it is not involved in the construction of real estate.
- IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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



Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

The Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets and financial liabilities at FVPL and HTM investments as of December 31, 2014 and 2013.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve months from the end of the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash and cash equivalents and receivables (including lease receivables and loan receivable).

AFS financial assets

AFS financial assets are nonderivatives that are either designated in this category or not classified in any of the other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statement of financial position.

Changes in the fair value of such assets are reported as unrealized gain or loss on AFS financial assets under OCI until the investment is derecognized or the investment is determined to be impaired. Assets under this category are classified as current assets if maturity is within twelve



months from the end of the reporting date and as noncurrent assets if maturity date is more than a year from the end of the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment.

The Group's AFS financial assets consist of quoted and unquoted golf club shares as of December 31, 2014 and 2013.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or loans and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost by applying the effective interest rate in the amortization (or accretion) of any related premium, discount and any directly attributable transaction costs.

This category includes accounts payable and other current liabilities and refundable deposits as of December 31, 2014 and 2013.

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

The Group assesses whether objective evidence of impairment exists individually for financial assets. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss.

The Group no longer performs collective assessment of impairment since there are only few counterparties which substantially consist of related parties which are all covered by specific assessment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in OCI, is transferred from OCI to profit or loss. Reversals of impairment in respect of equity instruments classified as AFS are not recognized in profit or loss.



In the case of debt instruments, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

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

Fair Value

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



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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

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.

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.

Step acquisition of investment in an associate

The cost based approach is used in the step acquisition of investments resulting to a change in the classification of the investment from a financial asset to an associate (when the Group obtained significant influence on the investee company as a result of the acquisition). On acquisition of the investment in associate in each tranche, any difference between the costs of the investment and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as follows: (a) goodwill relating to an associate is included in the carrying amount of the investment, (b) any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of associate's profit or loss in the period in which the investment is acquired.



When the step acquisition of investments resulted to change in the classification of the Group's AFS financial asset to an associate, any unrealized fair value gains in AFS financial assets previously recognized in OCI are recycled to profit or loss.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at cost, less accumulated depreciation and amortization and any accumulated impairment in value, except for land which is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they 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.

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.

Depreciation and amortization of investment properties are computed using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-------------------|--------------|
| Land improvements | 7 to 10 |
| Building | 15 to 25 |
| Condominium units | 25 |

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.

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.



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

| | <u>Years</u> |
|--|--------------|
| Building | 15 to 25 |
| Office machine, furniture and fixtures | 1 to 5 |
| Transportation equipment | 5 |

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell 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. When 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Equity

Capital stock

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.



Treasury shares

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

Retained earnings

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rental income

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

Interest income

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

Management fees

Management fees are recognized as the services are rendered based on the terms of the management contract.

Directors' fees

Directors' fees are recognized as the services are rendered.

Dividend income

Revenue is recognized when the shareholders' right to receive the payment is established.

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.

Short-term Employee Benefits

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



Leases

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

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

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



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

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

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales 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.

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.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the statement of income for the year in accordance with PFRS. Other comprehensive income includes fair value changes in AFS financial assets.

Earnings Per Share

Earnings per share (EPS) are determined by dividing net income attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year. The weighted average number of shares outstanding is the number of issued capital stock less treasury shares.

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 20.

Provisions

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

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.



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 when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which may cause the judgments and assumptions used in arriving at the estimates to change. The effect of any change in judgment and estimate are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments and estimates 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on the amounts recognized in the consolidated financial statements. These judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the supply of services or for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions cannot be sold separately as of the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Assessment of control

The Group re-assesses whether or not the Group has control over GVI, an associate due to the Parent Company's higher beneficial interest on dividends declared by GVI as compared to other shareholders. In spite of the higher beneficial interest of the Parent Company as indicated in the Articles of Incorporation of GVI, the Parent Company has no dominant influence over GVI's significant decisions and operations. All the officers of GVI are representatives of the other shareholders and not of the Parent Company. The management assessed that the Group has no control over GVI and thus will continue to account for GVI as an associate (see Note 10).

Operating lease - Group as lessor

The Group has entered into various commercial property leases on its investment properties. 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 contracts are accounted for as noncancellable operating leases. 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.

Contingencies

The Group is currently involved in a legal proceeding. 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 will have a material effect on the Group's consolidated financial statements (see Note 23).

Estimates and Assumptions

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models such as discounted cash flow technique. The related balances are disclosed in Note 21.

Allowance for doubtful accounts

The Group maintains an allowance for doubtful accounts on its receivables at a level considered adequate to provide for any potential uncollectible receivable. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective evidence of impairment exists for a receivable by considering the financial condition of the counterparty. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded expenses and decrease current assets. Allowance for doubtful accounts on the Group's receivables as of December 31, 2014 and 2013 amounted to ₱2.2 million (see Note 7).

The carrying value of the Group's receivables amounted to ₱236.1 million and ₱38.1 million as of December 31, 2014 and 2013, respectively (see Note 7).

Estimating useful lives of investment properties

The Group estimates the useful lives of the investment properties based on the period over which the asset is expected to be available for use, internal technical evaluation and experience with similar assets. The estimated useful lives of the investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment properties would increase the recorded expenses and decrease noncurrent assets. There was no change in the estimated useful lives of the Group's investment properties in 2014 and 2013.



The carrying value of the investment properties amounted to ₱210.3 million and ₱211.7 million as of December 31, 2014 and 2013, respectively (see Note 11).

Impairment of other current assets

Management believes that the Group's input VAT and creditable withholding tax may not be recoverable because of the expected future minimal transactions where the Group's input VAT and creditable withholding tax will be utilized. Other current assets totaling ₱4.8 million and ₱5.1 million as of December 31, 2014 and 2013, respectively, are fully impaired (see Note 8).

Impairment of AFS financial assets

The Company recognizes impairment losses on AFS financial assets 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 Company 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 adverse impact on the Group's financial condition and results of operations. The carrying value of AFS financial assets amounted to ₱15.0 million as of December 31, 2014 and 2013 (see Note 9).

Recognition of deferred tax assets

The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences, and carryforward benefit of NOLCO and MCIT, is based on the forecasted taxable income of the following reporting 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 difference can be applied.

Unrecognized deferred tax assets are disclosed in Note 18.

6. Cash and Cash Equivalents

This account consists of:

| | 2014 | 2013 |
|------------------|---------------------|---------------------|
| Cash on hand | ₱5,000 | ₱5,000 |
| Cash in banks | 3,085,862 | 2,322,517 |
| Cash equivalents | 124,793,773 | 309,982,716 |
| | ₱127,884,635 | ₱312,310,233 |

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earned interest at annual rates that ranged from 1.00% to 1.38% in 2014 and 1.00% to 3.53% in 2013.

Interest income on cash and cash equivalents amounted to ₱2.6 million, ₱6.9 million and ₱14.6 million in 2014, 2013 and 2012, respectively.



7. Receivables

This account consists of:

| | 2014 | 2013 |
|--|--------------------|-------------|
| Loan receivable from a related party (Note 14) | ₱200,000,000 | ₱- |
| Lease receivables: | | |
| Affiliates (Note 14) | 35,393,933 | ₱37,093,894 |
| Others | 169,709 | 322,205 |
| | 235,563,642 | 37,416,099 |
| Nontrade | 2,152,580 | 2,152,580 |
| Interest receivable (Note 14) | 547,239 | 265,662 |
| Due from related parties (Note 14) | - | 434,714 |
| | 238,263,461 | 40,269,055 |
| Less noncurrent portion: | | |
| Loan receivables (Note 14) | 187,500,000 | - |
| Lease receivables | 35,393,933 | 36,162,905 |
| | 222,893,933 | 36,162,905 |
| | 15,369,528 | 4,106,150 |
| Less allowance for doubtful accounts | 2,152,580 | 2,152,580 |
| | ₱13,216,948 | ₱1,953,570 |

The loan receivable from a related party pertains to unsecured, long-term interest-bearing loan obtained by Keppel Philippine Marine, Inc. (KPMI), an entity under common control, from GMRI last 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 installment. The loan is subject to interest re-pricing on a semi-annual basis. The interest rate applied this year ranges from 3.4% to 3.5%. Interest income recognized in 2014 amounted to ₱2.0 million with accrued interest receivable of ₱0.5 million as of December 31, 2014.

Current portion of lease receivables and due from related parties are noninterest-bearing and are generally with 30- to 60-day terms. The noncurrent portion of lease receivables pertains to the difference in the computation of rent income using straight-line method. These amounts are expected to reverse more than one year from the financial reporting date.

Nontrade 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 nontrade receivable has been outstanding for more than one year and has been provided with full allowance.

Due from related parties representing receivables relating to reimbursement of expenses, is noninterest-bearing and is due and demandable.



8. Other Current Assets

This account consists of:

| | 2014 | 2013 |
|------------------------------------|------------------|------------------|
| Creditable withholding taxes (CWT) | P3,014,048 | P3,578,452 |
| Input VAT | 1,816,531 | 1,819,821 |
| Prepaid expenses | 119,913 | 113,129 |
| Deposits | 35,955 | 32,015 |
| Others | 30,000 | 17,596 |
| | 5,016,447 | 5,561,013 |
| Less allowance for impairment loss | 4,830,579 | 5,081,718 |
| | P185,868 | P479,295 |

The rollforward analysis of the Group's allowance for impairment losses follows:

2014

| | Input VAT | CWT | Total |
|--------------------------------------|-------------------|-------------------|-------------------|
| Balance at the beginning of the year | P1,819,820 | P3,261,897 | P5,081,717 |
| Provision for the year (Note 17) | - | 514,735 | 514,735 |
| Recovery of provision | (3,289) | (762,584) | (765,873) |
| Balance at end of year | P1,816,531 | P3,014,048 | P4,830,579 |

2013

| | Input VAT | CWT | Total |
|--------------------------------------|-------------------|-------------------|-------------------|
| Balance at the beginning of the year | P1,810,166 | P14,276 | P1,824,442 |
| Provision for the year (Note 17) | 9,654 | 3,247,621 | 3,257,275 |
| Balance at end of year | P1,819,820 | P3,261,897 | P5,081,717 |

9. Available-for-Sale Financial Assets

This account consists of investments in:

| | 2014 | 2013 |
|------------------------------------|--------------------|--------------------|
| Quoted share - at fair value | | |
| Golf club share (costing P577,943) | P15,000,001 | P15,000,001 |
| Unquoted share - at cost | | |
| Golf club share | 880,000 | 880,000 |
| | 15,880,001 | 15,880,001 |
| Less allowance for impairment | 880,000 | 880,000 |
| | P15,000,001 | P15,000,001 |

The movements in the AFS financial assets are summarized as follows:

| | 2014 | 2013 |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | P15,000,001 | P16,500,001 |
| Fair value loss | - | (1,500,000) |
| Balance at end of year | P15,000,001 | P15,000,001 |



The rollforward analysis of unrealized gains on AFS financial assets follows:

| | 2014 | 2013 |
|------------------------------|-------------|-------------|
| Balance at beginning of year | P14,422,058 | P15,922,058 |
| Fair value loss | - | (1,500,000) |
| Balance at end of year | P14,422,058 | P14,422,058 |

10. Investments in Associates - at equity

This account consists of:

| | 2014 | 2013 |
|--------------------------------------|---------------|---------------|
| Investments in associates | P895,186,646 | P895,186,646 |
| Accumulated share in net losses: | | |
| Balance at beginning of year | (481,605,560) | (499,474,283) |
| Equity in net earnings of associates | 19,964,035 | 17,868,723 |
| Cash dividend received | (13,972,987) | - |
| Balance at end of year | (475,614,512) | (481,605,560) |
| | P419,572,134 | P413,581,086 |

The details of the Group's investments in associates accounted for under the equity method as of December 31, 2014 and 2013 follow:

| | KPCI | | GVI | | CLI | | TOTAL | |
|---|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Investments | P273,518,182 | P273,518,182 | P231,833,514 | P231,833,514 | P389,834,950 | P389,834,950 | P895,186,646 | P895,186,646 |
| Accumulated share in net earnings (losses): | | | | | | | | |
| Balance at beginning of year | (273,518,182) | (273,518,182) | (230,832,875) | (230,793,427) | 22,745,497 | 4,837,326 | (481,605,560) | (499,474,283) |
| Equity in net earnings (losses) of associates | - | - | (15,553) | (39,448) | 19,979,588 | 17,908,171 | 19,964,035 | 17,868,723 |
| Cash dividend received | - | - | - | - | (13,972,987) | - | (13,972,987) | - |
| Balance at end of year | (273,518,182) | (273,518,182) | (230,848,428) | (230,832,875) | 28,752,098 | 22,745,497 | (475,614,512) | (481,605,560) |
| | P- | P- | P985,086 | P1,000,639 | P418,587,048 | P412,580,447 | P419,572,134 | P413,581,086 |

KPCI and GVI

KPCI and GVI are both involved in investment holding. KPCI has incurred continued losses and is in liquidating position since 2005. As of December 31, 2014 and 2013, KPCI has zero equity. The Group's investment in KPCI has been reduced to nil in prior years. There is no unrecognized share of losses of KPCI as of December 31, 2014 and 2013. In 2011, GVI recognized gain on sale of its CLI shares to GMRI. The Group's equity share in GVI's net losses amounted to P0.02 million in 2014 and P0.04 million in 2013.

On June 19, 2013 and June 22, 2011, the BOD and the stockholders of GVI and KPCI, respectively, approved and ratified the dissolution and the amendment of the Articles of Incorporation to shorten their corporate term up to and only until June 30, 2013 and June 30, 2011, respectively. KPCI has already filed a notice of dissolution with the SEC and the BIR on July 25, 2011 and September 14, 2011, respectively. GVI filed a notice of dissolution with the SEC and the BIR on July 22, 2013 and July 31, 2013, respectively. As of February 3, 2015, KPCI and GVI are still waiting for the response from BIR and SEC.

In 2013, the management re-assessed whether or not the Group has control over GVI due to the Parent Company's higher beneficial interest on dividends declared by GVI as compared to other shareholders. In spite of the higher beneficial interest of the Parent Company as indicated in the Articles of Incorporation of GVI, the Parent Company has no dominant influence over GVI's



significant decisions and operations. All the officers of GVI are representatives of the other shareholders and not of the Parent Company. The management assessed that the Group has no control over GVI and thus will continue to account for GVI as an associate.

CLI

CLI is involved in property leasing and power sales. From 2010 to 2011, GMRI's investment in CLI of 17.72% was classified as AFS financial assets with a total cost of ₱240.9 million. In July 2012, CLI issued stock rights to its stockholders equivalent to 1 share per 5 shares held at par value (₱1.00). On the same date, GMRI exercised its stock rights, and at the same time acquired 212,500 stock rights of Keppel Subic Shipyard Retirement Plan, a related party. In September 2012, GMRI also purchased additional shares of CLI from KPMI, a related party, amounting to ₱94.9 million. After the additional acquisition, GMRI increased its ownership interest in CLI to 25.00%, which provided the Group significant influence in CLI. The previous unrealized gain on upstream sale to GMRI amounting to ₱72.5 million was realized in 2012 and is included as part of the "Equity in net earnings of associates" in the consolidated statements of income. The step acquisition resulted to a total gain on purchase of an investment in an associate amounting to ₱52.2 million from fair value adjustments (see Note 14).

In July 2012, prior to the step acquisition, GMRI received ₱16.0 million cash dividend from CLI.

In June 2013, CLI's BOD declared 60% stock dividend and GMRI received additional 6,549,823 shares of CLI. In July 2014, GMRI received cash dividend of ₱14.0 million.

There are no contingent liabilities relating to the Group's investments in associates.

The financial information of associates as of and for the years ended December 31, 2014 and 2013 follows:

| | KPCI | | GVI | | CLI | |
|---|------|------------|------------|------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current assets | P- | P4,998,852 | P3,317,929 | P3,383,019 | P89,342,074 | P66,180,481 |
| Noncurrent assets | - | - | - | - | 242,651,543 | 245,134,822 |
| Total assets | P- | P4,998,852 | P3,317,929 | P3,383,019 | P331,993,617 | P311,315,303 |
| Current liabilities | P- | P4,998,852 | P111,777 | P137,984 | P31,434,168 | P34,674,206 |
| Total liabilities | P- | P4,998,852 | P111,777 | P137,984 | P31,434,168 | P34,674,206 |
| Revenue | P- | P- | P91,783 | P70,648 | P242,987,121 | P215,156,405 |
| Net income (loss) attributable to common shareholders | - | - | (38,883) | (98,621) | 79,918,352 | 71,632,683 |
| Net assets | P- | P- | P3,206,152 | P3,245,035 | P300,559,449 | P276,641,097 |
| Ownership interest | 40% | 40% | 40% | 40% | 13% | 13% |
| Acquisition fair value and other adjustments | - | - | 1,282,461 | 1,298,014 | 39,072,728 | 35,963,343 |
| Carrying value of investment | P- | P- | (297,375) | (297,375) | 379,514,320 | 376,617,104 |
| | P- | P- | P985,086 | P1,000,639 | P418,587,048 | P412,580,447 |

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.



11. Investment Properties

This account consists of:

| | 2014 | | | Total |
|---|---------------------|---------------------------|-------------------|---------------------|
| | Land | Building and Improvements | Condominium Units | |
| Cost | | | | |
| Balance at beginning and end of year | ₱205,901,939 | ₱2,609,001 | ₱25,342,689 | ₱233,853,629 |
| Accumulated Depreciation | | | | |
| Balance at beginning of year | – | 1,792,926 | 20,383,927 | 22,176,853 |
| Depreciation and amortization (Note 17) | – | 122,532 | 1,220,082 | 1,342,614 |
| Balance at end of year | – | 1,915,458 | 21,604,009 | 23,519,467 |
| Net Book Value | ₱205,901,939 | ₱693,543 | ₱3,738,680 | ₱210,334,162 |

| | 2013 | | | Total |
|---|---------------------|---------------------------|-------------------|---------------------|
| | Land | Building and Improvements | Condominium Units | |
| Cost | | | | |
| Balance at beginning and end of year | ₱205,901,939 | ₱2,609,001 | ₱25,342,689 | ₱233,853,629 |
| Accumulated Depreciation | | | | |
| Balance at beginning of year | – | 1,667,892 | 18,801,647 | 20,469,539 |
| Depreciation and amortization (Note 17) | – | 125,034 | 1,582,280 | 1,707,314 |
| Balance at end of year | – | 1,792,926 | 20,383,927 | 22,176,853 |
| Net Book Value | ₱205,901,939 | ₱816,075 | ₱4,958,762 | ₱211,676,776 |

Land, building and improvements in Batangas are leased out to related parties, while condominium units are leased out to third parties (see Note 14).

The investment properties have an aggregate fair value of ₱758.8 million based on an appraisal made by an accredited independent appraiser in November 2014. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. The fair value of the investment properties is categorized as Level 2 which used adjusted inputs for valuation that are observable as of 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. The appraisers determined that the highest and best use of these properties is for industrial utilization.

Rent income attributable to the investment properties amounted to ₱19.3 million, ₱18.8 million and ₱17.9 million in 2014, 2013 and 2012, respectively. The operating expenses directly attributable to the investment properties pertaining to depreciation and real estate taxes amounted to ₱5.7 million, ₱5.8 million and ₱5.6 million in 2014, 2013 and 2012, respectively.



12. Property and Equipment

This account consists of:

| | 2014 | | | Total |
|---------------------------------|---------------|--|-----------------------------|----------------|
| | Building | Office Machine, Furniture and Fixtures | Transportation Equipment | |
| Cost | | | | |
| Balance at beginning of year | ₱5,397,020 | ₱582,115 | ₱776,186 | ₱6,755,321 |
| Addition | - | 11,429 | - | 11,429 |
| Retirement | - | (259,910) | - | (259,910) |
| Balance at end of year | 5,397,020 | 333,634 | 776,186 | 6,506,840 |
| Accumulated Depreciation | | | | |
| Balance at beginning of year | 5,080,103 | 582,115 | 653,002 | 6,315,220 |
| Depreciation (Note 17) | 310,347 | 2,847 | 95,673 | 408,867 |
| Retirement | - | (259,909) | - | (259,909) |
| Balance at end of year | 5,390,450 | 325,053 | 748,675 | 6,464,178 |
| Net Book Value | ₱6,570 | ₱8,581 | ₱27,511 | ₱42,662 |

| | 2013 | | | Total |
|--------------------------------------|-----------------|--|-----------------------------|-----------------|
| | Building | Office Machine, Furniture and Fixtures | Transportation Equipment | |
| Cost | | | | |
| Balance at beginning and end of year | ₱5,397,020 | ₱582,115 | ₱776,186 | ₱6,755,321 |
| Accumulated Depreciation | | | | |
| Balance at January 1 | 4,687,909 | 569,185 | 497,768 | 5,754,862 |
| Depreciation (Note 17) | 392,194 | 12,930 | 155,234 | 560,358 |
| Balance at December 31 | 5,080,103 | 582,115 | 653,002 | 6,315,220 |
| Net Book Value | ₱316,917 | ₱- | ₱123,184 | ₱440,101 |

Fully depreciated assets still in use as of December 31, 2014 and 2013 amounted to ₱6.3 million and ₱0.9 million, respectively.

13. Accounts Payable and Other Current Liabilities

This account consists of:

| | 2014 | 2013 |
|---------------------|-------------------|-------------------|
| Accounts Payable: | | |
| Affiliate (Note 14) | ₱245,665 | ₱230,431 |
| Others | 1,334,345 | 1,252,462 |
| Accrued expenses | 1,562,364 | 1,170,853 |
| Provisions | 715,000 | 1,315,000 |
| Taxes payable | 221,545 | 374,719 |
| Output VAT | 47,077 | 97,821 |
| | ₱4,125,996 | ₱4,441,286 |

Accounts payable pertain to advance rentals and unearned rent from affiliates and other tenants.

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, employee benefits and others.



Provisions represent accruals for claims of third parties. These are expected to be settled within one year. Provisions amounting to ₱0.6 million were reversed in 2014 since the management believes that it is no longer probable that this amount will be settled. No provisions were paid or charged to profit or loss in 2014 and 2013.

Taxes payable pertains to withholding taxes on salaries and other expenses. Accounts payable and other current liabilities generally have 30-to 60-day terms.

14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) parties owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; (b) associates; and (c) individual owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individuals.

Terms and Conditions of Transactions with Related Parties

Outstanding balances of transactions with related parties are unsecured and settlements are made in cash. For the years ended December 31, 2014, 2013 and 2012, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. 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.

Outstanding balances arising from related party transactions are as follows:

2014

| Category | Transaction Amount | Outstanding Balance | Terms | Conditions |
|--|--------------------|---------------------|---|--------------------------|
| <i>Entities under common control</i> | | | | |
| <i>Loan receivable (Note 7)</i> | | | | |
| KPMI (j) | ₱200,000,000 | ₱200,000,000 | Interest-bearing, repriced semi-annually, payable quarterly installment, 5-year | Unsecured, no impairment |
| <i>Lease receivables (Note 7)</i> | | | | |
| KPMI (a, b, c and d) | 13,466,766 | 35,393,933 | Noninterest-bearing, 30-year | Unsecured, no impairment |
| <i>Interest</i> | | | | |
| KPMI (j) | 2,042,000 | 491,079 | Repriced semi-annually, payable quarterly 5-year | Unsecured, no impairment |
| <i>Advance rentals and refundable deposits (Notes 13 and 21)</i> | | | | |
| KPMI (a, b, and d) | – | 443,329 | Noninterest-bearing, end of lease term | Unsecured, no impairment |
| <i>Due from related parties (Note 7)</i> | | | | |
| KPMI (h) | 285,887 | – | Noninterest-bearing, 30-to-60 days | Unsecured, no impairment |
| Keppel Subic Shipyard, Inc. (KSSI) (h) | 43,441 | – | Noninterest-bearing, 30-to-60 days | Unsecured, no impairment |



2013

| Category | Transaction Amount | Outstanding Balance | Terms | Conditions |
|---|--------------------|---------------------|--|--------------------------|
| Entities under common control | | | | |
| Lease receivables (Note 7) | | | | |
| KPMI (a, b, c and d) | ₱11,436,334 | ₱37,093,894 | Noninterest-bearing, 30-year | Unsecured, no impairment |
| Advance rentals and refundable deposits (Notes 13 and 21) | | | | |
| KPMI (b) | – | 460,854 | Noninterest-bearing, end of lease term | Unsecured, no impairment |
| Due from related parties (Note 7) | | | | |
| KPMI (h) | 1,956,427 | 405,402 | Noninterest-bearing, 30-to-60 days | Unsecured, no impairment |
| KSSI (h) | 184,955 | 29,312 | Due and demandable | Unsecured, no impairment |

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

2014

| Category | Basis | Transaction Amount | Outstanding | Terms and Conditions |
|--|----------------------------|--------------------|-------------|-----------------------------------|
| Other related parties | | | | |
| Keppel Energy Consultancy, Inc. (KECI) | | | | |
| Management fee (g) | ₱25,000 per month | ₱300,000 | ₱– | 30-to-60 days, renewable annually |
| Rental income (c) | ₱19,000 per month | 228,000 | – | 30-to-60 days, 2-year term |
| KPMI | | | | |
| Rental income (a) | ₱862,750 monthly | 10,353,000 | 35,393,933 | Non-interest-bearing, 30-year |
| Rental income (b, c and d) | ₱18,750 - ₱167,012 monthly | 3,114,000 | – | 30-to-60 days, renewable annually |
| Kepwealth Property Phils, Inc. (KPPI) | | | | |
| Management fees (g) | ₱50,000 per month | 600,000 | – | 30-to-60 days, renewable annually |
| Rental income (c) | ₱20,000 per month | 240,000 | – | 30-to-60 days, renewable annually |
| Keppel IVI Investments, Inc. (KIVI) | | | | |
| Management fees (g) | ₱15,000 per month | 180,000 | – | 30-to-60 days, renewable annually |
| Rental income (c) | ₱25,000 per month | 300,000 | – | 30-to-60 days, 2-year term |
| Kepwealth Inc. | | | | |
| Management fees (g) | ₱8,000 per month | 96,000 | – | 30-to-60 days, renewable annually |
| Kepventure Inc. | | | | |
| Management fees (g) | ₱2,000 per month | 24,000 | – | 30-to-60 days, renewable annually |



2013

| Category | Basis | Transaction Amount | Outstanding | Terms and Conditions |
|----------------------------|------------------------------|--------------------|-------------|-----------------------------------|
| Other related parties | | | | |
| KECI | | | | |
| Management fee (g) | ₱50,000 to ₱25,000 per month | ₱350,000 | ₱- | 30-to-60 days, renewable annually |
| Rental income (c) | ₱19,000 per month | 228,000 | - | 30-to-60 days, 2-year term |
| KPMI | | | | |
| Rental income (a) | ₱862,750 monthly | 10,353,000 | 37,093,894 | Non-interest-bearing, 30-year |
| Rental income (b, c and d) | ₱18,000 - ₱163,000 monthly | 3,051,000 | - | 30-to-60 days, renewable annually |
| KPPI | | | | |
| Management fees (g) | ₱50,000 per month | 550,000 | - | 30-to-60 days, renewable annually |
| Rental income (c) | ₱20,000 per month | 240,000 | - | 30-to-60 days, 2-year term |
| KIVI | | | | |
| Management fees (g) | ₱15,000 per month | 165,000 | - | 30-to-60 days, renewable annually |
| Rental income (c) | ₱25,000 per month | 300,000 | - | 30-to-60 days, 2-year term |
| Kepwealth Inc. | | | | |
| Management fees (g) | ₱8,000 per month | 88,000 | - | 30-to-60 days, renewable annually |
| Kepventure Inc. | | | | |
| Management fees (g) | ₱2,000 per month | 22,000 | - | 30-to-60 days, renewable annually |

All of the above related parties are affiliates of the Parent Company.

Following are the Group's transactions with related parties:

- a. GMRI leases parcels of land to KPMI. The agreement covers properties in the site of KPMI's shipyard for a period of 50 years beginning 1993. The annual lease rate amounted to ₱10.2 million and is subject to an escalation clause of 2% after every 5 years from the date of the renewal on January 1, 2007. Rent income based on the straight-line method amounted to ₱9.6 million in 2014, 2013, and 2012. Total outstanding balance of lease receivables presented in the consolidated statements of financial position representing lease differential in the computation of rent income using straight line method amounted to ₱35.4 million and ₱37.9 million as of December 31, 2014 and 2013, respectively. Advance rentals and deposits of KPMI amounted to ₱0.1 million as of December 31, 2014 and 2013, respectively. Future minimum rentals receivable from this transaction follow:

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Within one year | ₱10,353,000 | ₱10,353,000 |
| After one year but not more than five years | 52,386,180 | 52,230,885 |
| More than five years | 246,598,512 | 257,106,807 |
| | ₱309,337,692 | ₱319,690,692 |

- b. GRDC leased its properties to KPMI for one year from January 1, 2014 to December 31, 2014. The lease contracts were renewed for another year effective January 1, 2015. Rental income derived from these transactions amounted to ₱0.2 million in 2014, 2013 and 2012. Future minimum rentals receivable from the renewal of contracts amounted to ₱0.2 million as



of December 31, 2014 and 2013. The outstanding balance of lease receivable amounted to nil and ₱0.03 million as of December 31, 2014 and 2013, respectively. Advance rental and deposit from KPMI amounted to ₱0.04 million and ₱0.06 million as of December 31, 2014 and 2013, respectively.

- c. KPSI leases certain properties to KPMI, KIVI, KPPI and KECI, its affiliates, for a period of one year, renewable annually. Rental income derived from the lease amounted to ₱1.2 million in 2014, 2013 and 2012. The lease contracts with KPMI and KPPI were last renewed on April 11, 2014 and March 31, 2014, respectively for a period of one (1) year. Lease contracts with KIVI and KECI are for two years and subject for renewal on April 1, 2016 and June 1, 2016, respectively. The outstanding balance of lease receivable from these affiliates amounted to nil and ₱0.07 million as of December 31, 2014 and 2013, respectively.
- d. 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) (see Note 23). The monthly rent for the said piece of land is ₱0.2 million for a period of one year, subject to yearly renewal. In July 2014, the lease agreement was renewed for another year with 5% increase. Rental income derived from the land amounted to ₱2.0 million in 2014 and 2013 and ₱1.9 million in 2012. Future minimum lease rentals receivable from the renewed contract amounted to ₱1.0 million as of December 31, 2014 and 2013. Outstanding balance of lease receivables amounted to nil and ₱0.3 million as of December 31, 2014 and 2013, respectively (see Note 7). Advance rental and deposits amounted to ₱0.3 million, as of December 31, 2014 and 2013, respectively.
- e. In September 2010, GMRI purchased 4.28% of CLI equivalent to 1,498,723 common shares at a cost of ₱59.8 million. In July 2011, GMRI purchased additional 4,704,375 shares of CLI for a total consideration of ₱181.1 million. The 2,701,556 shares or 7.72% amounting to ₱104.0 million were purchased from GVI, an associate, and the 2,002,819 shares or 5.72% amounting to ₱77.1 million were purchased from KCL, the ultimate parent. The acquisition of additional shares in CLI increased GMRI's direct ownership from 4.28% to 17.72%.

In July 2012, CLI increased its capitalization through a rights issue equivalent to 1 share per 5 shares held at par value (₱1.00). GMRI exercised its rights and obtained 1,763,275 shares at par value of ₱1.0 per share. In addition, GMRI acquired 212,500 stock rights of Keppel Subic Shipyard, Inc. Retirement Plan, a related party at par value. Further, in September 2012, GMRI purchased additional 2,950,000 CLI shares at ₱32.17 from KPMI, a related party, amounting to ₱94.9 million which increased GMRI's direct ownership interest in CLI to 25.00% resulting to the change in classification of the investment from AFS financial assets to investment in an associate. The step-acquisition resulted to a gain on purchase of an investment in an associate of ₱52.2 million from fair value adjustments.

In July 2012, prior to the step acquisition, GMRI received ₱16.0 million cash dividend from CLI. In June 2013, CLI's BOD declared 60% stock dividend and GMRI received additional 6,549,823 shares of CLI. In July 2014, GMRI received cash dividend of ₱14.0 million.

- f. In July 2011, GVI sold its 2,701,556 shares in CLI to GMRI for a total consideration of ₱104.0 million. The gain of GVI on the transaction amounted to ₱102.0 million. Subsequently, in August 2011, GVI declared cash dividends amounting to ₱82.0 million, of which the Parent Company received ₱71.3 million. The dividend received by the Parent Company from GVI was treated as a reduction of the carrying amount of the Parent Company's investment in GVI. The Group recorded unrealized gain on the AFS financial assets of GVI in 2011 amounting to ₱72.5 million since the transaction is an upstream sale to



GMRI. In 2012, the Group recognized realized gain amounting to ₱72.5 million as a result of the transfer of its investment in CLI from AFS financial assets to an associate and was presented as part of the “Equity in net earnings of associates” account in the consolidated statements of income.

- g. The Parent Company provides accounting services to KECI, an affiliate, for a monthly management fee of ₱50,000. On March 1, 2013, they entered into a new agreement wherein the monthly management fee was reduced to ₱25,000. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three months prior to the anniversary date.

In February 1, 2013, the Parent Company entered into a new management agreement with Kepventure, Inc., Kepwealth Inc., KIVI, and KPPI for a monthly management fee of ₱2,000, ₱8,000, ₱15,000 and ₱50,000, respectively. The monthly management fees are subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three months prior to the anniversary date.

Management fees earned amounted to ₱1.2 million in 2014 and 2013 and ₱0.6 million in 2012. As of December 31, 2014, there was no intention from any of the parties to terminate the management services.

- h. Amounts due from KPMI and KSSI pertain to reimbursement of various expenses such as legal, communication and business development expenses paid by the Group amounting to nil and ₱0.4 million as of December 31, 2014 and 2013, respectively.
- i. In January 2012, GMRI fully settled its outstanding long-term loans payable from KPMI, an affiliate amounting to ₱17.1 million.
- j. In September 2014, GMRI granted a long-term, interest-bearing loan to KPMI amounting to ₱200.0 million. The loan has five-year term, 15 months grace period on principal payment, and payable in equal quarterly installment. The loan is subject to interest repricing on semi-annual basis. The loan has an option for prepayment. The interest rate applied in 2014 ranges from 3.4% to 3.5%. Interest income received as of December 31, 2014 amounted to ₱1.5 million and accrued interest of ₱0.5 million.
- k. Total director’s fees received by the Group amounted to ₱0.2 million in 2014 and ₱0.3 million in 2013 and ₱0.2 million in 2012.
- l. Compensation of the key management personnel of the Group pertains to salaries and other short-term employee benefits amounting to a total of ₱4.5 million in 2014 and ₱4.3 million in 2013 and ₱3.8 million in 2012.
- m. In 2014, KPHI entered into a Memorandum of Understanding (MOU) with KPMI to form a joint venture agreement in bidding for upcoming projects. As at year end, KPHI has not received any income in relation to this MOU.



15. Capital Stock

The Class "A" and Class "B" shares of stock are identical in all respects and have ₱1 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 of December 31, 2014. Authorized and issued shares as of December 31, 2014 and 2013 follow:

| | |
|----------------------------|-------------|
| Authorized - ₱1 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 |
| | 73,173,500 |

The weighted average number of shares outstanding as of December 31, 2014 and 2013 follow:

| | Class A | Class B | Total |
|-----------------------------------|------------|------------|------------|
| Issued shares | 39,840,970 | 33,332,530 | 73,173,500 |
| Less treasury shares | 1,110,000 | 11,696,081 | 12,806,081 |
| Weighted average number of shares | 38,730,970 | 21,636,449 | 60,367,419 |

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

| Common shares | Number of shares Registered | Issue/Offer Price | Date of Approval | Number of Holders of Securities as of December 31, 2014 |
|---------------|--------------------------------|----------------------|---------------------|---|
| Class "A" | 38,730,970 | ₱1.00 | June 30, 2000 | 391 |
| Class "B" | 21,636,449 | 1.00 | June 30, 2000 | 62 |
| | 60,367,419 | | | |

There are 437 and 440 total shareholders per record holding both Class A and B shares as of December 31, 2014 and 2013, respectively.

16. Retained Earnings and Treasury Shares

The portion of retained earnings corresponding to the Parent Company's undistributed equity in net earnings of the associates amounted to ₱20.0 million, ₱17.9 million and ₱77.2 million as of December 31, 2014, 2013 and 2012, respectively. These amounts are not available for distribution as dividends until declared by associates. Retained earnings are further restricted to the extent of ₱9.9 million representing the cost of shares held in treasury as of December 31, 2014, 2013 and 2012.

The total number of Class "A" and Class "B" treasury shares are 1,110,000 and 11,696,081, respectively, amounting to ₱9.9 million as of December 31, 2014 and 2013. There were no acquisitions of treasury shares made for both years.



The Parent Company's BOD declared cash dividends of ₱0.10 per share or ₱6.0 million as follows:

| | 2014 | 2013 | 2012 |
|----------------------------------|----------------|---------|---------|
| Date of declaration and approval | May 28 | June 6 | June 7 |
| Date of stockholders record | June 13 | June 21 | June 22 |
| Date paid | July 9 | July 17 | July 18 |

In September 2014, GMRI declared cash dividend of ₱5.0 million to all its shareholders per record as of August 2014 and paid in October 2014. Each common and preferred shareholder received ₱0.0269 per share based on their total amount of outstanding shares held by them. The Parent Company received ₱2.5 million. Total cash dividend declared by the Group amounted to ₱8.5 million and ₱6.0 million in 2014 and 2013.

17. Operating Expenses

This account consists of:

| | 2014 | 2013 | 2012 |
|--|--------------------|-------------|-------------|
| Salaries, wages and employee benefits (Note 14) | ₱6,601,890 | ₱6,745,563 | ₱5,811,756 |
| Taxes and licenses | 5,072,141 | 4,838,886 | 4,846,293 |
| Depreciation and amortization (Notes 11 and 12) | 1,751,481 | 2,267,672 | 2,244,871 |
| Professional fees | 1,299,821 | 1,369,207 | 1,203,404 |
| Transportation and travel | 814,447 | 769,062 | 693,986 |
| Utilities | 598,559 | 672,023 | 727,545 |
| Provision for impairment losses (Note 8) | 514,735 | 3,257,275 | 124,434 |
| Membership dues | 425,133 | 411,295 | 483,344 |
| Office supplies | 144,977 | 117,048 | 114,831 |
| Repairs and maintenance | 104,848 | 98,950 | 71,937 |
| Insurance | 70,567 | 76,689 | 95,113 |
| Postage | 40,065 | 44,871 | 40,585 |
| Commission | 21,621 | — | 77,704 |
| Advertising | 7,350 | 9,450 | 9,450 |
| Others | 749,984 | 978,815 | 642,320 |
| | ₱18,217,619 | ₱21,656,806 | ₱17,187,573 |

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

18. Income Tax

The provision for income tax consists of:

| | 2014 | 2013 | 2012 |
|----------|-------------------|------------|------------|
| Current | ₱2,087,630 | ₱1,374,973 | ₱870,087 |
| Final | 526,721 | 1,354,354 | 2,922,538 |
| Deferred | (51,407) | (54,828) | (7,300) |
| | ₱2,562,944 | ₱2,674,499 | ₱3,785,325 |



The components of the Group's temporary differences, NOLCO and MCIT, which were not recognized in the books as deferred tax assets because management believes that it is not probable that future taxable profits will be available against which these can be utilized, are as follows:

| | 2014 | 2013 |
|---------------------------------|-------------------|-------------------|
| NOLCO | ₱13,743,242 | ₱14,648,343 |
| Allowance for doubtful accounts | 2,152,580 | 2,152,580 |
| Allowance for impairment losses | 2,826,057 | 2,627,796 |
| Accrued expenses | 2,192,359 | 1,784,194 |
| Advance rentals | 1,481,362 | 1,397,604 |
| Unearned rentals | 78,768 | 78,768 |
| | 22,474,368 | 22,689,285 |
| Tax rate | 30% | 30% |
| | 6,742,310 | 6,806,786 |
| MCIT | 264,088 | 279,588 |
| | ₱7,006,398 | ₱7,086,374 |

The deferred tax liability of ₱1.8 million as of December 31, 2014 and 2013 pertains to the income tax effect of additional lease receivables accrued using the straight-line method.

Following are the changes in NOLCO and MCIT:

| | 2014 | 2013 |
|------------------------------|--------------------|--------------------|
| NOLCO: | | |
| Balance at beginning of year | ₱14,648,343 | ₱13,036,966 |
| Addition | 4,729,930 | 3,844,829 |
| Expiration | (5,635,031) | (2,233,452) |
| Balance at end of year | ₱13,743,242 | ₱14,648,343 |
| MCIT: | | |
| Balance at beginning of year | ₱279,588 | ₱287,195 |
| Addition | 92,316 | 94,072 |
| Expiration | (107,816) | (101,679) |
| Balance at end of year | ₱264,088 | ₱279,588 |

The carryforward benefits of MCIT can be claimed as tax credit against regular income tax payable and the balance of NOLCO can be claimed as deduction from regular corporate taxable income subject to the following expiration dates:

| Dates incurred | MCIT | NOLCO | Expiration dates |
|-------------------|-----------------|--------------------|-------------------|
| December 31, 2012 | ₱77,700 | ₱5,168,483 | December 31, 2015 |
| December 31, 2013 | 94,072 | 3,844,829 | December 31, 2016 |
| December 31, 2014 | 92,316 | 4,729,930 | December 31, 2017 |
| | ₱264,088 | ₱13,743,242 | |

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 provision for income tax as shown in the consolidated statements of income follows:

| | 2014 | 2013 | 2012 |
|--|-------------------|-------------------|-------------------|
| Statutory income tax | ₱8,631,221 | ₱7,030,804 | ₱48,555,665 |
| Income tax effects of: | | | |
| Interest income subjected to final tax | 165,809 | 518,240 | 1,202,373 |
| Nondeductible expense | 70,462 | 5,650 | 59,943 |
| Nontaxable income | (6,768,489) | (5,360,617) | (25,389,130) |
| Income subjected to lower tax rate | (1,254,408) | (1,449,174) | (22,231,162) |
| Change in unrecognized deferred tax assets | 1,718,349 | 1,929,596 | 1,587,636 |
| Effective income tax | ₱2,562,944 | ₱2,674,499 | ₱3,785,325 |

Income tax payable as of December 31, 2014 and 2013 amounted to ₱0.2 million and ₱0.03 million, respectively.

19. Earnings Per Share

EPS computation is as follows:

| | 2014 | 2013 | 2012 |
|---|---------------|---------------|---------------|
| Net income attributable to equity holders of the parent (a) | ₱12,290,614 | ₱9,219,933 | ₱115,664,581 |
| Weighted average number of shares outstanding (b) (Note 15) | 60,367,419 | 60,367,419 | 60,367,419 |
| Earnings per share (a/b) | ₱0.204 | ₱0.153 | ₱1.916 |

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

20. Operating Segments

For management reporting purposes, the Group's businesses are classified into the following business segments: (1) investment holding and (2) real estate. Details of the Group's business segments are as follows:

| | 2014 | | | | |
|-------------------------------|--------------------|-------------|---------------|---------------|---------------|
| | Investment Holding | Real estate | Combined | Eliminations | Consolidated |
| Revenue | ₱10,187,968 | ₱41,150,654 | ₱51,338,622 | (₱6,228,653) | ₱45,109,969 |
| Income before tax | 557,807 | 33,340,982 | 33,898,789 | (5,128,053) | 28,770,736 |
| Provision for income tax | 244,620 | 2,318,324 | 2,562,944 | – | 2,562,944 |
| Net income | 313,187 | 31,022,658 | 31,335,845 | (5,128,053) | 26,207,792 |
| Other Information | | | | | |
| Segment assets | 223,860,640 | 903,277,117 | 1,127,137,757 | (113,866,704) | 1,013,271,053 |
| Segment liabilities | 2,582,614 | 10,943,298 | 13,525,912 | (5,583,060) | 7,942,852 |
| Depreciation and amortization | 83,425 | 1,668,056 | 1,751,481 | – | 1,751,481 |



| 2013 | | | | | |
|-------------------------------|-----------------------|-------------|---------------|---------------|--------------|
| | Investment Holding | Real estate | Combined | Eliminations | Consolidated |
| Revenue | P8,643,130 | P39,828,611 | P48,471,741 | (P3,748,885) | P44,722,856 |
| Income (loss) before tax | (1,842,946) | 27,818,407 | 25,975,461 | (2,539,448) | 23,436,013 |
| Provision for income tax | 452,250 | 2,222,249 | 2,674,499 | - | 2,674,499 |
| Net income (loss) | (2,295,196) | 25,596,158 | 23,300,962 | (2,539,448) | 20,761,514 |
| Other Information | | | | | |
| Segment assets | 229,291,915 | 879,064,191 | 1,108,356,106 | (112,611,429) | 995,744,677 |
| Segment liabilities | 2,290,334 | 28,135,200 | 30,425,534 | (22,251,508) | 8,174,026 |
| Depreciation and amortization | 143,004 | 2,124,668 | 2,267,672 | - | 2,267,672 |
| 2012 | | | | | |
| | Investment Holding | Real estate | Combined | Eliminations | Consolidated |
| Revenue | P8,523,630 | P47,845,200 | P56,368,830 | P69,890,688 | P126,259,518 |
| Income (loss) before tax | (242,675) | 91,150,458 | 90,907,783 | 70,944,435 | 161,852,218 |
| Provision for income tax | 793,228 | 2,992,097 | 3,785,325 | - | 3,785,325 |
| Net income (loss) | (1,035,903) | 88,158,361 | 87,122,458 | 70,944,435 | 158,066,893 |
| Other Information | | | | | |
| Segment assets | 238,313,965 | 874,109,280 | 1,112,423,245 | (130,774,531) | 981,648,714 |
| Segment liabilities | 1,480,445 | 28,368,276 | 29,848,721 | (22,545,886) | 7,302,835 |
| Depreciation and amortization | 143,004 | 2,101,867 | 2,244,871 | - | 2,244,871 |

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. 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 from operations within the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*. Rental income from KPMI amounting to P12.7 million in 2014 and P11.4 million in 2013 and in 2012, comprise more than 10% of the Group's revenue.

21. Financial Risk Management Objectives and Policies

The Group's principal financial assets and financial liabilities comprise of cash and cash equivalents, AFS financial assets and long-term loan. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and financial liabilities such as lease receivables, trade receivables and trade payables, which arise directly from its operations.

The main risk arising from the Group's consolidated financial statements are credit risk, liquidity risk, interest rate risk and equity price risk. The BOD reviews and approves the policies for managing each of these risks which are summarized below:

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. 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 2014 pertains to the loan receivable from a related party amounting to P200.0 million, which comprise 60% of the Group's loans and receivables.



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

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Loans and receivables: | | |
| Cash and cash equivalents* | ₱127,879,635 | ₱312,305,233 |
| Receivables | | |
| Loan receivable from a related party | 200,000,000 | - |
| Current portion of lease receivables** | 169,709 | 1,253,194 |
| Nontrade | 2,152,580 | 2,152,580 |
| Due from related parties | - | 434,714 |
| Interest receivable | 547,239 | 265,662 |
| | ₱330,749,163 | ₱316,411,383 |

* Excluding cash on hand

** Noncurrent portion of lease receivables pertains to straight-line recognition of rental income

The table below shows the financial effect of collateral or credit enhancement to the Group's financial assets as of December 31, 2014 and 2013:

| | 2014 | | | |
|--------------------------------------|------------------------|--|---------------------|--|
| | Gross Maximum Exposure | Fair Value of Collateral or Credit Enhancement | Net Exposure | Financial Effect of Collateral or Credit Enhancement |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | ₱127,884,635 | ₱- | ₱127,884,635 | ₱- |
| Receivables | | | | |
| Loan receivable from a related party | 200,000,000 | - | 200,000,000 | - |
| Current portion of lease receivables | 169,709 | 1,768,179 | - | 1,768,179 |
| Nontrade | 2,152,580 | - | 2,152,580 | - |
| Interest receivable | 547,239 | - | 547,239 | - |
| | ₱330,754,163 | ₱1,768,179 | ₱330,584,454 | ₱1,768,179 |

| | 2013 | | | |
|--------------------------------------|------------------------|--|---------------------|--|
| | Gross Maximum Exposure | Fair Value of Collateral or Credit Enhancement | Net Exposure | Financial Effect of Collateral or Credit Enhancement |
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | ₱312,310,233 | ₱- | ₱312,310,233 | ₱- |
| Receivables | | | | |
| Current portion of lease receivables | 1,253,194 | 1,173,692 | 79,502 | 1,173,692 |
| Nontrade | 2,152,580 | - | 2,152,580 | - |
| Due from a related party | 434,714 | - | 434,714 | - |
| Interest receivable | 265,662 | - | 265,662 | - |
| | ₱316,416,383 | ₱1,173,692 | ₱315,242,691 | ₱1,173,692 |



Credit quality

The table below shows the credit quality of the Group's financial assets as of December 31, 2014 and 2013:

December 31, 2014

| | Neither Past Due nor Impaired High Grade | Past Due but not Impaired | Impaired | Total |
|--------------------------------------|---|------------------------------|-------------------|---------------------|
| Financial assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents* | P127,879,635 | P- | P- | P127,879,635 |
| Receivables | | | | |
| Loan receivable from a related party | 200,000,000 | - | - | 200,000,000 |
| Current portion of lease receivables | 169,709 | - | - | 169,709 |
| Nontrade | - | - | 2,152,580 | 2,152,580 |
| Interest receivable | 547,239 | - | - | 547,239 |
| | P328,596,583 | P- | P2,152,580 | P330,749,163 |

* Excluding cash on hand

** Noncurrent portion of lease receivables pertains to straight-line recognition of rental income

December 31, 2013

| | Neither Past Due nor Impaired High Grade | Past Due but not Impaired | Impaired | Total |
|--------------------------------------|---|------------------------------|-------------------|---------------------|
| Financial assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents* | P312,305,233 | P- | P- | P312,305,233 |
| Receivables | | | | |
| Current portion of lease receivables | 1,253,194 | - | - | 1,253,194 |
| Nontrade | - | - | 2,152,580 | 2,152,580 |
| Due from related parties | 434,714 | - | - | 434,714 |
| Interest receivable | 265,662 | - | - | 265,662 |
| | P314,258,803 | P- | P2,152,580 | P316,411,383 |

* Excluding cash on hand

** Noncurrent portion of lease receivables pertains to straight-line recognition of rental income

The Group expects the current portion of the lease receivables to be realized within three months from the end of the reporting period. The amounts due from related parties are all collectible and of good credit quality. The cash and cash equivalents of the Group from a local bank with good financial standing is considered 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.

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 long-term 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 nonderivative financial assets and liabilities as of December 31, 2014 and 2013 based on contractual undiscounted payments:

| | 2014 | | | | Total |
|---|--------------|--------------------|----------------|--------------------|--------------|
| | On Demand | Less than 3 Months | 3 to 12 Months | More than One Year | |
| Financial assets | | | | | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents | ₱127,884,635 | ₱- | ₱- | ₱- | ₱127,884,635 |
| Receivables | | | | | |
| Loan receivables | - | 491,079 | 12,500,000 | 187,500,000 | 200,491,079 |
| Lease receivables | - | 169,709 | - | 35,393,933 | 35,563,642 |
| Interest receivable | 56,160 | - | - | - | 56,160 |
| | ₱127,940,795 | ₱660,788 | ₱12,500,000 | ₱222,893,933 | ₱363,995,516 |
| Financial liabilities | | | | | |
| Accounts payable and other current liabilities (excluding output VAT, provisions and other taxes payable) | ₱- | ₱3,142,374 | ₱- | ₱- | ₱3,142,374 |
| Refundable deposits | - | - | 1,794,468 | - | 1,794,468 |
| | ₱- | ₱3,142,374 | ₱1,794,468 | ₱- | ₱4,936,842 |

| | 2013 | | | | Total |
|---|--------------|--------------------|----------------|--------------------|--------------|
| | On Demand | Less than 3 Months | 3 to 12 Months | More than One Year | |
| Financial assets | | | | | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents | ₱312,310,233 | ₱- | ₱- | ₱- | ₱312,310,233 |
| Receivables | | | | | |
| Lease receivables | 930,989 | 322,205 | - | 36,162,905 | 37,416,099 |
| Interest receivable | - | 265,662 | - | - | 265,662 |
| Due from a related party | 434,714 | - | - | - | 434,714 |
| | ₱313,675,936 | ₱587,867 | ₱- | ₱36,162,905 | ₱350,426,708 |
| Financial liabilities | | | | | |
| Accounts payable and other current liabilities (excluding output VAT, provisions and other taxes payable) | ₱- | ₱2,653,746 | ₱- | ₱- | ₱2,653,746 |
| Refundable deposits | - | - | 1,871,655 | - | 1,871,655 |
| | ₱- | ₱2,653,746 | ₱1,871,655 | ₱- | ₱4,525,401 |

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's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan receivable with interest rate being repriced semi-annually. Since the Company's long-term loan was granted to a related party, there is no requirement for collateral or guaranty (see Note 14).

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates for the next financial year, with all other variables held constant, of the Company's income before tax (through the impact on floating rate receivables):

| Change in Interest Rates (%) | Effect on Income Before Tax |
|------------------------------|-----------------------------|
| +0.2 | ₱383,333 |
| - 0.2 | (383,333) |



The Group determined the reasonably possible change in interest rate using the percentage changes in floating rates for the past (4) quarters for the year ended December 31, 2014.

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 AFS financial asset where values will fluctuate as a result of changes in market prices.

Such quoted AFS financial asset is 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 AFS) due to a reasonably possible change in indices, with all other variables held constant, is as follows:

| 2014 | | |
|-------------------|----------------------------|--|
| | Change in Equity Price (%) | Effect on Other Comprehensive Income Increase (Decrease) |
| Quoted club share | +13.00 | ₱1,954,445 |
| | -13.00 | (₱1,954,445) |
| 2013 | | |
| | Change in Equity Price (%) | Effect on Other Comprehensive Income Increase (Decrease) |
| Quoted club share | +20.00 | ₱3,688,000 |
| | -20.00 | (₱3,688,000) |

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

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.



The debt to equity ratios as of December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|----------------------|---------------|-------------|
| Total liabilities | ₱7,942,852 | ₱8,174,026 |
| Total equity | 1,005,328,201 | 987,570,651 |
| Debt to equity ratio | 0.008:1 | 0.008:1 |

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

Fair Values

Due to the short term nature of the Group's financial instruments, the fair values approximate their carrying amounts as of December 31, 2014 and 2013 except for its long-term loan receivable with carrying amount of ₱200.0 million and fair value of ₱180.4 million, respectively, as of December 31, 2014. The fair value of long-term loan receivable was determined by discounting future cash flows using prevailing market interest rate of 2.4% to 5.8% in 2014.

AFS Financial Assets

The fair value of quoted AFS financial instrument 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 AFS financial instruments are carried at cost, less any allowance for impairment loss.

Fair Value Hierarchy

As of December 31, 2014 and 2013, the Group classifies its quoted AFS financial asset amounting to ₱15.0 million in both years, under Level 1 of the fair value hierarchy. During the reporting period ended December 31, 2014 and 2013, 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.

22. Note to Statement of Cash Flows

In 2012, the Group's noncash investing activities pertain to the step acquisition resulting to a gain on purchase of investment in an associate amounting to ₱52.2 million from fair value adjustments, rights issue granted by CLI to the Group amounting to ₱1.8 million equivalent to 1,763,275 shares and the realized gain on transfer from AFS financial asset to investment in an associate amounting to ₱72.5 million and was presented as part of "Equity share in net earnings of associates - net" in the consolidated statements of income (see Notes 10 and 14).

23. Other Matters

In September 2003, the Parent Company filed a complaint against the PNOC for specific performance with the Regional Trial Court 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 ₱4.1 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 in the same year. The Court of Appeals dismissed the PNOC's appeal in December 2011.



In July 2007, the Parent Company and PNOC signed a compromise agreement wherein both parties agreed to increase the purchase price to ₱6.1 million. This, however, was never approved by the Office of the Solicitor General. In July 2012, PNOC filed a petition for review on certiorari of the decision of the Court of Appeals. On November 7, 2013, the Parent Company filed a Motion to Resolve with the Supreme Court to ask for an early resolution and issue an order dismissing the Petition. As of February 3, 2015, the case is still pending before the Supreme Court.

The Parent Company's cash deposit of ₱4.1 million with the Court is presented in the consolidated statement of financial position under "Other noncurrent assets". The said piece of land is the subject of a lease agreement between the Parent Company and KPMI (see Note 14).



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Keppel Philippines Holdings, Inc. and Subsidiaries
Unit 3-B, Country Space I Building
133 Sen. Gil J. 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 (collectively, the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated February 3, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-81-2012,
June 19, 2012, valid until June 18, 2015

PTR No. 4751347, January 6, 2015, Makati City

February 3, 2015



SUPPLEMENTARY SCHEDULES

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

Schedule A. Available-for sale-financial-assets and Other Short-term Cash Investments

December 31, 2014

| Name of Issuing Entity and Description of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Statements of Financial Position | Value Based on Market Quotations at Statements Date | Income Received and Accrued |
|--|---|--|---|-----------------------------|
| AVAILABLE FOR SALE FINANCIAL ASSETS * | | | | |
| Wack-Wack Golf and Country Club, Inc. | 1 | P 15,000,000 | P 15,000,000 | P - |
| Universal Rightfield Property Holdings, Inc. | 4,400,000 | 1 | 1 | |
| | | P 15,000,001 | P 15,000,001 | P - |
| SHORT-TERM CASH INVESTMENTS ** | | | | |
| | | P 124,793,773 | P 309,982,716 | P 2,633,608 |

* See Note 9 of the Consolidated Financial Statements

** See Note 6 of 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 Affiliates)**

December 31, 2014

| Name and Designation of Debtor | Beginning Balance | Additions | Deductions | | Current | Non Current | Ending Balance |
|---------------------------------|----------------------|---------------|---------------------|-----------------------|--------------|---------------|-------------------|
| | | | Amount Collected | Amount Written-Off | | | |
| Keppel Philippines Marine, Inc. | P 37,499,296 | P 213,752,653 | P (15,366,937) | P - | P 12,991,079 | P 222,893,933 | P 235,885,012 |
| Keppel Subic Shipyard, Inc. | 29,312 | 43,441 | (72,753) | - | - | - | - |
| | P 37,528,608 | P 213,796,094 | P (15,439,690) | P - | P 12,991,079 | P 222,893,933 | P 235,885,012 |

See Note 14 of the Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
Schedule C. Other Long-term Investments, and Other Investments
December 31, 2014

| Name of Issuing Entity and Description of Investment | BEGINNING BALANCE | | ADDITIONS | | DEDUCTIONS | | ENDING BALANCE | | Dividends Received from Investments Not Accounted for by the Equity Method |
|--|--|--------------------------|--|------------|---------------------------------------|------------|--|----------------------|--|
| | Number Shares of Principal Amount of Bonds and Notes | Carrying Amount in Pesos | Impairment loss and Equity in Earnings (Losses) of Associates for the Period | Others | Distribution of Earnings by Investees | Others | Number Shares of Principal Amount of Bonds and Notes | Amount in Pesos | |
| INVESTMENTS At Equity: | | | | | | | | | |
| Goodwealth Ventures, Inc. | 200,000 | P 1,000,639 | P (15,553) | P - | P - | P - | 200,000 | P 985,086 | |
| KP Capital, Inc. | 1,250,000 | - | | | | | 1,250,000 | - | |
| Consort Land, Inc. | 17,466,196 | 412,580,447 | 19,979,588 | - | (13,972,987) | | 17,466,196 | 418,587,048 | - |
| | | <u>P 413,581,086</u> | <u>19,964,035</u> | <u>P -</u> | <u>P (13,972,987)</u> | <u>P -</u> | | <u>P 419,572,134</u> | <u>-</u> |

See Note 10 of the Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
Schedule D. Indebtedness of Unconsolidated Subsidiary and Affiliates
December 31, 2014

| Name of Affiliate | Beginning Balance | Ending Balance |
|---------------------------|----------------------|-------------------|
| KP Capital, Inc. | P - | P - |
| Goodwealth Ventures, Inc. | - | - |
| Consort Land, Inc. | - | - |
| | P - | P - |

These advances are shown as part of "Investments in Associates " account in Note 10 to the Consolidated Financial Statements.

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
Schedule E. Investment Properties, and Property, Plant and Equipment
December 31, 2014

| Classification | Beginning Balance | Additions at Cost | Retirements/ Disposal | Other Changes Additions (Deductions) | Ending Balance |
|---|----------------------|-------------------|-----------------------|--------------------------------------|----------------------|
| Investment Properties | | | | | - |
| Land | P 205,901,939 | P - | P - | - | P 205,901,939 |
| Building and improvements | 2,609,001 | - | - | - | 2,609,001 |
| Condominium units | 25,342,689 | - | - | - | 25,342,689 |
| | <u>233,853,629</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>233,853,629</u> |
| Property Plant & Equipment | | | | | - |
| Building | 5,397,020 | - | - | - | 5,397,020 |
| Office machine, furnitures and fixtures | 582,115 | 11,429 | (259,910) | - | 333,634 |
| Transportation equipment | 776,186 | - | - | - | 776,186 |
| | <u>6,755,321</u> | <u>11,429</u> | <u>(259,910)</u> | <u>-</u> | <u>6,506,840</u> |
| | <u>P 240,608,950</u> | <u>P 11,429</u> | <u>P (259,910)</u> | <u>P -</u> | <u>P 240,360,469</u> |

See Notes 11 and 12 of the Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

Schedule F. Accumulated Depreciation

December 31, 2014

| Classification | Beginning Balance | Additions Charged to Costs and Expenses | Retirements/ Disposal | Other Changes- Additions (Deductions) | Ending Balance |
|---|-------------------|---|-----------------------|---------------------------------------|-------------------|
| Investment Properties | | | | | - |
| Building and improvements | P 1,792,926 | P 122,532 | P - | P - | P 1,915,458 |
| Condominium units | 20,383,927 | 1,220,082 | - | - | 21,604,009 |
| | <u>22,176,853</u> | <u>1,342,614</u> | <u>-</u> | <u>-</u> | <u>23,519,467</u> |
| Property Plant & Equipment | | | | | - |
| Building | 5,080,103 | 310,347 | - | - | 5,390,450 |
| Office machine, furnitures and fixtures | 582,115 | 2,847 | (259,909) | - | 325,053 |
| Transportation equipment | 653,002 | 95,673 | - | - | 748,675 |
| | <u>6,315,220</u> | <u>408,867</u> | <u>(259,909)</u> | <u>-</u> | <u>6,464,178</u> |
| | P 28,492,073 | P 1,751,481 | P (259,909) | P - | P 29,983,645 |

See Notes 11 and 12 of the Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
Schedule G. Intangible Assets - Other Assets
December 31, 2014

| Description | Beginning Balance | Additions At Cost | Deductions | | Other Changes- Additions (Deductions) | Ending Balance |
|-----------------------|----------------------|----------------------|-------------------------------------|---------------------------------|---|-------------------|
| | | | Charged to Costs and Expenses | Charged to Other Accounts | | |
| | P - | P - | P - | P - | P - | P - |
| NOT APPLICABLE | | | | | | |
| | P - | P - | P - | P - | P - | P - |

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
Schedule H. Long-term Debt
December 31, 2014

| Name of Issuer and Type of Obligation | Amount Authorized by Indenture | Amount Shown as Current | Amount Shown as Long-term | Remarks |
|--|--------------------------------------|-------------------------------|---------------------------------|---------|
| | P | - | P | - |
| NOT APPLICABLE | | | | |
| | P | - | P | - |

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES**Schedule I. Indebtedness to Affiliates and Related Parties****December 31, 2014**

| Name of Affiliate | | Beginning Balance | | Ending Balance |
|---|---|----------------------|---|-------------------|
| Keppel Philippines Marine, Inc. (Advance Rental) | P | 230,427 | P | 221,664 |
| Keppel Philippines Marine, Inc.(Security Deposit) | | 230,427 | | 221,665 |
| | P | 460,854 | P | 443,329 |

See Notes 13 and 14 of the Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

Schedule J. Guarantees of Securities of Other Issuers

December 31, 2014

| 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 |
|---|---|---|--|---------------------|
| <p>NOT APPLICABLE</p> | | | | |
| | | P | - | P |
| | | P | - | P |

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

Schedule K. Capital Stock

December 31, 2014

| 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 | Directors, Officers and Employees | 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" | | 1,110,000 | | | | |
| Common Class "B" | | 11,696,081 | | | | |
| Total | | 12,806,081 | | | | |
| Outstanding Shares: | | | | | | |
| Common Class "A" | | 38,730,970 | | 25,091,784 | 901 | 13,638,285 |
| Common Class "B" | | 21,636,449 | | 18,609,831 | 5 | 3,026,613 |
| Total | | 60,367,419 | | 43,701,615 | 906 | 16,664,898 |

See Notes 15 and 16 of the Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS

AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

| | |
|---|--------------------|
| Unappropriated retained earnings, beginning | ₱83,461,226 |
| Adjustments: | |
| Restricted retained earnings for treasury shares | (9,898,178) |
| Unappropriated retained earnings, as adjusted, beginning | 73,563,048 |
| Add: Net income for the year | 313,187 |
| Less: Cash dividend declared | (6,036,742) |
| Non-actual/unrealized income net of tax: | — |
| Equity in net income of associate/joint venture | — |
| Unrealized foreign exchange gain - net (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 the PFRS | — |
| Add: Non-actual losses | |
| Depreciation on revaluation increment (after tax) | — |
| Adjustment due to deviation from PFRS/GAAP - loss Loss on fair value adjustment of investment property (after tax) | — |
| Unappropriated retained earnings, as adjusted, ending | ₱67,839,493 |



KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**Schedule of All the Effective Standards and Interpretations
Under PFRS in compliance with SRC Rule 68, As Amended (2011)
December 31, 2014**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|-------------------|----------------|
| Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| PFRSs Practice Statement Management Commentary | | ✓ | | |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| | Amendments to PFRS 1: Borrowing Costs | | | ✓ |
| PFRS 2 | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| PFRS 3 (Revised) | Business Combinations | ✓ | | |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | ✓ |
| PFRS 8 | Operating Segments | ✓ | | |
| PFRS 9 | Financial Instruments | ✓ | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | Not early adopted | |
| | Amendments to PFRS 9: Financial Instruments | | Not early adopted | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| | Investment entities | | | ✓ |
| PFRS 11 | Joint Arrangements | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| Philippine Accounting Standards | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |

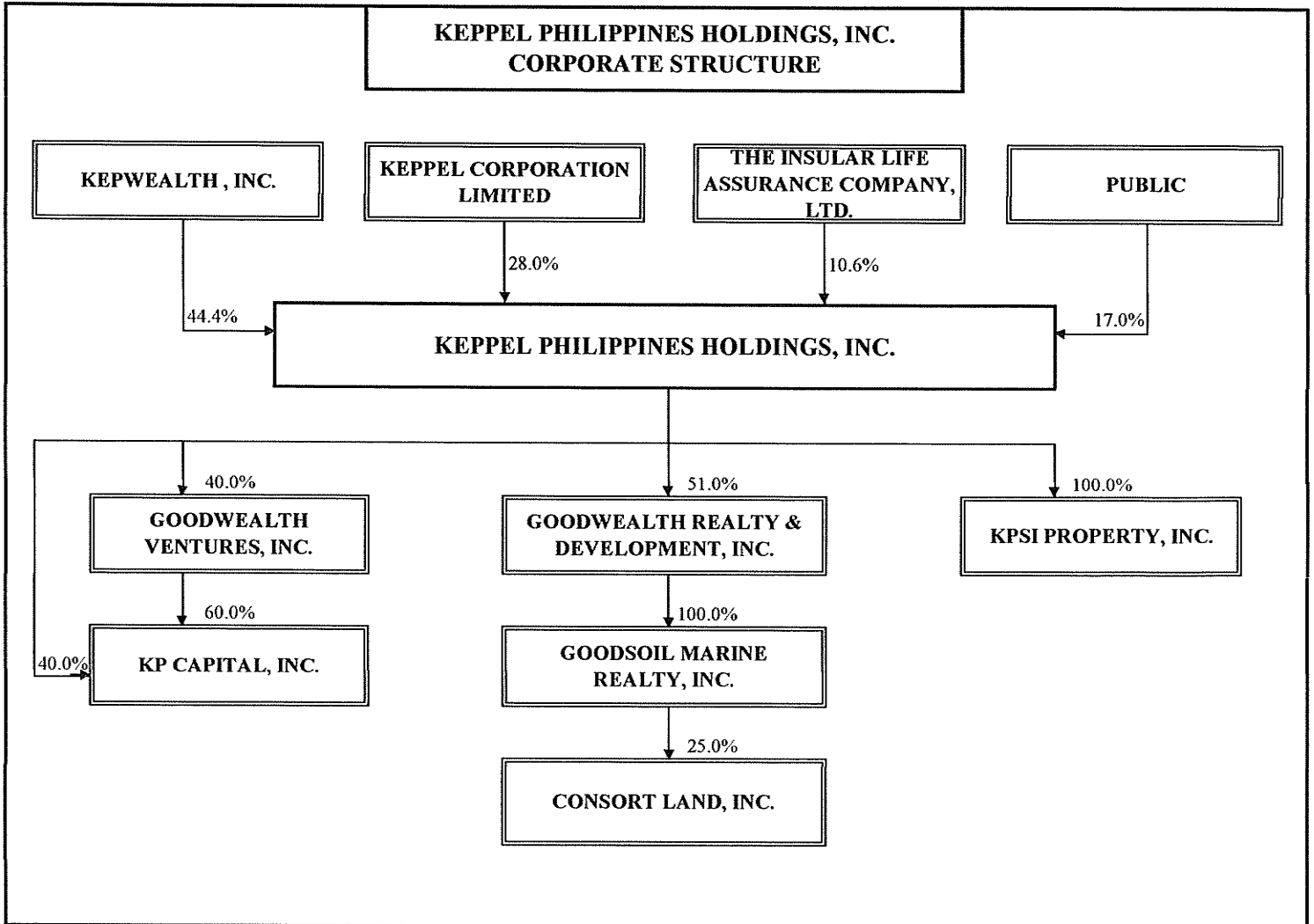


| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|--|---------|-------------|----------------|
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendments to PAS 1: Clarification of the Requirements for Comparative Information | | | ✓ |
| PAS 2 | Inventories | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| | Amendments to PAS 16: Classification of Servicing Equipment | | | ✓ |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 | Employee Benefits (Revised) | | | ✓ |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | ✓ |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | | | ✓ |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Amended) | Separate Financial Statements | ✓ | | |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | ✓ | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments | ✓ | | |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | ✓ | | |
| | Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | ✓ | | |
| PAS 36 | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |



| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|---|-------------------|-------------|----------------|
| Effective as of December 31, 2014 | | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| PAS 41 | Agriculture | | | ✓ |
| Philippine Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| IFRIC 8 | Scope of PFRS 2 | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | Interim Financial Reporting and Impairment | ✓ | | |
| IFRIC 11 | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| IFRIC 15 | Agreements for the Construction of Real Estate | Not early adopted | | |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| IFRIC 21 | Levies | ✓ | | |
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| SIC-12 | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| SIC-15 | Operating Leases - Incentives | | | ✓ |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| SIC-29 | Service Concession Arrangements: Disclosures. | | | ✓ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |





Financial Soundness Indicators

The financial soundness indicators of the Company for the last three (3) fiscal years are as follows:

| Particulars | 2014 | 2013 | 2012 |
|--|-------|-------|-------|
| A. Current and Liquidity Ratios | | | |
| 1. Current Ratio (Current Assets/Current Liabilities) | 22.90 | 49.58 | 57.91 |
| 2. Acid Test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities) | 22.87 | 49.50 | 57.10 |
| B. Solvency Ratio (Net Income + Depreciation)/Total Liabilities | 3.52 | 2.82 | 21.95 |
| C. Asset to Equity Ratio | 1.01 | 1.01 | 1.01 |
| D. Debt to Equity Ratio (Total Liabilities/Stockholders' Equity) | 0.01 | 0.01 | 0.01 |
| E. Debt Ratio (Total Liabilities/Total Assets) | 0.01 | 0.01 | 0.01 |
| F. Interest Coverage Ratio (EBIT/Interest Expense) | - | - | - |
| G. Profitability Ratios | | | |
| 1. Return on Assets (%) (Net Income/Total Assets) | 2.59 | 2.09 | 16.10 |
| 2. Return on Equity (%) (Net Income/Ending Stockholders' Equity) | 2.61 | 2.10 | 16.22 |
| H. Earnings per Share Attributable to Equity | 0.20 | 0.15 | 1.92 |