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(Company's Full Name)

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

**Cray Oh Kok Wai, Attys. Ma. Melva E. Valdez and
Lory Anne Manuel-McMullin**

Contact Person

**8892 1816
8815 9071**

Company Telephone Number

1 2
Month

3 1
Day

Fiscal Year

**2020 SEC FORM 20-IS
(Definitive Information Statement)**

FORM TYPE

0 6
Month

1 9
Day

Date of Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

2,468 as of 30 April 2020
Total No. of Stockholders

Domestic Foreign

✓

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

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Web : www.keppelphilippinesmarineinc.com

**NOTICE OF THE ANNUAL MEETING
OF STOCKHOLDERS OF
KEPPEL PHILIPPINES MARINE, INC.**

TO OUR STOCKHOLDERS:

Please take notice that the Annual Meeting of Stockholders of **KEPPEL PHILIPPINES MARINE, INC.** shall be held on **19 June 2020, Friday, 2:15 p.m.**, at KPMI Meeting Room, Unit 3-B Country Space 1 Bldg., 133 Sen. Gil Puyat Avenue, Brgy. Bel-Air, Makati City. Stockholders who may not be able to attend the physical meeting due to the imposition of Enhanced Community Quarantine/General Community Quarantine measures caused by COVID-19 global pandemic may attend through remote communication via WebEx online meeting.

The Agenda:

1. Call to Order
2. Proof of Notice of Meeting and Certification of Quorum
3. Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on 21 June 2019 and Special Stockholders' Meeting held on 27 January 2020
4. Presentation of the 2019 Annual Report and Approval of the 2019 Audited Financial Statements
5. Ratification of Corporate Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation for the Period under Review
6. Election of Directors for the Year 2020-2021
7. Directors' Remuneration
8. Appointment of External Auditor
9. Such other matters as may properly come up before the Meeting
10. Adjournment

The Board of Directors has fixed the close of business on **21 May 2020** as the record date for the determination of stockholders entitled to notice of and vote at the meeting.

Only stockholders of record at the close of business on **21 May 2020** are entitled to notice of, and to vote at, this meeting.

Stockholders intending to participate via remote communication shall send a notification/confirmation of their attendance by email to mhq@keppelpm.com on or before 15 June 2020. For those attending in person, for your convenience in registering your attendance, please bring your Identification Card and present the same at the registration desk at **KPMI Meeting Room, Unit 3-B Country Space 1 Bldg., 133 Sen. Gil Puyat Avenue, Brgy. Bel-Air, Makati City**. Registration shall start at **1:45 p.m.**


MA. MELVA E. VALDEZ
Corporate Secretary

IMPORTANT NOTICE:

1. Electronic copies of the Definitive Information Statement (2020 SEC Form 20-IS), Annual Report (2019 SEC Form 17-A), 2019 Audited Financial Statement, 2020 1st Quarter Report (SEC Form 17-Q) and Minutes of the Annual Stockholders' Meeting (21 June 2019) are available at the websites of the Company (www.keppelphilippinesmarineinc.com).
2. Guidelines on Participation and Voting in absentia can be viewed together with the Definitive Information Statement posted in the Company's website

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

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

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

4. SEC Identification Number: **AS092-007858**

5. BIR Tax Identification No. : **001-950-215-000**

6. Address of principal office: Postal Code:

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

1200

7. Registrant's telephone number, including area code: **(02) 8892-1816**

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

Date : 19 June 2020, Friday

Time : 2:15 P.M.

**Place : KPMI Meeting Room, Unit 3-B Country Space 1 Bldg., 133 Sen. Gil Puyat Avenue,
Brgy. Bel-Air, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **28 May 2020 Pursuant to SEC Notice dated 20 April 2020, providing for alternative mode for distributing and providing copies of Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders' Meeting, the same shall be available at KPMI's website: www.keppelphilippinesmarineinc.com.**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
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Common Shares	2,006,625,996 (net of 531,516 treasury shares) as of 30 April 2020
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11. Are any or all of registrant's securities listed on the Stock Exchange?

Yes No

On 12 October 2011, the Philippine Stock Exchange approved the petition for the delisting of the Corporation's shares effective 28 October 2011.

In a letter dated 22 January 2019, SEC Markets and Securities Regulation Department advised the Company that the Securities and Exchange Commission, in its meeting of 11 December 2018, resolved to (i) GRANT the Company's Petition for Voluntary Revocation of its Registration of Securities and Certificate of Permit to Sell Securities to the Public, and (ii) GRANT the Company's request that it be discharged from its obligations of filing its Consolidated Financial Statements as part of its reportorial requirements. However, pursuant to Rule 13.3 of the 2015 Securities Regulation Code—Implementing Rules and Regulations, the Company shall continue to its reporting obligations under Section 17.1 of the SRC since it still falls under the definition of a public company.

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

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

Date : **19 June 2020, Friday**
Time : **2:15 P.M.**
Place : **KPMI Meeting Room, Unit 3-B Country Space 1 Bldg., 133 Sen. Gil Puyat Avenue, Brgy. Bel-Air, Makati City**

Complete Mailing Address of Principal Office of Registrant:

KEPPEL PHILIPPINES MARINE, INC.
Unit 3-B Country Space 1 Building
133 Sen. Gil J. Puyat Avenue
Salcedo Village, Brgy. Bel-Air, Makati City

(b) The approximate date on which the information statement is first to be sent and given to the security holders shall be **28 May 2020**. Pursuant to SEC Notice dated 20 April 2020, providing for alternative mode for distributing and providing copies of Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders' Meeting, the same shall be available at KPMI's website: www.keppelphilippinesmarineinc.com.

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed corporate actions to be taken up during the annual stockholders meeting which may give rise to a possible exercise by security holders of their appraisal rights under Section 80 of the Revised Corporation Code of the Philippines (R.A. No. 11232).

Under Section 80 of the Revised Corporation Code, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances: (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in this Code; (c) In case of merger or consolidation; and (d) In case of investment of corporate funds for any other purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver for the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

- (a) No person who has been a director or officer of the registrant at any time since the beginning of the last fiscal year, or any nominee for election as a director, or associate of the foregoing persons, has any interest in, direct or indirect, or opposition to matters to be acted upon, other than elections to office.
- (b) No director of the registrant has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holder Thereof

(a) Class of Voting Shares: (As of 30 April 2020)

Class of Voting Shares	No. of Shares Outstanding			No. of Vote Each Share Is Entitled
	Nationality	No. of shares	Percentage	
Common Shares	Filipino	23,700,226	1.18%	One (1) vote per share
	Foreign	1,982,925,770	98.82%	
	Total	2,006,625,996	100.00%	
	net of 531,516 treasury shares			

(b) All stockholders of record as of **21 May 2020** are entitled to notice of and to vote at the Annual Stockholders' Meeting. Pursuant to SEC Notice dated 20 April 2020, providing for alternative mode for distributing and providing copies of Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders' Meeting, the same shall be available at KPMI's website: www.keppelphilippinesmarineinc.com

(c) The election of directors shall be taken up at the meeting and pursuant to Section 23 of the Revised Corporation Code (Republic Act No. 11232). Each stockholder shall have the right to cumulate his votes in favor of any nominee(s) for director. There are no conditions precedents for the exercise of the cumulative voting rights in the election of directors. A stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

Section 57 of the Revised Corporation Code of the Philippines (Republic Act No. 11232) provides that stockholders and members may vote in person or by proxy in all meetings of stockholders or members. When so authorized in the bylaws or by a majority of the board of directors, the stockholders or members of the corporations may also vote through remote communication or in absentia: Provided, That the votes are received before the corporation finishes the tally of votes. A stockholder who participates through remote communication or in absentia, shall be deemed present for purposes of quorum. The corporation shall establish the appropriate requirements and procedures for voting through remote communication and in absentia, taking into account the company's scale, number of shareholders or members, structure, and other factors consistent with the basic right of corporate suffrage. Proxies shall be in writing, signed and filed, by the stockholder, in any form authorized in the bylaws and received by the corporate secretary within a reasonable time before the scheduled meeting. Unless otherwise provided in the proxy form, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any more time.

The manner of voting shall be through remote communication pursuant to Section 57 of the Revised Corporation Code of the Philippines (Republic Act No. 11232), as authorized by the board of directors during its regular meeting on 8 May 2020, and the Company's internal rules and procedures for voting through remote communication or in absentia. The Guidelines on Participation and Voting in Absentia shall be posted in the website, and distributed to stockholders with the Definitive Information Statement.

- (d) Information required by Part IV paragraph (c) of “Annex C” to the extent known by the persons on whose behalf the solicitation is made.

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% as of 30 April 2020.

The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than 5% of the registrant’s voting securities as of 30 April 2020 are as follows:

Title of Class	Name and Address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	Percent of Class
Common	KS Investments Pte. Ltd. (KSIPL) ¹ 51 Pioneer Sector 1 Singapore 628437	Same as Record Owner	Singaporean	1,972,379,671 (r) - Direct	98.29%

¹ *KS Investments Pte. Ltd. (KSIPL) is a corporation organized and existing under and by virtue of the laws of the Republic of Singapore as an investment holding company. Voting of shares held by KSIPL is directed by the board of directors of said company as a collegial body and not by any single person or entity. 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 the shareholdings of KSIPL in the Company.*

There are no voting trust holders of 5% or more and there are no individual or entity under PCD who owns more than 5% of the Company’s outstanding capital stock.

(2) Security Ownership of Directors and Management as of 30 April 2020:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership (“d” or “i”)	Citizenship	Percentage (%) of Ownership
Common	Chor How Jat	1 (d)	Singaporean	-
	Leong Kok Weng	1 (d)	Singaporean	-
	Celso P. Vivas	1 (d)	Filipino	-
	Stefan Tong Wai Mun	1 (d)	Malaysian	-
	Edmund Lek Hwee Chong	1 (d)	Singaporean	-
	Wong Chung Han	1 (d)	Singaporean	-
	Muhammad Fadley Bin Mohd	-	Singaporean	-
	Cray Oh Kok Kwai	-	Singaporean	-
	Teo Keng Siong	-	Singaporean	-
	Ma. Melva E. Valdez	-	Filipino	-
	Lory Anne Manuel-McMullin	-	Filipino	-
	Directors and Executive Officers as a Group	6 (d)		-

*Former Director Mayo Jose B. Ongsingco passed away on 3 April 2020 and the position is currently vacant.

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more.

(4) Changes in Control

There is no change in control of the registrant and there is no arrangement which may result in change of control.

- (e) No change in control of the registrant has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

(1) Directors/Nominees and Executive Officers

(a) Board of Directors

Under KPMI's Articles of Incorporation, the Board of Directors is to be composed of seven (7) members. The members of the Board of Directors of the Corporation are elected at the Annual Stockholders' Meeting, to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. The current members of the Board are as follows:

- (1) Mr. Chor How Jat, 58, Singaporean, was elected director on 08 October 2012. In 15 February 2016, he was elected as Chairman of the Corporation with the untimely demise of Mr. Toh Ko Lin, Director and Chairman/President of the Corporation. He is the Managing Director of KSL since October 2012. He began his professional career with Keppel Offshore & Marine Ltd. in 1988 and held appointments as Shiprepair Manager, Deputy Shipyard Manager, Shipyard Manager and prior to his appointment as Executive Director of KSL, General Manager (Operations) of Keppel FELS Ltd in 2004. He is also serving as Director on the Boards of KSL, Asian Lift Pte Ltd, KBSI, KSSI, Keppel Offshore & Marine Technology Centre Pte Ltd, Keppel Singmarine Pte Ltd and KSI Production Ltd. He is also Director and Chairman of Blastech Abrasives Pte Ltd, Nusa Maritime Pte Ltd, Alpine Engineering Services Pte Ltd and Blue Ocean Solutions Pte Ltd. In addition, he is a council member of Association of Singapore Marine Industries (ASMI) and a member of Workplace Safety and Health Council (Marine Industries), American Bureau of Shipping, Class NK Singapore Technical Committee of Nippon Kaiji Kyokai, AIDS Business Alliance—the Health Promotion Board and Lloyd's Register South East Asia Technical Committee (SEATC). He obtained a degree of Bachelor of Science (Honours) in Naval architecture in University of Newcastle Upon Tyne; Master of Science in Marine Technology in University of Newcastle Upon Tyne. He also graduated from the General Management Program in Harvard Business School.
- (2) Mr. Leong Kok Weng, 46, Singaporean, was elected as Director and President of the Corporation in June 2016. He was previously the President of KSSI. He has been working with Keppel Group since 1998. Mr. Leong graduated from University of Strathclyde in United Kingdom with a degree of Bachelor of Science in Naval Architecture and Offshore Engineering. He also holds a Master of Science in Marine Technology obtained from the University of New Castle Upon Tyne in United Kingdom. He has 19 years of working experience in the shipyard industry.
- (3) Celso P. Vivas, 73, Filipino, was elected as Independent Director in 2005 and is also the Chairman of the Audit Committee of the Corporation. He is an Independent Director and Chairman of the Audit Committee of Keppel Philippines Properties, Inc. (KPPI) and Keppel Philippines Holdings, Inc. (KPHI). He is also an Independent Director of Keppel Subic Shipyard, Inc. (KSSI), and an Independent Director of Megawide Construction Corp., Chairman of its Audit and Compliance Committee, member of both the Board Risk Oversight and Governance and Nomination Remuneration Committee. He is also an Independent Director of Goodsoil Marine Realty, Inc. (GMRI) and a regular director of Goodwealth Realty Development, Inc. He is a member of Marubeni Foundation's Board of Trustees. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV and Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East and a Master's Degree in Business Management from the Asian Institute of Management (SGV and Co. Scholar). He is also a graduate of Company Directors Course and a Fellow of the Australian Institute of Company Directors (as ICD Scholar). Mr. Vivas is a Certified Public Accountant and has over 50 years of experience in audit, finance, enterprise risk management and corporate governance.
- (4) Mr. Stefan Tong Wai Mun, 47, Malaysian, was elected Executive Vice President of the Corporation in June 2011 and Director in February 2010. He has been President and Director of KPHI and Director of KPPI since June 2007. He is also a director of KSSI and other Keppel companies in the Philippines. Mr. Tong graduated from University of Western Australia with a Bachelor's Degree in Accounting and Finance (Honors). He is a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand. He has more than 20 years of experience in finance, audit and asset management.

- (5) Mr. Lek Hwee Chong, 52, Singaporean, was elected director on 26 November 2016. He is currently the Executive Director Operation of Keppel Singmarine Private Ltd. He is also the President of Keppel Nantong Heavy Industry Co, Ltd. Mr. Lek graduated from Nanyang Technological University (NTU) in Singapore with a Bachelor's Degree in Electrical Engineering. He also holds a Master's degree in Business Administration obtained from NTU. He has 24 years of working experience in the shipyard industry.
- (6) Mr. Mayo Jose B. Ongsingco*, 68, Filipino, was elected as independent director of the Corporation in 22 June 2018. Mr. Ongsingco also served as an independent director of KPHI. He was an Adviser to the Board of Directors of First Metro Investment Corp. since 2015, non-executive director of First Metro Asset Management Inc. since 2017, Vice Chairman of First Metro Securities Brokerage Corp. since 2018 and independent Director of Mapfre Insular Insurance Corp. and Ominipay, Inc. since 2016 and 2017, respectively. He was also a non-executive Director of Rafael-Alunan Agro Development Inc. since 2006. He was also a Trustee of Foundation for Carmelite Scholastics and De La Salle College of St. Benilde since 2012 and 2013, respectively. Mr. Ongsingco graduated from the De La Salle University with Bachelor's Degrees (Magna Cum Laude) in Economics and Accounting. He also obtained a Master's Degree in Business Administration from the University of the Philippines and in National Security Administration from the National Defense College of the Philippines (with Honors). Mr. Ongsingco has 45 years of experience in banking, finance, and insurance.
*Mr. Mayo Jose B. Ongsingco passed away on 3 April 2020.
- (7) Mr. Wong Chung Han, 54, Singaporean was elected as director on 21 November 2018. He is the Deputy Financial Controller of KSL. He has been with Keppel Group since 2012. He has 29 years of experience in the field of Finance and Accounting. He attended the Ngee Ann Polytechnic, Singapore with Diploma in Business Studies. He is a CPA with ISCA.
- (8) Ramon J. Abejuela, 71, Filipino, has been nominated as Independent Director of Keppel Philippines Marine, Inc. on 08 May 2020. He has been an Independent Director of KPHI since 14 September 2017. He was also the Independent Director of Keppel Philippines Properties, Inc. (KPPI) from November 1999 to June 2008. He was re-elected as Independent Director in 2009 and is currently the Chairman of the Audit Committee of KPPI. He also serves as Director and Vice Chairman of the Board of Philippine Nutri-Foods Corporation and NCP Publishing Inc. since 2004. Mr. Abejuela holds a Bachelor of Chemical Engineering (cum laude) Degree from De La Salle University and Master's Degree in Business Management – General Management Curriculum from Asian Institute of Management. Mr. Abejuela has more than 45 years of experience in the field of financial planning, control and consultancy.

The foregoing business experience of the directors covers the five-year period.

(b) Nomination of Independent Directors

The following members of the Nomination Committee, namely: Chor How Jat (Chairman), Wong Chung Han and Atty. Ma. Melva E. Valdez, received the recommendations for the position of independent directors. Said recommendations were signed by the nominating stockholder, together with the acceptance and conformity by the would-be nominees. Hereunder is the Final List of Candidates:

Nominee	Nominating Person or Group	Relationship with the Nominee
1. Celso P. Vivas	Stefan Tong Wai Mun	None
2. Ramon J. Abejuela	Stefan Tong Wai Mun	None

Note:

The Amended By-Laws of the Corporation, as approved by the Commission on 30 October 2003, which was further amended as per SEC's approval on 06 June 2006 (latest Amended By-Laws dated 25 June 2015), provides for the procedure for the nomination and election of Independent Directors.

The Nomination Committee (“Committee”) shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Company’s information or proxy statement or such other reports required to be submitted to the Commission.

Nomination of independent directors/s shall be conducted by the Committee prior to a 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 SEC Rule 20, or in such reports the company is required to 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.

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 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.

Except as those required under SRC Rule 38, as amended, and subject to pertinent existing laws, rules and regulation of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws. It shall be the responsibility of the Chairman of the meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent director/s are elected during the corporation’s stockholders’ meeting.

Specific slot/s for independent directors shall not be filled up by unqualified nominees.

In case of failure of election for independent director/s, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission after five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

(b) Nominees for Election as Members of the Board of Directors

The seven (7) current members of the board of directors were nominated for election to the Board of Directors for the ensuing calendar year, to wit:

1. Chor How Jat
2. Leong Kok Weng
3. Stefan Tong Wai Mun
4. Edmund Lek Hwee Chong
5. Celso P. Vivas – Independent Director
6. Ramon J. Abejuela – Independent Director
7. Wong Chung Han

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

(c) Incumbent Officers

Key Officers

Chor How Jat	– Chairman
Leong Kok Weng	– President
Stefan Tong Wai Mun	– Executive Vice-President/Compliance Officer
Muhammad Fadley Bin Mohd Amin	– Senior Vice President
Teo Keng Siong	– Vice President – Operations
Cray Oh Kok Kwai	– Treasurer/Vice President-Finance & Administration/Assistant Compliance Officer
Ma. Melva E. Valdez	– Corporate Secretary
Lory Anne P. Manuel-McMullin	– Assistant Corporate Secretary

Muhammad Fadley Bin Mohd Amin, 37, Singaporean, holds the position of Senior Vice President effective 01 September 2018. He graduated from University of Queensland with a Bachelor's degree in Electrical Engineering. He also holds a Diploma in Electronic Engineering obtained from Temasek Polytechnic. He was posted in Alpine Engineering Services Pte. Ltd. as Operations Manager in 2016 prior to his secondment to Keppel Philippines Marine, Inc. He has been 9 years of experience in shipyard industry.

Teo Keng Siong, 38, Singaporean, currently holds the position of Vice-President – Operations effective 01 September 2018. He graduated from Nanyang Technological University with Degree of Bachelor of Mechanical Engineering. He also holds Diploma in Marine Engineering from Singapore Polytechnic. He has 11 years of working experience in the shipyard industry.

Cray Oh Kok Kwai, 43, Singaporean, holds the position of VP – Finance and Administration effective 01 August 2017. He was elected as Treasurer of the Corporation since 16 June 2017 and Assistant Compliance Officer of the Company since 01 August 2017. He was the Financial Controller of the Corporation since 01 August 2014. He has been with Keppel Group since 2006. He has 15 years of experience in the field of Finance and Accounting.

Ma. Melva E. Valdez, 60, Filipino, has been the Corporate Secretary of the Corporation since 1998. She also served as Director of KPH from 24 June 2008 to 11 June 2009. She is a Senior Partner of the law firm of Bello Valdez and Fernandez Law Offices. She has been the Corporate Secretary of KPHI, KPPI and Mabuhay Vinyl Corporation (listed corporations) and Keppel Subic Shipyard, Inc., and Keppel Batangas Shipyard, Inc., and various Keppel companies in the Philippines, EMS Components Assembly, Inc., EMS Resources Technology, Inc., EMS Land Services, Inc., EMS Services Philippines, Inc., EMS Services International, Inc., Alliance Mansols, Inc., Creotec Philippines, Inc., Wartsila Philippines, Inc., and Asian Institute of Management. She is also a member of the Board of Directors of Leighton Contractors (Phils.) Inc., Servier Philippines, Inc., Buena Homes (Sandoval) Inc., Cambe Dental, Suretrac Holdings, Inc., and Asia Contractors Holdings Inc. She holds directorship position in the following companies: Logwin Air+Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-Ke Properties, Inc., Asia Control System Philippines, Inc. Yinda Communications Philippines, Inc., and Saint-Gobain Philippines, Co. Ltd. Inc. Atty. Valdez graduated from the University of the Philippines as a holder of degrees of Bachelor of Arts in Political Science and Bachelor of Laws. She is a regular lecturer of the Paralegal Training Program of the University of the Philippines Law Center. She is the Incoming Deputy Chairperson, Membership Committee of the Inter-Pacific Bar Association. She has more than 30 years of working experience in her field of profession as a lawyer.

Lory Anne P. Manuel-McMullin, 50, Filipino, has been the Asst. Corporate Secretary of the Company since 1998. She also serves as the Asst. Corporate Secretary of Keppel Philippines Holdings, Inc. (listed company), Keppel Subic Shipyard, Inc. and other companies within the Keppel group. Furthermore, she is the a regular Director and Corporate Secretary/Treasurer of Cominix (Philippines), Inc. and Saint-Gobain Philippines Co. Ltd., Inc.; Director/Corporate Secretary of Tokai Electronics Philippines, Inc. and Yinda Communications Philippines, Inc.; Director of Cushman

Wakefield Philippines, Inc. and Asia Control Systems Philippines, Inc.; Corporate Secretary of Mitsuba Philippines Technical Center Corp., Nachi Pilipinas Industries, Inc., Technol Eight Philippines Corporation, Sumi Philippines Wiring Systems Corp., Opon-KE Properties, Inc., Opon Realty & Development Corp., and Buena Homes, Inc.; Chief Representative of Charabot S.A.; and Resident Agent of Mektec Corp. (Singapore) Pte. Ltd., Entel HK Ltd., Roquette Singapore Pte. Ltd. and SEB Asia Ltd. Atty. McMullin is a Junior Partner of Bello Valdez & Fernandez. She graduated from the University of Santo Tomas with Bachelor's degrees in Communication Arts and Laws.

Other Officers

Ms. Ana Maria A. Lechoco, 52, Filipino, holds the position of Senior Commercial Manager covering Shiprepair, Costing (ship repair and shipbuilding) and Customer Relations. She has more than 20 years of experience in shipyard industry.

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

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

The foregoing business experience of the officers covers the five-year period.

(2) Significant Employees

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

Please see attached Certification that none of the directors/officers are connected with any government agencies or its instrumentalities.

(3) Family Relationships

There are no family relationships among the directors and officers listed above.

(4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Corporation, there are no material pending legal proceedings to which the Corporation or any of its subsidiaries or affiliates is a party or of which any of their property is the subject. Furthermore, to the knowledge and/or information of the Corporation, none of the directors/nominees and officers were involved during the past five (5) years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

There was no other director who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the Registrant on any matter relating to the Registrant's operations, policies and practices.

Certain Relationships and Related Transactions

The following are the list of major transactions during the past three (3) years to which the Corporation is a party:

- (a) The Corporation has management consultancy agreement with KSL. Under the terms of the agreement, KSL undertakes to provide technical advice, service and/or expertise, skills and know-how as well as management consultancy services in connection with the establishment and operation of a shipyard. In consideration for the services, the Corporation pays annual management consultancy fees to KSL.
- (b) The Corporation also has a consultancy agreement with KSSI and KBSI. Under the terms of the agreement, the Corporation provides a consultancy service to the companies in connection with their administrative and financial operation as a shipyard. In consideration for these services, the Corporation will receive a monthly consultancy fee subject to an adjustment on an annual basis upon agreement of both parties.
- (c) The Corporation also has entered into a management consultancy agreement with KCSI for a period of five (5) years from July 1, 2018. Under the agreement, the Corporation shall provide consultancy services to KCSI in connection with the latter's administrative and financial operation. The Corporation will receive a monthly consultancy fee, subject to an adjustment on an annual basis upon agreement of both parties.
- (d) The Corporation contracted KSSI to supply manpower services for certain shipbuilding projects. The agreement will terminate upon completion of the project.
- (e) The Corporation leases from KBSI, machineries and equipment for its ship repair and shipbuilding activities. The term of the lease is for a period of one year and is renewable annually. In 2019, the Corporation renewed the lease for another year.
- (f) The Corporation has lease agreement with GMRI for a parcel of land that is used as shipyard site in Batangas. The term of the lease is 25 years with automatic renewal for another 25 years. The Corporation also entered into another non-cancellable lease agreement with GMRI, for a parcel of land situated in Barrio San Roque, Bauan, Batangas in March 2017. The lease is effective for one (1) year subject to yearly renewal as mutually agreed by both parties.
- (g) The Corporation also has lease agreement with KPHI for a parcel of land located in Barrio San Miguel, Bauan, Batangas. The term of the lease is for a period of one year renewable annually. In July 2019, the lease agreement was renewed for another year.
- (h) The Corporation has lease agreement with GRDC for a parcel of land located at Buenafe County Villa, Brgy. Balagtas, Batangas City. The term of the lease is for one year subject to yearly renewable as agreed by both parties.
- (i) The identification of the related parties transacting business with the Corporation and the transaction prices is determined on the normal course of business through an arm's length transaction. Please refer to Note 5, Related Party Transaction found on pages 4-7 of the KPML's 2019 Audited Financial Statements on other various commercial contracts and agreements entered into by the Corporation with related parties. The Corporation will continue to engage the services of these related parties as long as it is economically beneficial to both parties.

Item 6. Compensation of Directors and Executive Officers

- (a) The following table summarizes the aggregate compensation or accrued (inclusive of perquisites and other personal benefits) during the last two fiscal years and estimates during the current year to the Corporation's Chief Executive Officer and five (5) other most highly compensated officers as follows:

SUMMARY COMPENSATION TABLE

(a)	(b)	(c)	(d)	(e)
Name and Principal Position	Year	Salary	Bonus	Other Compensation
1. Leong Kok Weng President	2020 Est			
	2019			
	2018			
2. Stefan Tong Wai Mun Executive Vice-President (EVP)	2020 Est			
	2019			
	2018			
3. Muhammad Fadley Bin Mohd Amin Senior Vice President	2020 Est			
	2019			

	2018			
4. Cray Oh Kok Wai Treasurer/Vice President-Finance & Administration	2020 Est			
	2019			
	2018			
5. Teo Keng Siong VP – Operations	2020 Est			
	2019			
	2018			
Aggregate Total For The Above Named CEO and Officers	2020 Est	7,500,000	None	None
	2019	6,903,531	None	None
	2018	6,038,629	None	None
Aggregate For All Officers As A Group	2020 Est	19,500,000	None	None
	2019	18,855,439	None	None
	2018	18,042,399	None	None
Aggregate For All Directors As A Group	2020 Est	None	None	None
	2019	None	None	None
	2018	None	None	None

- (b) Under the Corporation'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 Corporation's officers and directors. For the year 2019, no compensation was received by the directors except directors' fee that were paid to each amounting to ₱60,000 each, and the same amount is budgeted for 2020 as annual directors' fee. Board of Directors' per diem is set at ₱10,000 per meeting per Independent Director while for Audit committee meetings, per diem is set at ₱12,000 for the Chairman and ₱9,000 for the Members. KPMI-employed Directors do not receive any per diem. There are no bonuses, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as director, executive officers of the Corporation will participate.

There were no standard or special arrangements and no special consulting contracts awarded to any director or officer of the Corporation.

- (c) Employment Contract of Key Personnel

The employment contracts of key personnel are standard contract between employee and Company, specifying the work responsibilities, compensation and other benefits are not exceptional in nature and will not be affected by a change-in-control, should this occur nor would it occur to a liability on the part of the Registrant that would exceed ₱2,500,000 per officer.

- (d) The Corporation has no existing options, warrants or rights to purchase any securities.

Item 7. Independent Public Accountant

For the year 2020, the Audit Committee composed of: Celso P. Vivas (Chairman/Independent Director), Leong Kok Weng (member), Wong Chung Han (member) and Stefan Tong Wai Mun (member) has recommended to the Board the appointment of Isla Lipana & Co. as the Corporation's external auditor. The same shall be submitted to the stockholders for approval at the forthcoming annual stockholders' meeting. The Audit Committee evaluates the works of the existing auditors, and, based on their review, recommends the re-appointment of the external auditor.

The Corporation is in full compliance with SRC Rule 68(3)(b)(iv)(ix) on the rotation of external auditor. Isla Lipana & Co., represented by Mr. Roderick M. Danao, as partner-in-charge for the years ended **31 December 2016, 2017, 2018 and 2019**. Isla Lipana & Co. represented by Mr. Roderick M. Danao handled the audited accounts of the Corporation. Mr. Roderick Danao is the managing partner while Ms. Catherine Santos is the engagement partner for the Corporation. For the year 2018 and 2019, the signing of the FS was assigned to the engagement partner, and thus, it was signed by Ms. Santos. Pursuant to SRC Rule 68 Part 3 (b)(iv)(ix) of the Amended Implementing Rules and Regulations of the SRC re: rotation of external auditors, the signing partner of Isla Lipana & Co. shall be rotated after every five (5) years of engagement and that a two-year cooling off period shall be observed in the re-engagement of the same signing partner. The Company has not engaged Mr. Roderick M. Danao for more than five (5) years.

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

	<u>2019</u>	<u>2018</u>
1. Audit, other assistance and related Services by the Auditor	₱629,096	₱598,000
2. Tax Fees	-0-	-0-
3. All Other Fees	-0-	-0-

Representatives of Isla Lipana & Co., the principal accountant for the most recently completed fiscal year, are expected to be present during the stockholders' meeting. The representatives will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from the security holders.

During the registrant's two most recent fiscal years or any subsequent interim period,

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

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

- (a) Minutes of the 21 June 2019 Annual Stockholders' Meeting.

The approval or disapproval of the Minutes will refer only to the correctness of the Minutes and will not constitute an approval/disapproval of the matters stated on the Minutes. The Minutes cover the following items:

- 21 June 2019 (Annual)
 1. Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on 22 June 2018
 2. Presentation of the 2018 Annual Report and Approval of the 2018 Audited Financial Statements
 3. Ratification of Corporate Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation for the Period under Review
 4. Election of Directors for the Year 2019-2020
 5. Directors' Remuneration
 6. Appointment of External Auditor

- (b) Minutes of the 27 January 2020 Special Stockholders' Meeting.

The approval or disapproval of the Minutes will refer only to the correctness of the Minutes and will not constitute an approval/disapproval of the matters stated on the Minutes. The Minutes cover the following items:

- 27 January 2020 (Special)
 1. Approval of Corporate Restructuring through Reverse Stock Split
 2. Approval on the Amendment of the Seventh Article of the Articles of Incorporation

- (c) Audited Financial Statements for the year ended 31 December 2019 incorporated in the Annual Report

Approval of the Annual Report/Audited Financial Statements constitutes a ratification of the Corporation's performance during the previous fiscal year as contained therein.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or Other Documents

There is no proposal to amend the articles and by-laws of KPML.

Item 18. Other Proposed Actions

No action on any matter, other than those stated in the Agenda for the Meeting, including the following items, are proposed to be taken, except matters of incidence that may properly come up during the Meeting:

- (1) Ratification of all corporate acts and resolutions during the past year of the Board of Directors, Officers and Management. These are covered by resolutions duly adopted in the usual course of business such as opening of bank accounts and designation of authorized signatories for various transactions, appointment of officers, etc.

Corporate Acts/Resolutions (June 2019 to May 2020)

<p>21 June 2019 (Special Meeting)</p>	<ul style="list-style-type: none"> • Board of Directors' approval on the declaration of 0.5% or P0.005 per share cash dividend to all stockholders of record of KPML as of 09 July 2019 which will be paid on or before 31 July 2019. • Board of Directors' approval on the extension of the buy-back of the Corporations 813,445 shares from existing shareholders for another one (1) year from the date of approval at the same price of 2.52 per share. • Board of Directors' approval on the re-appointment of Isla Lipana & Co. as the Corporation's external auditor for the financial year 2019.
<p>21 June 2019 (Organizational Meeting)</p>	<ul style="list-style-type: none"> • Election of Officers • Appointment of Chairmen and Members of various Committees and Compliance/Corporate Information Officers for the year 2019-2020.
<p>05 August 2019 (Regular Meeting)</p>	<ul style="list-style-type: none"> • Approval of 2019 2nd Quarter Financial Results (SEC Form 17Q) • Approval of Revision to Manual of Authority-Approval Limits • Approval of Disposal and Write-Off of inventory items • Approval of Re-allocation of CAPEX Budget 2019 • Authority to Enter into Service Support Agreement with Keppel Enterprise Services Pte. Ltd. (KENS) • SaP Implementation—Authority to Enter into Agreement with Keppel Enterprise Services Pte. Ltd (KENS) • Approval of filing small claims/criminal/civil case against Rochelle M. Joseph and Eric. A Beltran/Von Eric Apparel, Inc.

<p>11 November 2019 (Regular Meeting)</p>	<ul style="list-style-type: none"> • Capital Restructuring through reverse stock split whereby the par value per share of the KPMI's shares is increased and the total number of shares is decreased. • Amendment of the Corporation's Articles of Incorporation, particularly Seventh Article, to reflect the decrease in the par value of shares and the number of shares. • Setting of Date of the Special Stockholder's Meeting for purposes of approving the corporate restructuring and amendment of KPMI's Articles of Incorporation. • Approval of Disposal of listed assets • Approval of Disposal of listed inventory items • Approval of 2019 3rd Quarter Financial Results (SEC Form 17Q) • Amendment of Approval Limits for Financial Commitments • Appropriation of Retained Earnings for Major CAPEX • Re-allocation of CAPEX Budget 2019 • Authority to Renew General Transportation Surety Bond • Approval of Capitalization of Hull 106 (50 tons tugboat) • Approval of the Migration from HR Manhour Monitoring System (HRMMS) • Late Cost Accrual • Approval of the Solar Panel System Agreement
<p>29 January 2020 (Special Meeting)</p>	<ul style="list-style-type: none"> • Approval of the 2019 Annual Report (SEC Form 17A) and Audited Financial Statements for the year ended 31 December 2019 and the release thereof • Approval of Keppel System of Management Control (KSMC)
<p>21 February 2020 (Regular Meeting)</p>	<ul style="list-style-type: none"> • Approval of Isla Lipana and Co. as KPMI's external auditor for the year 2020. • Setting of the Annual Meeting of Stockholders on 19 June 2020, Friday in accordance with the by-laws and the record date for the stockholders entitled to vote at said meeting on 21 May 2020, Thursday. • Approval of disposal of listed asset • Approval of Re-allocation of CAPEX budget • Authorization to enter into transaction and/or avail products of facilities of Australia and New Zealand Banking Group Limited (ANZ) • Approval of Amendment of signing authority and approval limits for financial commitments • Approval of sponsorship for 158th Coordination Meeting of Batangas Industry Security Alliance
<p>08 May 2020 (Regular Meeting)</p>	<ul style="list-style-type: none"> • Approval of the Directors' Annual Remuneration for the financial year 2019 • Setting of the Annual Stockholder's Meeting and Record Date via Teleconference communication due to health and safety concerns arising from COVID-19 pandemic

(2) Approval of the directors' remuneration as proposed under Item 6.b above.

(3) Election of Directors, including Independent Directors

(4) Appointment of External Auditor

Item 19. Voting Procedures

An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of the 1) Minutes of the Previous Annual Stockholders' Meeting, 2) Minutes of the Previous Special Stockholders' Meeting, 3) Audited Financial Statements, 4) Ratification of Corporate Acts of the Board of Directors, Officers and Management of the Corporation from the date of the last annual stockholders' meeting as reflected in the minutes, 5) Directors' Remuneration, and, 6) Appointment of External Auditor.

The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, the counting of votes will be done through the regular method. For the election of directors, the counting will be cumulative.

In the election of director, the seven (7) nominees with the highest number of votes will be elected directors. If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees. On the other hand, if the number of nominees for election as directors exceeds the number of directors to be elected, voting shall be done by ballot, cumulative voting will be followed and counting of votes shall be done by representatives of the Corporation's external auditor or, in their absence, by the Corporate Secretary.

Pursuant to the Company's Guidelines for Participation and Voting in absentia for 2020 Annual Stockholders' Meeting, stockholders who have successfully registered shall be notified via email of their unique log-in credentials for the voting portal. The Presiding Officer shall ask the stockholders to vote on matters following the ASM Agenda. Participants can send their votes/objections via WebEx Chatbox. Motions shall be considered carried upon garnering votes of present stockholders.

20. Participation through Remote Communication

The Presiding Officer of the ASM shall ask the stockholders if they have questions on matters discussed. Participants can send their questions via the WebEx Chatbox. The Presiding Officer and Moderator will read the questions. Concerned company representatives shall endeavor to answer the questions as time will allow. Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2020 Open Forum/Questions" to mhq@keppelpm.com on or before 15 June 2020.

PART II

**INFORMATION REQUIRED IN A PROXY FORM
(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)
NOT APPLICABLE**

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this report is true, complete and correct. This report is signed in the City of Pasig on the 27th day of May 2020.

KEPPEL PHILIPPINES MARINE, INC.

By:


MA. MELVA E. VALDEZ
Corporate Secretary

Upon the written request of the stockholder, the Corporation undertakes to furnish the stockholder a copy of the 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 MARINE, INC.
Unit 3-B Country Space 1 Building
133 Sen. Gil J. Puyat Avenue
Salcedo Village, Brgy. Bel-Air
1200 Makati City
Philippines

Attention: The Corporate Secretary

MANAGEMENT REPORT
KEPPEL PHILIPPINES MARINE, INC.
PART I – BUSINESS AND GENERAL INFORMATION

1. Business

(1) Business Development

- Keppel Philippines Marine, Inc. (hereinafter to be referred to as the “Corporation”) was incorporated in 1992 and was registered with the Board of Investments (BOI) in 1993 as a shiprepair and shipbuilding enterprise enjoying preferred pioneer status. In 1993, the Corporation was granted an operating license by the Maritime Industry Authority (MARINA) as a Class ‘A’ shipyard. Further in 2005, the Corporation obtained its registration with the Board of Investment, under IPP 2005, as a new export producer of tugboat, general cargo vessel and oil rig hulls.
- On 17 September 2007, the Corporation signed the registration agreement with the Philippine Economic Zone Authority (PEZA) as an Ecozone Export Enterprise at the Keppel Philippines Marine – Special Economic Zone (KPM-SEZ) located in Bauan, Batangas. The BOI incentives were transferred to and continued under PEZA. As a PEZA-ecozone locator, the Corporation is entitled to both tax and non-tax incentives under E.O. 226 and applicable provisions of the PEZA rules.
- The Corporation’s registered office is at Unit 3-B Country Space 1 Building, 133 Sen. Gil J. Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City.
- The Corporation is 98.27% owned by KS Investments Pte. Ltd., a company incorporated in Singapore. The Corporation’s ultimate parent is Keppel Corporation Ltd. (KCL), an entity incorporated under the laws of Singapore. KCL is primarily engaged in the business of offshore and marine, property and infrastructure.
 - The Corporation has two wholly-owned subsidiaries, Keppel Batangas Shipyard, Inc. (KBSI) and Keppel Cebu Shipyard, Inc. (KCSI). Both companies have been duly organized under Philippine Laws and have been duly registered with the Philippine Securities and Exchange Commission (SEC) in 1997 and 2001, respectively. KBSI started commercial leasing operations in 2007 while KCSI had ceased operations in 2009 and is now dormant. As of 30 June 2018, KCSI retired its business and filed a notification of cessation of operation and cancellation of business registration to Bureau of Internal Revenue (BIR) and Office of the City Treasurer. In August 2018, a certification was already issued by the City Treasurer while the application with BIR is still in progress. The BIR LTDO issued a Certificate of Closure on 26 September 2019.
- The Corporation also has a 79% owned subsidiary, Keppel Subic Shipyard, Inc. (KSSI) formerly Subic Shipyard and Engineering Inc., a corporation duly organized and existing under Philippine Laws and registered with SEC in 1976. KSSI is also engaged in the business of shiprepair and shipbuilding and fabrication activities.
- The Corporation also has a 40% equity interest in Goodstart Properties, Inc. (GPI), a company duly organized under Philippine Laws and registered with the SEC in 1997 as an investment holding company. GPI has been treated as a subsidiary despite the Group’s 40% equity interest as said company is under the direct management and control of the Corporation. In January 2006, GPI has ceased operations and has not been in operation since then. On 19 June 2013, GPI’s Board of Directors and stockholders resolved to dissolve the Company, amending its Articles of Incorporation to shorten the corporate term up and only until June 30, 2013. After submitting the required documentation on 28 September 2016, the BIR accepted GPI’s application for closure. As of this period, the dissolution of GPI is still pending for approval by the BIR and SEC.
- The Corporation did not present Consolidated Financial Statements having met the criteria set out in Philippine Accounting Standards (PAS) 27, Consolidated and Separate Financial Statements.
- The Corporation is not involved in any bankruptcy, receivership or similar proceeding; and
- There is no material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Legal Proceedings

- To the knowledge and/or information of the Corporation, there are no material pending legal proceedings to which the Corporation or any of its subsidiaries or affiliates is a party or of which any of their property is the subject. Furthermore, to the knowledge and/or information of the Corporation, none of the directors/nominees and officers were involved during the past five (5) years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

PART II – SECURITIES OF THE REGISTRANT

(1). Market for Registrant’s Common Equity and Related Stockholders Matters

(1) Market Information

The Corporation is not a listed company, thus no market information is available. There is no trading of stocks in the last three (3) years.

The common shares of the Corporation used to be traded in the Philippine Stock Exchange (PSE). However, on 14 October 2011, the Board of Directors of the PSE has approved the petition for voluntary delisting filed by the Corporation and accordingly ordered the delisting of the shares effective 28 October 2011. The stock prices prior to delisting are shown in the subsequent table.

STOCK PRICES	2011	
	HIGH	LOW
First Quarter	2.30	1.92
Second Quarter	2.40	2.08
Third Quarter	3.75	2.33
Fourth Quarter	NA	NA

(2) Holders

The number of shareholders of record as of 30 April 2020 was 2,468.

Common shares outstanding as of 30 April 2020 was 2,006,625,996 (net of 531,516 treasury shares).

Top 20 stockholders as of 30 April 2020:

	Name	No. of Shares Held	% to Total
1.	KS Investments Pte. Ltd.	1,972,379,671	98.29%
2.	Pyform International Corporation	7,430,914	0.37%
3.	Ishmael D. Limkakeng, Jr.	770,000	0.04%
4.	KLG International, Inc.	770,000	0.04%
5.	Zheng Yu Quan	743,089	0.04%
6.	HSBC OBO A/C BNP Paribas Securities (Asia) Ltd	703,926	0.04%
7.	Mary Margaret L. Gotianuy Dee	527,582	0.03%
8.	Wang Bi Ling	445,854	0.02%
9.	Emilio Solco &/or Francis Solco	288,813	0.01%
10.	Fulgencio Factoran	261,709	0.01%
11.	PCD Nominee Corporation – Filipino	227,968	0.01%
12.	Procurador General de Padres Franci Scano de Manila	202,476	0.01%

13.	BPI Securities Corp. Fao Charlie D. Misaghi	200,102	0.01%
14.	Benjamin B. Trinidad	193,203	0.01%
15.	Barcelon Roxas Securities, Inc.	182,005	0.01%
16.	Felipe Yee Chut	172,392	0.01%
17.	Romarie Villonco	161,992	0.01%
18.	Roberto Tan Lim	161,983	0.01%
19.	Santiago Co	160,778	0.01%
20.	Loadstar Shipping Company, Inc.	149,752	0.01%

(3) Dividends

The Corporation paid a cash dividend of P0.005 per share in 2019 and 2018, as follows:

Year	Date of declaration	Stockholders of record as at	Date of payment	Dividends per share	Amount
2019	21 June 2019	09 July 9 2019	31 July 2019	0.005/share	10,033,504
2018	22 June 2018	09 July 9 2018	31 July 2018	0.005/share	10,035,792

The cash dividends were paid out of the Corporation's Distributable Retained Earnings' account. Dividends declared by the Corporation on its shares of stocks were paid in cash. The declaration and payment of dividends depend, among others, upon the Corporation's earnings, cash flow, capital requirements and financial condition. Cash dividends are subject to approval by the Board of Directors but no stockholders approval is required.

(4) Recent Sales of Unregistered Securities

There has been no sale of unregistered or exempt securities within the past three (3) years which were not registered under the Code.

In a letter dated 22 January 2019, SEC Markets and Securities Regulation Department advised the Company that the Securities and Exchange Commission, in its meeting of 11 December 2018, resolved to (i) GRANT the Company's Petition for Voluntary Revocation of its Registration of Securities and Certificate of Permit to Sell Securities to the Public, and (ii) GRANT the Company's request that it be discharged from its obligations of filing its Consolidated Financial Statements as part of its reportorial requirements.

PART III – FINANCIAL INFORMATION

1. Management's Discussion and Analysis or Plan of Operation

(1) Plan of Operation

The Corporation has generated revenues amounting to P684.20 million, P705.09 million and P968.65 million for the last three (3) fiscal years. The Corporation will continue to explore new markets and continue relationship with existing customers.

(2) Management's Discussion and Analysis

Comparative Analysis and Update

Results of Operations

Quarter Ended 31 March 2020 vs. Quarter Ended 31 March 2019

The Corporation generated revenue of ₱197.32 million for the 1st quarter of 2020 compared with ₱218.45 million of the same period last year. The decrease in revenue is attributed to lower value of vessels repaired during the period.

Cost of production and operating expenses decreased by ₱6.23 million to ₱196.82 million as compared to same period last year due mainly to lower revenue reported in the current period. The Corporation

recognized an operating profit of ₱0.5 million which is lower compared to the operating profit of ₱15.39 million in the same period last year.

Other expense – net of other income amounting to ₱7.12 million was lower by ₱2.50 million compared to previous year's other expense – net of other income of ₱9.62 million due mainly to lower borrowing costs incurred during the period.

As a result, the Corporation recorded net loss amounted of ₱8.30 million for the 1st quarter of 2020 compared to a net profit of ₱0.21 million for the same period last year.

Financial Position

As of 31 March 2020 vs. As of 31 December 2019

The Corporation's total assets amounted to ₱6.89 billion as at 31 March 2020. Current ratio stood at 0.45:1. The Corporation's indebtedness remained manageable with a debt-to-equity ratio of 0.37:1. The significant changes in account balances during the period are:

- Cash and cash equivalents increased by ₱31.71 million to ₱137.93 million due mainly to availment of loans and collections received from customers during the period.
- Trade and other receivables increased by ₱89.88 million to ₱573.09 million due mainly higher billings issued to customers.
- Inventories decreased by ₱4.63 million to ₱93.61 million due mainly to lower stocks and lower work-in-progress at the end of the period.
- Due from related parties increased by ₱20.33 million to ₱26.23 million due to higher billings issued to a subsidiary.
- Prepayments and other current assets increased by ₱5.33 million to ₱69.78 million due to withholding taxes and prepaid insurance during the period.
- Property and equipment decreased by ₱2.03 million to ₱1.63 billion due mainly to depreciation expense and assets disposed offset by purchase of additional equipment and capitalized yard development recognized during the period.
- Retirement benefit asset increased by ₱5.81 million to ₱68.21 million due to contributions made to retirement plan offset by retirement expense incurred during the period.
- Trade and other payables increased by ₱42.98 million to ₱270.21 million due to higher purchases of materials and services for shiprepair projects during the period.
- Advances from customers increased by ₱0.65 million to ₱8.06 million due mainly to advanced payment received from customers for shiprepair projects.
- Due to related parties increased by ₱25.31 million to ₱878.67 million due mainly to cash advances availed during the period.
- Provisions increased by ₱5.74 million to ₱78.24 million due mainly to accruals for late cost and warranty expenses of shiprepair projects.
- Bank loans increased by ₱80.0 million to ₱505.0 million due to availment of loans during the period.

Key Performance Indicators

Financial Ratios		For the Quarter Ended/As At	
		31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Current Ratio	Current assets over current liabilities	0.45:1	0.50:1
Quick Asset (Acid Test) Ratio	Quick assets over current liabilities	0.34:1	0.27:1
Debt to Equity Ratio	Total liabilities over total equity	0.37:1	0.36:1
Asset to Equity Ratio	Total assets over total equity	1.37:1	1.36:1
Book Value per Share	Total equity over number of shares issued & outstanding	2.50:1	2.50:1

Profitability Ratios		For the Quarter Ended/As At	
		31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Return on Assets	Net profit (loss) over total assets	(0.12%)	0.00%
Return on Equity	Net profit (loss) over average equity	(0.17%)	0.00%
Earnings per share	Net profit (loss) over number of shares issued & outstanding	(0.41%)	0.01%
Asset Turnover	Sales revenue over average total assets	2.90%	3.20%
Times Interest Earned	Net profit before interest and income tax over interest expense	2x	1x

Return on asset, return on equity and earnings per share is negative due to the net loss recognized. Asset turnover declined as a result of lower revenue.

Material Events and Uncertainties

There are no other known trends, demands, commitments, events or uncertainties that may have material impact on the Corporation's liquidity or may have an impact, favorably or unfavorably, on the sales or income from the continuing operation of the business.

There are no material commitments for capital expenditures and there are no known commitments for any borrowing that will be used to fund capital investment during the interim period being reported upon.

There are no significant elements of income or loss recorded during the interim period that arose from transactions or events other than the Corporation's continuing operations.

Outlook

In general, with the present global crisis due to COVID-19 where business establishments are greatly affected with the closed down, and movement of people by land, sea and air were restricted, the shiprepair and shipbuilding market will not only be competitive but will also be very tough for sustainability.

Full Fiscal Years

The Corporation's financial condition, changes in financial condition and results of operations for each fiscal year for the last three years are discussed below.

Key Performance Indicators

The top ten (10) key performance indicators of the Corporation for three (3) years are shown in the table below:

Financial Ratios		2019	2018	2017
Current Ratio	Total current assets over total current liabilities	0.40:1	0.50:1	0.56:1
Quick Asset (Acid Test) Ratio	Quick assets over current liabilities	0.29:1	0.29:1	0.34:1
Debt to Equity Ratio	Total liabilities over total equity	0.34:1	0.35:1	0.39:1
Asset to Equity Ratio	Total assets over total equity	1.34:1	1:35:1	1.39:1
Book Value per Share	Total equity over number of shares issued & outstanding	2.51:1	2.52:1	2.49:1

Profitability Ratios		2019	2018	2017
Return on Assets	Net profit (loss) over total assets	0.56%	0.84%	0.10%
Return on Equity	Net profit (loss) over total average equity	0.75%	1.13%	0.14%
Earnings (Loss) per Share	Net profit (loss) over number of share issued & outstanding	1.90%	2.84%	0.34%
Asset Turnover	Sales revenue over average total assets	10.08%	10.23%	13.90%
Times Interest Earned	Net profit before interest and income tax over interest expense	1x	1x	1x

Year 2019

1. Results for the Year 2019

The Corporation turned in revenue of ₱684.20 million in 2019 compared with ₱705.09 million of previous year due mainly to nil shipbuilding revenue and lower volume of shiprepair projects caused by tight competition among local and foreign shipyards. As a result, cost of sales and expenses decreased by ₱84.10 million to ₱687.20 million.

Other income – net of ₱106.25 million was lower by ₱29.72 million compared with the previous year. This is due mainly to lower dividend income received from investments during the year.

Finance cost increased to ₱79.34 million due to increase in borrowing costs during the year.

Income tax benefit of ₱14.15 million was lower by ₱29.91 million compared with the previous year.

As a result, the net income for the year decreased by ₱19.0 million to ₱38.06 million compared with the previous year.

There are no recorded significant elements of income or loss that arose from activities other than the Corporation's continuing operations, except as discussed above.

2. Review of Operations

The Corporation repaired a total of 82 vessels (74 local and 8 foreign) which contributed ₱684.20 million or 100.00% of the total revenue, compared with 76 vessels in the previous year which contributed ₱705.09 million or 100.00% of the total revenue. In shipbuilding, no revenue was recognized in 2019.

3. Financial Position

The total assets of the Corporation of ₱6.74 billion as at end of 2019 is lower by ₱92.04 million as compared with that of the end of 2018. Current assets decreased by ₱249.52 million to ₱636.41 million compared with that of the previous year. The decrease in cash and cash equivalents by ₱31.02 million to ₱106.21 million was due mainly to repayment of bank loans and advances from related parties. Trade and other receivables decreased by ₱17.48 million to ₱361.61 million due to collections received from customers. The increase in due from related parties by ₱0.78 million to ₱5.90 million was due mainly to higher billings issued to a related party. The decrease in inventories by ₱211.21 million to ₱98.24 million was due mainly to reclassification of other stocks to property and equipment for the purpose of enhancing the future operations of the yard. The increase in prepayments and other current assets of ₱9.41 million to ₱64.45 million was due to income tax credits during the year.

Non-current assets increased by ₱157.48 million to ₱6.10 billion as compared with ₱5.95 billion of previous year. Trade receivables amounting to ₱121.60 million pertains to the noncurrent portion of the recognized unbilled receivables for shipbuilding project. Upon the adoption of the Company of PFRS 16, Lease, as at January 1, 2019, the corresponding right-of-use assets amounting of ₱54.91 million have been recognized for the long-term lease contract. Property and equipment net of accumulated depreciation increased by ₱111.46 million to ₱1.63 billion due to the reclassification of inventory. Financial assets at fair value of ₱476.76 million pertains to previously classified as available-for-sale financial assets which increased by ₱6.89 million due to revaluation of investments to its fair market value upon implementation of the new FRS 109. Retirement benefit asset decreased by ₱10.22 million to ₱62.40 million due to retirement expense recognized during the period. Deferred tax assets increased by ₱13.87 million to ₱80.23 million due to higher provisions recognized during the year.

Total current liabilities decreased by ₱184.73 million to ₱1.59 billion as compared with ₱1.77 billion of previous year. There is recognition of lease liability on long-term lease contract, current portion amounting of ₱2.01 million based on the new accounting standard on leases. Trade and other payables decreased by ₱19.63 million to ₱227.23 million due mainly to payments made to suppliers and subcontractors during the period. Advances from customer increased by ₱5.24 million to ₱7.41 million due to higher advanced payments received from customers. Due to related parties increased by ₱35.56 million to ₱853.36 million due mainly to availment of advances during the period. Provision decreased

by ₱1.65 million to ₱72.51 million due to reversal of accruals. Bank loans decreased by ₱206.25 million to ₱425.00 million due to repayment of loans during the period.

Total non-current liabilities amounted to ₱123.89 million pertains to recognition of lease liability on long-term land lease based on the new accounting standard on leases.

4. Liquidity and Capital Resources

Operations for 2019 resulted in a net cash generated from operating activities of ₱219.13 million as against ₱38.36 million in 2018. The increase in funds resulted from collections received during the year. The Corporation has adequate funding for the next 12 months.

5. Seasonality or Cyclicity of Operations

There was no distinct seasonality or cyclicity experienced in the operations. The workload and revenue varied slightly from month to month depending on customer's demands for the Corporation's services.

Year 2018

1. Results for the Year 2018

The Corporation turned in revenue of ₱705.09 million in 2018 compared with ₱968.65 million of previous year due mainly to nil shipbuilding revenue and lower volume of shiprepair projects. As a result, cost of sales and expenses decreased by ₱309.06 million to ₱771.30 million.

Other income – net of ₱135.98 million was lower by ₱30.99 million compared with the previous year. This is due mainly to lower dividend income received from investments during the year.

Finance cost increased to ₱56.76 million due to additional bank loans availed during the year and related parties advances availed during the year.

Income tax benefit of ₱44.05 million was higher by ₱39.83 million compared with the previous year. This is due mainly to tax benefit on NOLCO and provision for doubtful debts recognized during the period.

As a result, the net income for the year increased by ₱50.29 million to ₱57.06 million compared with the previous year.

There are no recorded significant elements of income or loss that arose from activities other than the Corporation's continuing operations, except as discussed above.

2. Review of Operations

The Corporation repaired a total of 76 vessels (66 local and 10 foreign) which contributed ₱705.09 million or 100.00% of the total revenue, compared with 83 vessels in the previous year which contributed ₱741.65 million or 76.56% of the total revenue. In shipbuilding, no revenue was recognized in 2018 due to the ongoing sale negotiations.

3. Financial Position

The total assets of the Corporation of ₱6.83 billion as at end of 2018 is lower by ₱115.57 million as compared with that of the end of 2017. Current assets decreased by ₱158.60 million to ₱885.93 million compared with that of the previous year. The decrease in cash and cash equivalents by ₱33.49 million to ₱137.24 million was due mainly to repayment of bank loans and advances from related parties. Trade and other receivables decreased by ₱92.07 million to ₱379.09 million due to collections received from customers. The increase in due from related parties by ₱0.25 million to ₱5.12 million was due mainly to higher billings issued to a related party. The decrease in inventories by ₱42.51 million to ₱309.44 million was due mainly to allowance for inventory obsolescence and write-down. The increase in prepayments and other current assets of ₱9.21 million to ₱55.04 million was due to income tax credits during the year.

Non-current assets increased by ₱43.03 million to ₱5.95 billion as compared with ₱5.90 billion of previous year. Trade receivables amounting to ₱139.90 million pertains to the noncurrent portion of

the recognized unbilled receivables for shipbuilding project. Property and equipment net of accumulated depreciation decreased by ₱97.76 million to ₱1.52 billion due to depreciation expense and assets disposed during the year offset by purchase of additional equipment and capitalized development. Financial assets at fair value of ₱469.87 million pertains to previously classified as available-for-sale financial assets which increased by ₱91.52 million due to revaluation of investments to its fair market value upon implementation of the new FRS 109. Retirement benefit asset increased by ₱61.70 million to ₱72.62 million due to contributions paid and remeasurement gain net of retirement expense during the period. Deferred tax assets increased by ₱10.35 million to ₱66.36 million due to higher provisions recognized during the year.

Total current liabilities decreased by ₱105.87 million to ₱1.77 billion as compared with ₱1.88 billion of previous year. Trade and other payables decreased by ₱33.83 million due mainly to payments made to suppliers and subcontractors during the period. Advances from customer decreased by ₱3.46 million to ₱2.17 million due to lower advance payment received from customers. Due to related parties increased by ₱83.83 million to ₱817.79 million due mainly to availment of advances. Progress billing, net of construction in progress amounted to nil. This pertains to the excess of billings over the recognized construction in progress.

Provision increased by ₱33.14 million to ₱74.16 million due to contingency and additional provision for warranty pertaining to completed shiprepair projects. Bank loans decreased by ₱173.75 million to ₱631.25 million due to repayment of loans during the period.

Total non-current liabilities amounted to nil, decreased by ₱68.75 million compared with the previous year. This is mainly due to repayment of loan and advances.

4. Liquidity and Capital Resources

Operations for 2018 resulted in a net cash generated from operating activities of ₱38.36 million as against net cash used in operating activities of ₱3.58 million in 2017. The decrease in funds resulted from purchase of capital assets during the year. The Corporation has adequate funding for the next 12 months.

5. Seasonality or Cyclicity of Operations

There was no distinct seasonality or cyclicity experienced in the operations. The workload and revenue varied slightly from month to month depending on customer's demands for the Corporation's services.

Year 2017

6. Results for the Year 2017

The Corporation recognized revenue of ₱968.65 million in 2017 compared with ₱762.62 million of previous year due mainly to higher volume of shiprepair projects and recognition shipbuilding revenue. As a result, cost of sales and expenses increased by ₱170.12 million to ₱1.08 billion.

Other income – net of ₱166.97 million was lower by ₱28.86 million compared with the previous year. This is due mainly to lower dividend income received from a subsidiary during the year.

Finance cost increased to ₱52.71 million due to additional bank loans availed during the year and related parties advances availed during the year.

As a result, the net income for the year decreased by ₱3.11 million to ₱6.78 million compared with the previous year.

There are no recorded significant elements of income or loss that arose from activities other than the Corporation's continuing operations, except as discussed above.

2. Review of Operations

The Corporation repaired a total of 83 vessels (72 local and 11 foreign) which contributed ₱741.65 million or 76.56% of the total revenue, compared with 59 vessels in the previous year which contributed ₱762.62 million or 100.00% of the total revenue. In 2017, shipbuilding contributed ₱227.0 million or 23.44% due to delivery of one (1) unit of 50T tugboat which was completed in 2016.

3. Financial Position

The total assets of the Corporation of ₱6.95 billion as at end of 2017 is lower by ₱41.46 million as compared with that of the end of 2016. Current assets decreased by ₱80.48 million to ₱1.04 billion compared with that of the previous year. The increase in cash and cash equivalents by ₱19.18 million to ₱170.73 million was due to availment of loans from related parties and collections received from customers. Trade and other receivables increased by ₱128.61 million to ₱471.15 million due to higher billings issued to customers for shiprepair projects and recognized unbilled receivables for shipbuilding project offset by collections received during the period. The increase in due from related parties by ₱0.40 million to ₱4.87 million was due mainly to higher billings issued to a related party. The decrease in inventories by ₱239.01 million to ₱351.95 million was due mainly to recognition of the sale of one newbuilding project. The increase in prepayments and other current assets of ₱10.37 million to ₱45.07 million was due to overpayment of income tax during the year.

Non-current assets increased by ₱41.47 million to ₱5.90 billion as compared with ₱5.86 billion of previous year. Trade receivables amounting to ₱162.66 million pertains to the noncurrent portion of the recognized unbilled receivables for shipbuilding project. Property and equipment net of accumulated depreciation decreased by ₱118.20 million to ₱1.62 billion due to depreciation expense and assets disposed during the year offset by purchase of additional equipment and capitalized development. Retirement benefit asset decreased by ₱2.53 million to ₱10.92 million due to retirement expense incurred net of contributions paid during the period. Deferred tax assets decreased by ₱2.49 million to ₱56.77 million due to lower provisions recognized during the year.

Total current liabilities increased by ₱149.16 million to ₱1.88 billion as compared with ₱1.73 billion of previous year. Trade and other payables increased by ₱18.15 million due mainly to higher purchase of materials and services for the shipbuilding and shiprepair projects offset by payments made to suppliers and subcontractors during the period. Advances from customer increased by ₱4.79 million to ₱5.63 million due to advance payment received from customers. Due to related parties increased by ₱182.22 million to ₱733.97 million due mainly to availment of advances. Progress billings – net of construction in progress decreased by ₱20.27 million to ₱11.79 million due to cancellation of customer's invoices upon settlement. Provision decreased by ₱6.08 million to ₱41.01 million due to reversal of late costs and other accruals pertaining to completed shiprepair projects. Bank loans decreased by ₱29.65 million to ₱805.00 million due to repayment of loans during the period.1.

Total non-current liabilities decreased by ₱175.00 million to ₱68.75 million compared with the previous year. The decrease in bank loans by ₱125.00 million to ₱31.25 million is due to repayment of loan while the decrease in due to related parties by ₱50.00 million to ₱37.50 is due to repayment of advances.

4. Liquidity and Capital Resources

Operations for 2017 resulted in a net cash used in operating activities of ₱3.58 million as against ₱111.02 million net cash used in operating activities in 2016. The decrease in funds resulted from purchase of capital assets during the year. The Corporation has adequate funding for the next 12 months.

5. Seasonality or Cyclicity of Operations

There was no distinct seasonality or cyclicity experienced in the operations. The workload and revenue varied slightly from month to month depending on customer's demands for the Corporation's services.

2. Directors/Executive Officers

Please refer to Part I, pages 7 - 12 on the list of Directors and Executive Officers of the Corporation.

3. Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

- (a) Audit and related fees (including out-of-pocket expenses) paid/accrued for the year to the Corporation's external auditors amounted to ₱629,096 and ₱598,000 in 2019 and 2018,

respectively, for expressing an opinion on the financial statements and assistance in the preparation of the annual income tax return.

- (b) Tax Fees—There are no tax fees paid for the years 2019 and 2018.
 - (c) Other Fees—There are no other fees paid for the years 2019 and 2018.
 - (d) Audit Committee's Approval Policies and Procedures — The Committee evaluates the works of the existing auditors and, based on the review, the Committee recommends for re-appointment.
- (2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure—During the Corporation's three (3) most recent fiscal years or any subsequent interim period, no independent accountant who was previously engaged as the principal accountant to audit the Corporation's financial statements, regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

The financial statements of the Corporation have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) which includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the FRSC and adopted by SEC. The accounting policies adopted are consistent with those of the previous financial year except those that were affected by the adoption of the new and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) during the year but adoption of which has no effect on the Corporation's financial statements but required additional disclosures on the financial statements.

4. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Report.

5. Corporate Governance

- a) The Corporation substantially adopted all the provisions of the Manual on Corporate Governance (Model Corporation), as prescribed by SEC memorandum Circular No. 9, series of 2014.
- b) There were no major deviations from the adopted Manual on Corporate Governance.
- c) The independent directors of the Corporation have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code (SRC).
- d) Pursuant to the Corporation's Revised Manual on Corporate Governance ("Revised Manual") submitted on 31 July 2014, the Corporation adheres to the guidelines provided in said Manual on the Board's duties/accountabilities in terms of ensuring transparency, effectiveness of internal control system, and internal policy in conflict situations.
- e) The remuneration of the corporate officers and the directors are determined pursuant to the Corporation and control environment and that the amount is set following the required approvals under the law and the internal rules of the Corporation.

KEPPEL PHILIPPINES MARINE, INC.
2020 ANNUAL STOCKHOLDERS' MEETING
19 June 2020, Friday, at 2:15 pm

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2020 Annual Stockholders' Meeting (ASM) of Keppel Philippines Marine, Inc. (KPM or the Company) is scheduled on **19 June 2020 at 2:15 pm** and the Board of Directors of the Company has fixed the record date on **21 May 2020** for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the ongoing community quarantine imposed in several areas of the country and in consideration of health and safety concerns of everyone involved, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia*.

Registration

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM via remote and to exercise their right to vote *in absentia* by no later than **15 June 2020**, by registering at mhq@keppelpm.com and by submitting there the following supporting documents/information, subject to verification and validation:

1. Individual Stockholders
 - a. Copy of valid government ID of stockholder/proxy with photo
 - b. Stock certificate number/s
 - c. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
 - d. E-mail address and contact number of stockholder or proxy
2. Multiple Stockholders or joint owners
 - a. Stock certificate number/s
 - b. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
 - c. Copy of valid government IDs of all registered stockholders with photo
 - d. E-mail address and contact number of authorized representative
3. Corporate Stockholders
 - a. Secretary's Certification of Board resolution appointing and authorizing proxy to participate in the ASM
 - b. Valid government ID of the authorized representative with photo
 - c. Stock certificate number/s
 - d. E-mail address and contact number of authorized representative
4. Stockholders with Shares under broker account
 - a. Certification from broker as to the number of shares owned by stockholder
 - b. Valid government ID of stockholder with photo
 - c. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
 - d. E-mail address and contact number of stockholder or proxy

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Company.

Online Voting

Stockholders who have indicated their intention to participate via remote communication by sending a notification/confirmation of their attendance by e-mail to mhq@keppelpm.com on or before 15 June 2020 shall receive an e-mail acknowledgment thereof and a WebEx online meeting invitation.

The Presiding Officer of the ASM shall ask the stockholders to vote on matters following the ASM Agenda.

Participants can send their votes/objections via the WebEx Chat box.

Motions shall be considered carried upon garnering majority votes of present stockholders.

Open Forum/Questions

The Presiding Officer of the ASM shall ask stockholders if they have questions on matters discussed.

Participants can send their comments/questions by typing in the "chat panel" of the WebEx online meeting platform.

The Presiding Officer or the Moderator will read the questions.

Concerned company representatives shall endeavor to answer questions as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2020 Open Forum/Questions" to mhq@keppelpm.com on or before 15 June 2020.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company's Corporate Information Officer.

- These Guidelines have been made based on the current shareholder size and structure of the Company.
- For any queries or concerns regarding this Guidelines, please contact the Company's Corporate Information Officer at +632-8892-1816 or via email at mhq@keppelpm.com
- For complete information on the annual meeting, please visit this webpage www.keppelphilippinesmarineinc.com.
- ASM Minutes shall be posted subsequently on the Company's website.
- ASM Recording will be kept by the Company and will be made available to participating stockholders upon request.

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

SECRETARY'S CERTIFICATE

I, **MA. MELVA E. VALDEZ**, of legal age, Filipino and with office address at 17th Floor Robinsons Equitable Tower, #4 ADB Avenue corner P. Poveda Drive, OrtigasCenter, Pasig City, after having been first sworn in accordance with law, do hereby certify that:

1. I am the duly elected and incumbent **Corporate Secretary** of **KEPPEL PHILIPPINES MARINE, INC.** ("Corporation"), a corporation duly organized and existing under Philippine laws with principal office at Unit 3-B Country Space 1 Building, 133 Sen. Gil J. Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City.

2. At the regular meeting of the **Board of Directors** of the Corporation held via Webex conferencing on **08 May 2020**, at which meeting a quorum was present, the resolution below, among others, was adopted and approved:

"**RESOLVED**, that, in connection with the health and safety measures observed with the current COVID-19 pandemic, and as per recommendation of Management, the Board of Directors of **Keppel Philippines Marine, Inc.** (the "Corporation") hereby authorizes the conduct of the Y2020 Annual Stockholders' Meeting ("ASM") through teleconferencing/remote communication pursuant to SEC Memorandum Circular no.6 series of 2020;

"**RESOLVED FURTHER**, that the Board authorizes the *in absentia* participation and voting of qualified stockholders as of record date 21 May 2020 (refer to Annex A, Guidelines for Participation and Voting In Absentia for 2020 Annual Stockholders' Meeting)."

3. The foregoing resolution has not been altered, modified or revoked and that the same is still in full force and effect.

4. This Certificate is being issued to attest to the truth of the foregoing statements and for whatever legal purpose it may serve.


MA. MELVA E. VALDEZ
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this ___ day of _____ 2020 at **Pasig City**; affiant exhibited to me her competent proof of identity: Social Security System (SSS) ID No. **03-8437676-4**.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2020.

CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of Keppel Philippines Marine, Inc. (KPMI) with office address at Unit 3B Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City and have been its independent director since 2005.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Keppel Philippines Properties Inc.	Independent Director	November 2004 to present
Keppel Philippines Holdings, Inc.	Lead Independent Director and Chairman of the Audit & Risk Management Committee	2005 to present
Keppel Subic Shipyard, Inc.	Independent Director	2011 to present
Megawide Construction Corp.	Chairman of the Audit & Compliance Committee and Independent Director	July 2018 to present
Republic Glass Holdings Corp.	Chairman of Governance, Nomination & Remuneration and Independent Director	May 2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of KPMI as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholder/s of KPMI.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and SEC issuances.
7. I shall inform the Corporate Secretary of KPMI of any changes in the abovementioned information within five days from its occurrence.



CELSO P. VIVAS
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2020 at _____, Philippines, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) 123-305-216.

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

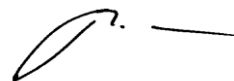
CERTIFICATION OF QUALIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of Keppel Philippines Marine, Inc. (KPMI) with office address at Unit 3B Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Keppel Philippines Holdings, Inc.	Independent Director	September 2017 to present
Keppel Philippines Properties Inc.	Chairman of the Audit Committee and Independent Director	2009 to present
Philippine Nutrifoods Corp.	Director and Vice Chairman	2004 to present
Nutrition Center of the Philippines (NCP) Publishing Corp.	Director and Vice Chairman	2004 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of KPMI as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholder/s of KPMI.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and SEC issuances.
7. I shall inform the Corporate Secretary of KPMI of any changes in the abovementioned information within five days from its occurrence.



RAMON J. ABEJUELA
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2020 at _____, Philippines, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) 172-761-781.

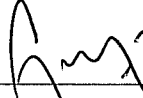
Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

REPUBLIC OF THE PHILIPPINES)
_____ CITY) SS.

CERTIFICATION

The undersigned, being the Treasurer/Vice President - Finance and Administration/ Assistant Compliance Officer of **KEPPEL PHILIPPINES MARINE, INC. (KPMI)**, a corporation duly organized and existing under and by virtue of Philippine laws (SEC Identification No. AS092-007858) with principal office at Unit 3-B Country Space 1 Building, 133 Sen. Gil J. Puyat Avenue, Salcedo Village, Brgy. Bel-Air, Makati City, do hereby certify that, as of current date, no members of the Board of Directors and no officers of KPMI are employed by or connected with any government agencies and/or instrumentalities.

This Certification is issued in connection with the filing/submission of KPMI's Preliminary Information Statement with the SEC and for all legal purposes it may serve.



Cray Oh Kok Kwai

Treasurer/ Vice President - Finance and
Administration/ Assistant Compliance Officer

SUBSCRIBED AND SWORN to before me this ___ day of _____ 2020 at _____ City; affiant exhibited to me his passport bearing number E6127619H issued at Singapore expiring on 11 Mar 2022.

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

KEPPEL PHILIPPINES MARINE, INC.

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS Held at the Function Rooms 2 & 3, Basement 1, Belmont Hotel Manila Newport Boulevard, Newport City, 1309 Pasay City on **21 June 2019**

I. CALL TO ORDER

The Chairman, Mr. Chor How Jat, welcomed the stockholders to the annual meeting.

Before proceeding with the meeting proper, the Chairman welcomed and introduced Mr. Paul Tan, Group Controller of Keppel Corporation and CFO of Keppel Offshore and Marine (KOM). Mr. Tan is in the Philippines for another Keppel meeting and was invited to join in this meeting since KPMI is a subsidiary of KOM.

The Chairman welcomed also the independent and regular directors of the Company, the Corporate Secretary, and representatives of the external auditor, Navarro Amper & Co.

Thereafter, the Chairman called the meeting to order at about 9:45 a.m.

II. PROOF OF NOTICE OF MEETING AND CERTIFICATION OF QUORUM

The Corporate Secretary, Atty. Ma. Melva E. Valdez, advised the Chairman that notices for this particular meeting has been sent to each and every stockholder in accordance with the By-laws of the Corporation and rules of the Securities & Exchange Commission (SEC) and was also published in the Philippine Daily Inquirer last 27 May 2019. Out of the total outstanding shares, about 98.32% are present either in person or by proxy hence, there was a quorum.

III. READING AND APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON 22 JUNE 2018

It was indicated that copies of the minutes of the last annual stockholders' meeting held on 22 June 2018 was 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 said minutes was accordingly approved.

IV. PRESENTATION OF ANNUAL REPORT AND APPROVAL OF AUDITED FINANCIAL STATEMENTS

The Chairman stated that the 2018 Annual Financial Statements together with the Definitive Information Statement or SEC Form 20-IS in CD format had been sent out to the stockholders prior to the stockholders' meeting and that copies thereof as well as the Annual Report (SEC Form 17-A) were made available at the entrance of the venue for the meeting for those who have not received a copy yet.

Thereafter, upon motion duly made and seconded, the Audited Financial Statements for the year ended 2018 was approved.

V. 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 for the period beginning 22 June 2018 until 21 June 2019 are hereby ratified.”

VI. ELECTION OF DIRECTORS

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 Corporate Secretary answered in the affirmative and read the names of the five (5) nominees for election as regular members of the Board of Directors and two (2) nominees for independent directors for the year 2019-2020. 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 seven (7) nominees to fill in seven (7) seats in the Board, the Chairman directed the Corporate Secretary to cast the votes equally in favor of the 7 nominees. The following were elected as directors of the Corporation for the year 2019-2020 and shall serve as such until their successors are elected and shall have qualified:

1. Chor How Jat
2. Leong Kok Weng
3. Stefan Tong Wai Mun
4. Edmund Lek Hwee Chong
5. Celso P. Vivas, *Independent Director*
6. Mayo Jose B. Ongsingco, *Independent Director*
7. Samuel Wong Chung Han

VII. DIRECTORS' REMUNERATION

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

“RESOLVED, That the amount of SIXTY THOUSAND PESOS (P60,000.00) per director be as it is hereby appropriated and approved to be paid as and by way of directors' remuneration for the year 2018.”

VIII. APPOINTMENT OF EXTERNAL AUDITOR

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

"RESOLVED, That Isla Lipana & Co. (PWC) be as it is hereby appointed as the external auditor of the Corporation for the year 2019 at a fee to be fixed by Management."

IX. OTHER MATTERS

The Chairman announced that the Board of Directors, in its meeting held earlier today, prior to the holding of the annual stockholders' meeting, had declared a P0.01 or 1% per share cash dividend for stockholders of record as of 09 July 2019; payment to be made on or before 31 July 2019.

X. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned at about 9:55a.m.

MA. MELVA E. VALDEZ
Secretary of the Stockholders' Meeting

ATTESTED BY:



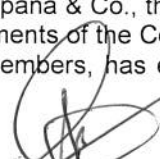
CHOR HOW JAT
Chairman of the Stockholders' Meeting

Keppel Philippines Marine

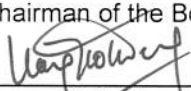
Keppel Philippines Marine, Inc. Tel : (632) 892 1816
Unit 3-B Country Space 1 Building : (632) 892 1820 to 24
133 Sen. Gil Puyat Avenue Fax : (632) 815 2581
Salcedo Village, Brgy. Bel-Air E-mail: mhq@keppelpm.com
1200 Makati City commercial@keppelpm.com
Philippines Web : www.keppelphilippinesmarineinc.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

- The management of **Keppel Philippines Marine, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules therein, for the year ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
- The Board of Directors is responsible for overseeing the Company's financial reporting process.
- The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.
- Isla Lipana & Co., the independent auditor, appointed by the management, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Chor How Jat
Chairman of the Board



Leong Kok Weng
President



Oh Kok Kwai
Treasurer/Vice President-Finance and Administration


Signed this 29th day of January 2020.

SUBSCRIBED AND SWORN to me this 29th January 2020 affiants exhibiting to me their Passport as follows:

NAME	PASSPORT NO.	DATE ISSUE/ DATE EXPIRED	PLACE OF ISSUE
Chor How Jat	K0032766Z	07 Nov 2017/ 29 Jul 2023	Singapore
Leong Kok Weng	E5305327L	05 Dec 2015/ 07 Dec 2020	Singapore
Oh Kok Kwai	E6127619H	28 Jun 2016/ 11 Mar 2022	Singapore

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





Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

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

Basis for Opinion

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

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

Independence

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2019, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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



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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Catherine H. Santos
Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 211-726-564

BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
January 29, 2020



Statement Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the financial statements of Keppel Philippines Marine, Inc. (the "Company") as at and for the year ended December 31, 2019 on which we have rendered the attached report dated January 29, 2020.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of work performed by us, the Company has two thousand two hundred forty four (2,244) shareholders, each owning one hundred (100) or more shares, as at December 31, 2019.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 211-726-564
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Makati City
January 29, 2020

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



Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the financial statements of Keppel Philippines Marine, Inc. as at and for the year ended December 31, 2019, on which we have rendered the attached report dated January 29, 2020. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration as additional components required by Part I Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F, G and H, as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required part of the basic financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information have been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.

Catherine H. Santos
Partner

CPA Cert. No. 0110097

P.T.R. No. 0011422; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 1660-A, Category A; effective until September 6, 2020

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 211-726-564

BIR A.N. 08-000745-132-2017; issued on June 8, 2017; effective until June 7, 2020

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
January 29, 2020

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

Keppel Philippines Marine, Inc.

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

	Notes	2019	2018
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	106,213,690	137,237,822
Trade and other receivables, net	3	361,612,370	379,087,921
Inventories, net	4	98,237,216	309,443,765
Due from related parties	5	5,899,852	5,122,623
Prepayments and other current assets	6	64,446,861	55,038,855
Total current assets		636,409,989	885,930,986
Non-current assets			
Trade receivables, net of current portion	3	121,598,132	139,895,723
Right-of-use assets, net	7	54,907,493	-
Property and equipment, net	8	1,633,968,808	1,522,511,437
Investments in subsidiaries and an associate, net	9	3,671,277,633	3,672,407,460
Financial assets at fair value through other comprehensive income, net	10	476,759,962	469,868,467
Retirement benefit asset	11	62,395,883	72,615,737
Deferred tax assets, net	12	80,229,585	66,359,730
Other non-current assets		2,243,128	2,243,128
Total non-current assets		6,103,380,624	5,945,901,682
Total assets		6,739,790,613	6,831,832,668
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	13	227,230,167	246,861,968
Advances from customers		7,407,381	2,172,227
Due to related parties	5	853,355,968	817,794,646
Lease liability, current portion	7	2,009,778	-
Provisions	15	72,505,165	74,155,933
Bank loans	14	425,000,000	631,250,000
Total current liabilities		1,587,508,459	1,772,234,774
Non-current liability			
Lease liability, net of current portion	7	123,894,181	-
Total liabilities		1,711,402,640	1,772,234,774
Equity			
Share capital	16	2,007,157,512	2,007,157,512
Reserves		356,816,434	282,180,285
Retained earnings		2,665,616,116	2,771,364,028
Treasury shares		(1,202,089)	(1,103,931)
Total equity		5,028,387,973	5,059,597,894
Total liabilities and equity		6,739,790,613	6,831,832,668

The notes on pages 1 to 54 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

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

	Notes	2019	2018	2017
Service revenues	17	684,202,531	705,090,442	968,651,564
Cost of services	18	(548,592,446)	(589,406,738)	(941,424,849)
Gross profit		135,610,085	115,683,704	27,226,715
Operating expenses	19	(138,610,441)	(181,897,187)	(138,936,262)
Other income, net	20	106,254,968	135,979,077	166,971,774
Income from operations		103,254,612	69,765,594	55,262,227
Finance cost	5,7,14	(79,340,043)	(56,758,006)	(52,708,954)
Income before income tax		23,914,569	13,007,588	2,553,273
Income tax benefit	12	14,145,074	44,051,625	4,219,324
Net income for the year		38,059,643	57,059,213	6,772,597
Other comprehensive income (loss)				
Items that will not be subsequently reclassified to profit or loss				
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	10	4,824,046	76,994,856	-
Remeasurement gain (loss) on retirement benefit asset, net of tax	11	(20,187,897)	32,358,312	(11,761,216)
Item that may be subsequently reclassified to profit or loss				
Changes in the fair value of available-for-sale financial assets, net of tax	10	-	-	(430,060)
Total other comprehensive income (loss) for the year		(15,363,851)	109,353,168	(12,191,276)
Total comprehensive income (loss) for the year		22,695,792	166,412,381	(5,418,679)
Basic and diluted earnings per share	22	0.0190	0.0284	0.0034

The notes on pages 1 to 54 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

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

	Reserves							Total	Treasury shares (Note 16)	Total equity
	Share capital (Note 16)	Share premium (Note 16)	Investment revaluation reserve (Note 10)	Remeasurement of retirement asset (Note 11)	Appropriated retained earnings (Note 16)	Unappropriated retained earnings (Note 16)				
January 1, 2017	2,007,157,512	25,341,207	1,613,161	100,998,194	70,000,000	197,952,562	2,811,400,712	(330,690)	5,016,180,096	
Comprehensive income (loss)										
Net income for the year	-	-	-	-	-	-	6,772,597	-	6,772,597	
Other comprehensive income (loss)	-	-	(430,060)	(11,761,216)	-	(12,191,276)	-	-	(12,191,276)	
Total comprehensive income (loss) for the year	-	-	(430,060)	(11,761,216)	-	(12,191,276)	6,772,597	-	(5,418,679)	
Transactions with owners										
Appropriation	-	-	-	-	80,000,000	80,000,000	(80,000,000)	-	-	
Reversal of appropriation	-	-	-	-	(70,000,000)	(70,000,000)	70,000,000	-	-	
Cash dividends declared	-	-	-	-	-	-	(10,035,127)	-	(10,035,127)	
Purchase of treasury shares	-	-	-	-	-	-	-	(171,666)	(171,666)	
Total transactions with owners	-	-	-	-	10,000,000	10,000,000	(20,035,127)	(171,666)	(10,206,793)	
December 31, 2017, as previously reported	2,007,157,512	25,341,207	1,183,101	89,236,978	80,000,000	195,761,286	2,798,138,182	(502,356)	5,000,554,624	
Changes in accounting policy										
January 1, 2018, as adjusted (Notes 3 and 10)	2,007,157,512	25,341,207	(11,751,068)	89,236,978	80,000,000	182,827,117	2,714,340,607	(502,356)	4,903,822,880	
Comprehensive income (loss)										
Net income for the year	-	-	-	-	-	-	57,059,213	-	57,059,213	
Other comprehensive income	-	-	76,994,856	32,358,312	-	109,353,168	-	-	109,353,168	
Total comprehensive income for the year	-	-	76,994,856	32,358,312	-	109,353,168	57,059,213	-	166,412,381	
Transactions with owners										
Appropriation	-	-	-	-	70,000,000	70,000,000	(70,000,000)	-	-	
Reversal of appropriation	-	-	-	-	(80,000,000)	(80,000,000)	80,000,000	-	-	
Cash dividends declared	-	-	-	-	-	-	(10,035,792)	-	(10,035,792)	
Purchase of treasury shares	-	-	-	-	-	-	-	(601,575)	(601,575)	
Total transactions with owners	-	-	-	-	(10,000,000)	(10,000,000)	(35,792)	(601,575)	(10,637,367)	
December 31, 2018, as previously reported	2,007,157,512	25,341,207	65,243,788	121,595,290	70,000,000	282,180,285	2,771,364,028	(1,103,931)	5,059,597,894	
Changes in accounting policy (Note 27.26)										
January 1, 2019, as adjusted	2,007,157,512	25,341,207	65,243,788	121,595,290	70,000,000	282,180,285	2,727,589,977	(1,103,931)	5,015,823,843	
Comprehensive income (loss)										
Net income for the year	-	-	-	-	-	-	38,059,643	-	38,059,643	
Other comprehensive income	-	-	4,824,046	(20,187,897)	-	(15,363,851)	-	-	(15,363,851)	
Total comprehensive income/(loss) for the year	-	-	4,824,046	(20,187,897)	-	(15,363,851)	38,059,643	-	22,695,792	
Transactions with owners										
Appropriation	-	-	-	-	160,000,000	160,000,000	(160,000,000)	-	-	
Reversal of appropriation	-	-	-	-	(70,000,000)	(70,000,000)	70,000,000	-	-	
Cash dividends declared	-	-	-	-	-	-	(10,033,504)	-	(10,033,504)	
Purchase of treasury shares	-	-	-	-	-	-	-	(98,158)	(98,158)	
Total transactions with owners	-	-	-	-	90,000,000	90,000,000	(100,033,504)	(98,158)	(10,131,662)	
December 31, 2019	2,007,157,512	25,341,207	70,067,834	101,407,393	160,000,000	356,816,434	2,665,616,116	(1,202,089)	5,028,387,973	

The notes on pages 1 to 54 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

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

	Notes	2019	2018	2017
Cash flows from operating activities				
Income before income tax		23,914,569	13,007,588	2,553,273
Adjustments for:				
Depreciation	7,8	129,419,573	138,838,073	144,618,860
Provision for (reversal of):				
Losses	15	6,528,278	42,030,012	-
Doubtful accounts	3	1,654,916	(22,132)	240,938
Warranty accrual, net	15	(1,766,843)	1,863,694	(170,168)
Late cost accruals, net	15	(2,042,993)	(3,811,606)	2,570,194
Inventory obsolescence and write-down	4	-	25,527,320	(82,376,574)
Finance cost	5,7,14	79,340,043	56,758,006	52,708,954
Unrealized foreign exchange gain, net	21	(7,045,560)	(8,747,003)	(2,707,127)
Retirement benefit expense	11	3,396,131	10,973,364	11,395,869
Loss on impairment of investment	9	1,129,827	-	-
Gain on disposal of property and equipment	20	(2,183,585)	(808,173)	(276,155)
Interest income	20	(7,691,252)	(7,823,940)	(5,369,814)
Dividend income	20	(77,325,383)	(132,334,389)	(166,414,250)
Operating income (loss) before working capital changes		147,327,721	135,450,814	(43,226,000)
Decrease (increase) in:				
Trade and other receivables		35,925,988	34,478,468	(288,935,105)
Inventories		18,370,695	16,982,017	321,389,578
Due from related parties		(882,721)	(262,076)	(242,257)
Prepayments and other current assets		(12,592,772)	(14,344,192)	(6,069,348)
Increase (decrease) in:				
Trade and other payables		18,657,056	(44,693,959)	29,882,573
Advances from customers		5,235,154	(3,460,007)	4,785,938
Progress billings, net of construction in progress		-	(11,793,813)	(20,271,800)
Due to related parties		16,561,947	(52,898,146)	11,951,542
Net cash generated from operations		228,603,068	59,459,106	9,265,121
Interest received		7,691,252	7,823,940	5,369,814
Contributions to employee retirement fund	11	(15,300,000)	(27,830,000)	(12,066,000)
Income taxes paid		(1,861,960)	(1,097,287)	(6,153,379)
Net cash flows provided by (used in) operating activities		219,132,360	38,355,759	(3,584,444)
Cash flows from investing activities				
Additions to property and equipment	8	(47,617,978)	(41,850,166)	(26,633,782)
Dividends received from investments	5,9,10	77,325,383	132,334,389	166,414,250
Proceeds from disposal of property and equipment		4,048,285	1,580,618	489,796
Net cash flows provided by investing activities		33,755,690	92,064,841	140,270,264
Cash flows from financing activities				
Payments of bank loans	14	(1,426,250,000)	(875,000,000)	(834,650,800)
Proceeds from bank loans	14	1,220,000,000	670,000,000	680,000,000
Proceeds from borrowings - related parties	5	2,595,710,926	989,328,736	823,990,559
Payments of borrowings - related parties	5	(2,570,730,918)	(884,552,964)	(723,467,419)
Finance cost paid		(90,007,061)	(52,879,785)	(52,950,160)
Lease payments	7	(1,882,695)	-	-
Dividends paid	16	(10,033,504)	(10,035,792)	(10,035,127)
Purchase of treasury shares	16	(98,158)	(601,575)	(171,666)
Net cash flows used in financing activities		(283,291,410)	(163,741,380)	(117,284,613)
Net increase (decrease) in cash and cash equivalents		(30,403,360)	(33,320,780)	19,401,207
Cash and cash equivalents at January 1		137,237,822	170,729,087	151,548,712
Effect of exchange rate changes on cash and cash equivalents		(620,772)	(170,485)	(220,832)
Cash and cash equivalents at December 31	2	106,213,690	137,237,822	170,729,087

The notes on pages 1 to 54 are integral part of these financial statements.

Keppel Philippines Marine, Inc.

Notes to the Financial Statements

As at December 31, 2019 and 2018 and

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

(In the Notes, all amounts in Philippine Peso unless otherwise stated)

Note 1 - General information; subsequent events

Keppel Philippines Marine, Inc. (the "Company"), a public corporation organized and existing under the laws of the Philippines, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1992. The primary purpose for which the Company is established is to operate as a shipyard, with all the facilities that may be needed and the construction and repair of all types and classes of vessels together with the related services.

The Company is 98.29% owned by KS Investments Pte. Ltd. (KSIPL), a parent company incorporated in Singapore, and 1.71% owned by non-controlling shareholders. The ultimate parent company is Keppel Corporation Ltd. (KCL), a company organized and existing under the laws of Singapore and whose shares are listed in Singapore Exchange. KCL is primarily engaged in the business of Offshore and Marine, Property and Infrastructure.

The Company is considered a public company under Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011, which among others, is any corporation with assets of at least P50 million and has two hundred (200) or more shareholders, each of which holds at least one hundred (100) shares of a class of its equity securities. As at December 31, 2019 and 2018, the Company has 2,469 shareholders, 2,244 of whom hold at least 100 shares of the Company's common shares.

The following are the Company's subsidiaries and associate as at December 31, 2019 and 2018:

	Place of incorporation	Ownership interest	Date acquired
Keppel Batangas Shipyard, Inc. (KBSI)	Batangas City	100.00%	October 11, 2001
Keppel Cebu Shipyard, Inc. (KCSI)	Cebu City	100.00%	October 29, 1997
Keppel Subic Shipyard, Inc. (KSSI)	Subic, Zambales	79.16%	September 29, 2010
Goodstart Properties, Inc. (GPI)	Makati City	40.00%	May 5, 1997
Consort Land, Inc. (CLI)	Subic, Zambales	20.72%	December 31, 1995

Relevant financial and other information about the Company's subsidiaries and associate are disclosed in Note 9.

The Company's registered address and principal place of business is located at Unit 3-B, Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City, Philippines. The Company has 432 regular employees as at December 31, 2019 (2018 - 428).

On January 27, 2020, the Company's Board of Directors (BOD) approved the capital restructuring through a reverse stock split whereby the par value per share of the Company's shares is increased from P1 to P20,000 and correspondingly, the total number of shares is decreased from 2,007,157,512 to 99,879.

The financial statements have been approved and authorized for issuance by the Company's BOD on January 29, 2020.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 are as follows:

	2019	2018
Cash in banks	91,187,577	128,708,889
Cash equivalents	15,026,113	8,471,547
Cash on hand	-	57,386
	106,213,690	137,237,822

Cash in banks earned average interest rates at respective bank deposit rates ranging from 0.05% to 0.25% in 2019 and 2018.

Cash equivalents represent money market placements, with annual interest rates ranging from 0.50% to 2.44% (2018 - 0.50% to 2.38%). Total interest income earned from cash in banks and cash equivalents for the year ended December 31, 2019 amounted to P1,229,561 (2018 - P770,110 and 2017 - P2,006,726) (Note 20).

Note 3 - Trade and other receivables, net

Trade and other receivables, net as at December 31 are as follows:

	2019	2018
Current		
Trade receivables	478,082,161	492,802,400
Discount on trade receivables	(5,282,286)	(6,140,045)
	472,799,875	486,662,355
Allowance for doubtful accounts	(132,427,376)	(130,772,460)
	340,372,499	355,889,895
Other receivables		
Advances to suppliers	14,883,130	10,821,081
Advances to employees	5,159,987	3,706,689
Deposits	1,393,498	550,185
Insurance claims	1,347,572	7,629,037
Receivable from a government agency and others	174,294	2,209,644
	22,958,481	24,916,636
Allowance for doubtful accounts	(1,718,610)	(1,718,610)
	21,239,871	23,198,026
	361,612,370	379,087,921
Non-current		
Trade receivables	130,156,118	153,735,995
Discount on trade receivables	(8,557,986)	(13,840,272)
	121,598,132	139,895,723
	483,210,502	518,983,644

Trade receivables are amount due from customers for services performed in the ordinary course of business with an average credit term of between 30 to 180 days, collectible on an installment basis.

In March 2017, the Company recognized the sale of one tugboat as part of the build-to-sale program for P227,005,551 with payment terms of five (5) years, interest-free, to a foreign customer (Note 17). The fair value of receivables is determined using the discount rate of 3.90%. For the year ended December 31, 2019, total interest earned from this trade receivable amounted to P6,140,045 (2018 - P6,884,507 and 2017 - P3,238,077) (Note 20). The tugboat was covered by allowance for inventory write-down amounting to P85,639,206 as at December 31, 2016 which has been subsequently reversed upon the sale in 2017 (Note 4).

Advances to supplier include payments relating to services, materials and supplies used in operation. These are recognized and carried at cost. These are derecognized upon application against actual contract price from execution of services or delivery of goods.

Insurance claims represents receivable from an insurance company, net of participation fee, for charges that were initially incurred and paid by the Company and are expected to be collected within 12 months.

Advances and loans to employees and officers are expected to be collected through salary deductions. For the year ended December 31, 2019, total interest income earned from loans to employees amounted to P321,646 (2018 - P169,323 and 2017 - P125,011) (Note 20).

Deposits include payments for leased properties and equipment, which may be applied to unpaid rent at the end of the short-term lease.

Movement in the allowance for doubtful accounts related to trade and other receivables for the years ended December 31 are as follows:

	Note	2019	2018	2017
January 1, calculated under PAS 39		132,491,070	48,715,627	48,474,689
Amount restated through opening retained earnings		-	83,797,575	-
January 1, calculated under PFRS 9		132,491,070	132,513,202	48,474,689
Provision (reversal) for doubtful accounts	19	1,654,916	(22,132)	240,938
December 31		134,145,986	132,491,070	48,715,627

There were no trade and other receivables pledged as collaterals as at December 31, 2019 and 2018.

Note 4 - Inventories, net

Inventories, net as at December 31 are as follows:

	2019	2018
Material and supplies	102,116,951	118,998,806
Allowance for inventory obsolescence	(3,879,735)	(5,433,016)
	98,237,216	113,565,790
Work in progress	-	313,369,130
Allowance for inventory write-down	-	(117,491,155)
	-	195,877,975
	98,237,216	309,443,765

Materials and supplies recognized as costs of services for the year ended December 31, 2019 amounted to P40,472,767 (2018 - P35,197,406 and 2017 - P219,233,477) (Note 18).

Work in progress mainly relates to the costs of tugboat as at December 31, 2018. In 2019, this was reclassified to construction work-in-progress under property and equipment, net (Notes 3 and 8) for the purpose of enhancing the future operations of the yard.

Movements in the allowance for inventory obsolescence and write-down for the years ended December 31 are as follows:

	Notes	2019	2018	2017
January 1		122,924,171	97,818,836	180,195,410
Provision for inventory obsolescence	18	-	771,860	222,266
Reversal of inventory obsolescence	18	-	-	(441,557)
Provision for inventory write-down	18	-	24,755,460	3,481,923
Reversal of inventory write-down	3,8,18	(117,491,155)	-	(85,639,206)
Write off		(1,553,281)	(421,985)	-
December 31		3,879,735	122,924,171	97,818,836

Note 5 - Related party transactions

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

	Notes	2019		2018		Terms and conditions
		Transactions	Receivables (Payables)	Transactions	Receivables (Payables)	
Due from related parties						
Ultimate parent company						
Reimbursable expenses		465,529	-	-	-	These are collectible in cash, non-interest bearing and unsecured.
Entities under common shareholdings						
Reimbursable expenses (b)		992,403	4,884,703	7,615,801	4,320,372	These receivables are due within 30 to 60 days from transaction date. These are collectible in cash, non-interest bearing and unsecured.
Leases	7	2,329,992	-	-	-	Refer to Note 7
Refundable rental deposit		-	-	-	220,663	These are collectible in cash, non-interest bearing and unsecured.
Dividends	10	7,879,878	-	41,593,878	-	Refer to Note 10
Subsidiaries						
Consultancy services (c)		6,776,471	100,000	6,070,588	-	These are collectible in cash, non-interest bearing and unsecured.
Reimbursable expenses (b)		886,526	915,149	941,995	34,219	These receivables are due within 30 to 60 days from transaction date. These are collectible in cash, non-interest bearing and unsecured.
Dividends	9	60,735,102	-	83,480,136	-	Refer to Note 9
Refundable rental deposit	7	-	-	-	547,369	These are collectible in cash, non-interest bearing and unsecured.
Associate						
Dividends	9	8,700,169	-	7,250,141	-	Refer to Note 9
			5,899,852		5,122,623	

Due to related parties					
Ultimate parent company					
Dividends	10,033,504	-	10,035,792	-	Refer to Note 16
Entities under common shareholdings					
Borrowings/Loans (a) (i - vii)	2,595,710,926	(792,112,682)	989,328,736	(773,425,376)	Refer to (a) (i - vii)
Interest	34,028,483	-	26,190,731	-	Refer to (a) (i - vii)
Reimbursable expenses (b)	24,226,698	(61,243,286)	21,300,701	(19,580,225)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Manpower services	-	-	-	(24,789,045)	These are payable in cash, non-interest bearing and unsecured
Subsidiaries and associates					
Reimbursable expenses (b)	109,945	-	19,690	-	These are payable in cash, non-interest bearing and unsecured.
Manpower services (d)	-	-	1,667,417	-	These are payable in cash, non-interest bearing and unsecured.
			(853,355,968)	(817,794,646)	
Leases - Company as a lessee					
Entities under common shareholdings	7	13,657,750	(125,903,959)	12,825,185	- Refer to Note 7
Subsidiary	7	6,899,172	-	6,899,172	- Refer to Note 7
Key management personnel					
Salaries and other short-term employee benefits		7,734,781	-	4,455,564	- These are payable in cash in accordance with the Company's payroll period. Refer to Note 11
Retirement benefits	11	-	-	1,583,064	- Refer to Note 11
Retirement plan					
Contributions	11	15,300,000	-	27,830,000	- Refer to Note 11

The Company has not made any provision for doubtful accounts relating to amounts owed by related parties in 2019 and 2018. 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.

Following are the Company's transactions with related parties:

(a) *Borrowings/loans from related parties*

The Company has availed from its related parties the following borrowings/loans:

- (i) In 2017, the Company availed additional USD and SGD short-term loans with KIPL aggregating to USD10,033,622 (P505,850,836) and SGD5,120,624 (P185,639,724), which bears an average annual interest rate ranging from 2.30% to 3.08% per annum. These loans were fully paid in 2018.

In 2018, the Company availed additional USD and SGD short-term loans with KIPL aggregating to USD7,275,418 (P378,708,564) and SGD11,420,000 (P444,120,172), which bears an average annual interest rate ranging from 2.435% to 4.015% per annum. As at December 31, 2018, outstanding short-term loans from KIPL amounted to P478,632,674. These loans were fully paid in 2019.

In 2019, the Company availed additional USD and SGD short-term loans with KIPL aggregating to USD14,433,018 (P748,563,024) and SGD47,373,397 (P1,797,147,902), which bears an average annual interest rate ranging from 2.85% to 4.215% per annum. As at December 31, 2019, outstanding short-term loans from KIPL amounted to P453,612,682. The Company expects to settle these short-term loans in 2020.

(ii) On September 5, 2014, the Company availed of a term loan from Goodsoil Marine Realty, Inc. (GMRI) amounting to P200,000,000 with an average interest rate per annum of 3.45%. The loan is payable in sixteen (16) equal consecutive quarterly installments, commencing on the date falling fifteen (15) months from the initial borrowing until maturity date. The quarterly interest payment, commencing on the date falling three (3) months from the date of the initial borrowing is based on the interest rate prevailing at the availment or repricing date. In August 2018, the outstanding loan balance of P87,500,000 and accrued interest were fully paid.

(iii) In June and December 2017, the Company availed additional short-term advances from GMRI amounting to P18,000,000 and P12,500,000, respectively, with terms of 45 to 90 days at 3.0% interest rate. As at December 2018, both loans were paid in full.

In August 2018, the Company availed a new loan amounting to P15,000,000 with term of 88 days at 4.25% interest rate. The loan was fully paid in November 2018.

In September 2018, the Company borrowed a short-term loan with amount of P62,000,000 with term of 90 days and interest rate per annum of 4.25%. Upon maturity, the short-term advances were extended with 89 to 90-day term with interest rates ranging from 4.806% to 6.851%. As at December 31, 2019, outstanding short-term advances from GMRI amounted to P62,000,000.

There was no repayment for these advances for the year ended December 31, 2019 (2018 - P27,500,000).

(iv) On October 17, 2016, KPSI granted another advances of P15,000,000 with 90-day term and interest rate of 3.2% to the Company with option to renew upon maturity. Upon maturity, the short-term advances was extended with 88 to 90-day term with interest rates ranging from 3.2% to 6.3%. In December 2018, partial payment of the principal amount of P5,000,000 was made and renewed the remaining principal of P10,000,000 for 88 days with interest of 6.3%. The loan was rolled over and is still outstanding as at December 31, 2019 with interest rate ranging from 4.8% to 7.0%.

(v) The Company started to obtain short-term advances from Keppel Philippines Holdings, Inc. (KPHI) in June 2015. In 2017, the Company has an outstanding loan balance of P127,000,000. The loan has 88 to 90-day term with option to renew upon maturity with interest rate of 3.0%. In 2018, upon maturity, the loans were extended for another 88 to 90-day term with interest ranging from 3.0% to 6.2%.

In March and April 2018, additional loan was obtained amounting to P18,000,000 and P25,000,000 with a 90-day term at 3.2 and 3.4% interest rate, respectively. In December 2018, another P30,000,000 loan was obtained with 90-day term at 5.9% interest. Outstanding loan obtained to KPHI as at December 31, 2018 amounted to P200,000,000.

This loan was rolled over and is still outstanding as at December 31, 2019 at interest rate ranging from 4.80% to 7.0% in 2019.

(vi) In January 2015, the Company borrowed fund from Consort Capital Inc. (CCI) amounting to P22,216,538 with an average rate per annum of 2.38% for additional working capital requirements. During the same year, the Company made partial payments amounting to P1,516,538. In December 2015, the Company availed additional advances of P8,000,000. In 2016, the Company made partial payments amounting to P8,700,000 and the remaining balance was fully paid in 2017.

In November 2018, the Company borrowed fund from CCI amounting to P12,000,000 with an interest rate of 6.09% per annum. In December 2018, the Company availed additional advances amounting to P4,500,000 with 6.29% interest rate. These advances matured in February 2019.

Both advances were extended with 72 to 92-day term upon maturity with interest rates ranging from 4.807% to 6.375%. These advances will mature in February 2020.

(vii) In July 2019, the Company obtained a short-term advances from Kepwealth Inc. amounting to P50,000,000 with a 90-day term at 5.635% interest rate. It was renewed in October 2019 with 89-day term at 4.175%. It is expected to be settled in 2020.

The movements of the aforementioned borrowings/loans from related parties for the years ended December 31 are as follows:

	2019	2018	2017
January 1	773,425,376	676,281,033	580,506,978
Availments	2,595,710,926	989,328,736	823,990,559
Payments	(2,570,730,918)	(884,552,964)	(723,467,419)
Unrealized foreign exchange loss (gain)	(6,292,702)	(7,631,429)	(4,749,085)
December 31	792,112,682	773,425,376	676,281,033

Outstanding balances are generally payable in cash on agreed date. These are interest-bearing, unsecured and with no guarantee.

Total finance cost charged to profit or loss pertaining to borrowings/loans from related parties for the year ended December 31, 2019 amounted to P34,028,483 (2018 - P26,190,731 and 2017 - P19,977,261).

(b) Reimbursable expenses

Reimbursable expenses represent certain costs and claims such as travel, representation, entertainment and other corporate expenses that were initially paid for either by the Company or other related parties. The balance is due and demandable, not subject to interest, unsecured and with no guarantee.

(c) Consultancy agreements

The Company entered into a management consultancy agreement with Keppel Shipyard Ltd. (KSL) for a period of five (5) years starting November 2010 to provide consultancy services in operating the shipyard. In November 2015, the agreement was renewed for another term of five (5) years whereby the Company will reimburse KSL for all expenses incurred and additional annual fee equal to 8% of net income before income tax, consultancy fee and dividends. As provided in the agreement, there were no consultancy fees charged and paid to KSL for the years ended December 31, 2019 and 2018 since the Company was in a net loss position before income taxes, consultancy fees, and dividends.

The Company has also entered into a management consultancy agreement with its subsidiaries, KSSI and KBSI, for a period of five (5) years starting July 1, 2012 and 2013, respectively. Under the agreement, the Company will provide consultancy and advisory services in matters relating to administrative and financing activities of KSSI and KBSI. The Company will receive monthly fee of P450,000 and P100,000 from KSSI and KBSI, respectively, net of all applicable taxes and subject to adjustment on an annual basis upon agreement by both parties. Effective April 1, 2016 and March 1, 2017, the monthly fee for the consultancy agreement with KSSI was amended to P350,000 and P280,000, respectively, net of all applicable taxes. In July 2017, the agreement with KSSI was renewed for one (1) year from July 1, 2017 to June 30, 2018. In July 2018, both consultancy agreements were renewed for another five (5) years without any change in the previous terms and conditions.

In 2018, the Company has entered into a management consultancy agreement with KCSI, for a period of five (5) years from July 1, 2018. Under the agreement, the Company shall provide consultancy services to KCSI in connection with the latter's administrative and financial operation. The Company will receive P100,000 per month, net of all applicable taxes, subject to an adjustment on an annual basis upon agreement of both parties.

Outstanding balances arising from consulting services are due and demandable, and collectible in cash. These are unsecured, non-interest bearing and with no guarantee.

(d) Manpower services

In the normal course of business, KSSI provides manpower services to the Company for certain shipbuilding and ship repair projects.

(e) There were no advances, share options or other long-term benefits to key management personnel in 2019 and 2018.

Note 6 - Prepayments and other current assets

Prepayments and other current assets as at December 31 are as follows:

	2019	2018
Prepaid income taxes	59,255,348	51,354,141
Prepaid insurance	4,929,578	3,411,807
Others	261,935	272,907
	64,446,861	55,038,855

Note 7 - Leases

From January 1, 2019 (PFRS 16)

The Company leases various parcels of land, machineries and equipment. From January 1, 2019, the Company recognized a right-of-use asset and corresponding liability for the parcel of land leased from Goodsoil Marine Realty, Inc. (GMRI). The rest of its leases were accounted as short term leases.

(a) Lease agreement - GMRI

On August 1993, the Company entered into a lease contract with GMRI wherein the Company will lease the GMRI's parcel of land containing an area of 229,186 square meters situated in Barrio San Miguel, Bauan, Batangas. The lease shall be for a period of 50 years and renewable at the option of the Company for another 25 years. The rental shall be P6,000,000 for the first year, payable quarterly in advance and will remain at six million pesos P6,000,000 per year for the first 5 years of agreement. On May 2, 2007, the lease contract entered into by the Company and GMRI was amended, resulting in an increase in annual rental rate to P10,200,000 effective January 1, 2007, subject to 1.5% escalation after every five (5) years. For the period of January 2017 to December 2021, the rental fee per annum amounts to P10,508,294.

The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security deposits that are held by GMRI. Leased assets may not be used as security for borrowing purposes.

Details and movement of right-of-use assets as at December 31, 2019 are as follows:

Cost	
Adoption of PFRS 16 at January 1, 2019	57,195,305
Additions	-
Retirement	-
December 31, 2019	57,195,305
Accumulated amortization	
January 1, 2019	-
Amortization	(2,287,812)
Retirement	-
December 31, 2019	(2,287,812)
Net carrying amount	
December 31, 2019	54,907,493

Leased assets are presented as a separate line item in the statement of financial position.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Amortization amounting to P2,173,421 and P114,391 were charged to cost of services and operating expenses, respectively (Notes 18 and 19).

Details and movement of lease liability as at December 31, 2019 are as follows:

January 1, 2019	127,786,654
Principal and interest payments	(10,508,294)
Interest expense	8,625,599
December 31, 2019	125,903,959

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

Breakdown of lease liabilities as at December 31, 2019 is as follows:

Current portion	2,009,778
Non-current portion	123,894,181
	125,903,959

(b) Short term lease

- (i) The Company leases from KBSI machineries and equipment for its ship repair and shipbuilding activities. The term of the non-cancellable lease is one (1) year and is renewable at the option of both parties. In January 2019, the Company renewed the lease for another year. As of date, both parties are still reviewing the rental fee for the renewal in 2020.
- (ii) The Company has a non-cancellable lease agreement with KPHI for a parcel of land for shipyard operations located at Barrio San Miguel Bauan, Batangas. The term of the lease is for a period of one (1) year subject to yearly renewal as mutually agreed by both parties. In July 2019, the Company renewed the lease for another year.

(9)

- (iii) The Company also has non-cancellable lease agreement with KPSI Property, Inc. for office and parking lots located at Country Space 1 Building, Sen. Gil Puyat Ave., Makati City. The term of the lease is for the period of one (1) year, renewable upon the expiration of the said period and every succeeding period, in which case the rental rate shall be subject to 5% escalation.
- (iv) The Company also has a non-cancellable lease agreement with GRDC for parcels of land located at Governor Drive, Buenafe County Villas, Barangay Balagtas, Batangas City. The term of the lease is for a period of one (1) year subject to yearly renewal as mutually agreed by both parties.
- (v) From time to time, the Company enters into insignificant lease agreements with third parties with terms ranging from one (1) to six (6) months.

Rental expense charged to cost of services and operating expenses for these leases for the year ended December 31, 2019 amount to P6,866,484 and P5,032,151, respectively (Notes 18 and 19).

The statements of total comprehensive income show the following amounts relating to leases:

Depreciation expense	2,287,812
Interest expense	8,625,599
Expense relating to short term leases	11,898,635
December 31, 2019	22,812,046

(c) *Discount rate*

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

The reconciliation between the operating lease commitments disclosed in applying PAS 17 at December 31, 2018 discounted using the Company's incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

Operating lease commitments, December 31, 2018	267,615,102
Short term leases recognized as expense	11,898,635
Discounting effect using weighted average incremental borrowing rate	(153,609,778)
December 31, 2019	125,903,959

Prior to January 1, 2019, (PAS 17)

The Company (as lessee) has various lease agreements which are renewable under certain terms and conditions. The future minimum lease payments under non-cancellable operating leases as at December 31, 2018 are as follows:

	2018
No later than one year	10,508,295
Later than one year but no later than five years	42,348,428
More than five years	214,758,379
	267,615,102

Note 8 - Property and equipment, net

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

	Ship repair and construction machinery	Drydock	Buildings and improvements	Office furniture and other equipment	Transportation equipment	Construction work-in- progress	Total
Cost							
January 1, 2018	1,932,498,604	682,806,440	1,043,787,662	78,896,862	11,939,722	843,345	3,750,772,635
Additions	-	-	-	-	-	41,850,166	41,850,166
Disposals	(19,404,956)	-	(560,796)	(1,788,207)	(917,000)	-	(22,670,959)
Transfer	7,617,699	3,266,915	5,605,091	5,189,771	-	(21,679,476)	-
December 31, 2018	1,920,711,347	686,073,355	1,048,831,957	82,298,426	11,022,722	21,014,035	3,769,951,842
Additions	-	-	-	-	-	47,617,978	47,617,978
Reclassification	(1,603,014)	-	1,603,014	-	-	192,835,854	192,835,854
Disposals	(22,043,431)	-	-	(2,892,991)	(717,857)	-	(25,654,279)
Transfer	43,863,877	4,893,760	5,530,640	5,549,947	3,351,119	(63,189,343)	-
December 31, 2019	1,940,928,779	690,967,115	1,055,965,611	84,955,382	13,655,984	198,278,524	3,984,751,395
Accumulated depreciation							
January 1, 2018	1,175,872,114	374,403,951	500,087,896	68,825,717	11,311,168	-	2,130,500,846
Depreciation	73,817,656	18,989,927	41,265,462	4,599,355	165,673	-	138,838,073
Disposal	(18,815,872)	-	(560,793)	(1,604,851)	(916,998)	-	(21,898,514)
December 31, 2018	1,230,873,898	393,393,878	540,792,565	71,820,221	10,559,843	-	2,247,440,405
Depreciation	70,270,272	10,439,267	40,878,056	4,798,189	745,977	-	127,131,761
Disposal	(20,208,413)	-	-	(2,881,599)	(699,567)	-	(23,789,579)
Reclassification	(1,603,014)	-	1,603,014	-	-	-	-
December 31, 2019	1,279,332,743	403,833,145	583,273,635	73,736,811	10,606,253	-	2,350,782,587
Net book values							
December 31, 2018	689,837,449	292,679,477	508,039,392	10,478,205	462,879	21,014,035	1,522,511,437
December 31, 2019	661,596,036	287,133,970	472,691,976	11,218,571	3,049,731	198,278,524	1,633,968,808

Depreciation expenses for the years ended December 31 were charged as follows:

	Notes	2019	2018	2017
Cost of services	18	120,775,173	132,845,666	138,325,565
Operating expenses	19	6,356,588	5,992,407	6,293,295
		127,131,761	138,838,073	144,618,860

As at December 31, 2019, the Company has fully depreciated property and equipment still in use with acquisition cost of P1,137,334,202 (2018 - P916,827,223). Gains and losses from disposal of property and equipment are disclosed in Note 20.

There were no property and equipment pledged as collaterals as at December 31, 2019 and 2018.

In 2019, a tugboat previously presented as work in progress inventory (Note 4) amounting to P192,835,854 was reclassified into construction work-in-progress under property and equipment, in line with management's intent to use it for the Company's operations.

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

Note 9 - Investments in subsidiaries and an associate, net

Investments in subsidiaries and an associate, net as at December 31, 2019 and 2018 are as follows:

	2019	2018
Investment in subsidiaries:		
KSSI	3,637,060,798	3,637,060,798
KBSI	11,000,000	11,000,000
KCSI	16,974,797	18,104,624
GPI	-	-
	3,665,035,595	3,666,165,422
Investment in an associate:		
CLI	6,242,038	6,242,038
	3,671,277,633	3,672,407,460

The movements in the investments in subsidiaries and an associate, net for the years ended December 31 are as follows:

	2019	2018	2017
Cost	3,826,780,510	3,826,780,510	3,826,780,510
Allowance for impairment on investments	(155,502,877)	(154,373,050)	(154,373,050)
	3,671,277,633	3,672,407,460	3,672,407,460

As at December 31, 2019, the Company recorded additional impairment on investment in KCSI amounting to P1,129,827 (Note 20).

Summarized financial information of subsidiaries and associate are as follows:

	KSSI	KCSI	KBSI	GPI	CLI
<i>2019</i>					
Current assets	954,184,082	18,115,175	12,041,285	75,362	75,472,448
Non-current assets	3,603,558,046	1,092	5,606,395	-	255,640,663
Total assets	4,557,742,128	18,116,267	17,647,680	75,362	331,113,111
Current liabilities	1,453,415,710	1,274,492	1,350,196	36,807	22,237,585
Non-current liabilities	19,730,789	-	-	-	2,189,301
Total liabilities	1,473,146,499	1,274,492	1,350,196	36,807	24,426,886
Net assets	3,084,595,629	16,841,775	16,297,484	38,555	306,686,225
Revenue	1,053,371,642	599,783	7,124,658	-	160,253,967
Net income (loss) for the year	3,288,300	(1,559,856)	2,674,944	(36,807)	35,832,000
Other comprehensive loss	(14,452,153)	11,241	-	-	-
Total comprehensive income (loss)	(11,163,853)	(1,548,615)	2,674,944	(36,807)	35,832,000
<i>2018</i>					
Current assets	737,239,399	19,300,501	7,547,539	105,808	80,008,907
Non-current assets	3,707,620,109	212,378	7,453,319	-	254,610,779
Total assets	4,444,859,508	19,512,879	15,000,858	105,808	334,619,686
Current liabilities	1,254,487,933	1,122,489	1,378,318	30,446	21,765,461
Non-current liabilities	17,768,896	-	-	-	-
Total liabilities	1,272,256,829	1,122,489	1,378,318	30,446	21,765,461
Net assets	3,172,602,679	18,390,390	13,622,540	75,362	312,854,225
Revenue	1,013,960,275	113,183	6,978,829	-	164,591,451
Net income (loss) for the year	12,633,579	(2,592,730)	2,488,398	(31,446)	40,149,597
Other comprehensive income	(2,735,354)	(58,274)	-	-	-
Total comprehensive income (loss)	9,898,225	(2,651,004)	2,488,398	(31,446)	40,149,597

Dividends received from these investments for the years ended December 31 are as follows:

	Notes	2019	2018	2017
KSSI	5	60,735,102	80,980,136	80,980,136
CLI	5	8,700,169	7,250,141	2,900,056
KBSI	5	-	2,500,000	11,000,000
	20	69,435,271	90,730,277	94,880,192

(a) *Subsidiaries*

(i) KSSI

KSSI's primary activities are to build, construct, fabricate, repair, own, manage, operate, maintain, buy, sell or otherwise deal with ships, vessels, boats and marine structure of every kind and nature. As at December 31, 2019 and 2018, the Company determined that there is no indication that an impairment loss has occurred on its investment in KSSI.

(ii) KBSI

KBSI's registered activities are shipbuilding, shiprepair, commercial leasing and port operations. KBSI is currently engaged in commercial leasing operations.

(iii) KCSI

KCSI's operation was suspended in June 2009 due to worldwide economic recession and internal technical issues that resulted to cancellation of shipbuilding contracts. In 2013, the Company has committed to provide continuous support to enable KCSI to continue its limited operations. KCSI applied for capital restructuring which was approved by SEC on December 17, 2015 decreasing the share capital to P10,000,000.

On June 22, 2018, KCSI's BOD approved to retire the business effective June 30, 2018. Following the approval, KCSI filed a notification of cessation of operations and cancellation of business registration to the Bureau of Internal Revenue (BIR) and Office of the Lapu-Lapu City Treasurer. The Company was able to secure tax closure certificate from the Office of the Lapu-lapu City Treasurer on August 22, 2018. The BIR already issued a business closure certificate on September 26, 2019. As at January 29, 2020, the tax clearance certificate from the BIR and the certificate of dissolution from the SEC are still pending. As at December 31, 2019 and 2018, KCSI has enough cash to pay out all its existing obligations.

(iv) GPI

Although the Company has less than 51% controlling interest in GPI, management believes that the Company exercises control over GPI since the Company has the power, exposure, or rights, to variable returns from its involvement and the ability to use its power to affect GPI's returns. This is clearly demonstrated by occupying significant positions in the board, making business and capital decisions, directing relevant business activities, and establishing of the operating and financing policies of GPI.

On June 19, 2013, GPI's BOD and stockholders resolved to dissolve GPI as it has already ceased its operations since January 2006. As at December 31, 2019 and 2018, investment in GPI is fully provided with a corresponding allowance for impairment.

(b) Associate

(i) CLI

CLI's primary activities are real estate business, power generation and distribution of electricity to locators and investors within the Subic Shipyard - Special Export Processing Zone. The Company has a Share Purchase Agreement with GMRI for the transfer of 2,950,000 shares of CLI dated September 6, 2012. As at December 31, 2019, the related parties are still awaiting the issuance of tax clearance before the actual transfer of shares. Taking the agreement into effect will give KPMI and GMRI an ownership interest of 20.72% and 24.95% in CLI, respectively.

Note 10 - Financial assets at fair value through other comprehensive income, net

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

	2019	2018
Non-listed		
CCI	194,351,013	192,502,587
GMRI	279,986,787	274,946,548
Goodwealth Realty Development Corp. (GRDC)	1,768,962	1,766,132
	476,106,762	469,215,267
Listed		
Banco de Oro	453,200	453,200
Mt. Malarayat Golf and Country Club	200,000	200,000
	653,200	653,200
	476,759,962	469,868,467

Investments in equity shares of CCI, GMRI and GRDC are measured at fair value with adjustments recorded in other comprehensive income.

The fair values of the listed securities are based on the quoted market prices while the fair values of non-listed securities are based the net asset value and/or discounted value of future cash flows using applicable rates for similar instruments.

(a) Investment in CCI

Investment in CCI represents 4,799,998 preference shares at P60 per share which are non-voting and participating.

(b) Investment in GMRI

Investment in GMRI represents 89,600 preference shares at P1,000 per share which are non-voting and redeemable.

(c) Investment in GRDC

Investment in GRDC represents 10,000 common shares at P10 per share which are non-voting and redeemable.

(d) *Investment in listed equity securities*

The listed equity securities represent investments in publicly-listed companies and proprietary club shares that present the Company with opportunities for return through dividend income and trading gains. They have no fixed maturity or coupon rate and the movement is based on closing market prices obtained in an active market.

The movements in the financial assets at FVOCI, net for the years ended December 31 are as follows:

	2019	2018	2017
Cost	380,321,817	380,321,817	380,321,817
Fair value adjustment	99,589,863	92,698,368	1,183,101
	479,911,680	473,020,185	381,504,918
Allowance for impairment on listed securities	(3,151,718)	(3,151,718)	(3,151,718)
	476,759,962	469,868,467	378,353,200

The movements in the cumulative changes in fair value of financial assets at FVOCI financial assets for the years ended December 31 are as follows:

	Note	2019	2018	2017
January 1, calculated under PAS 39		65,243,788	1,183,101	1,613,161
Amount restated through opening reserves		-	(12,934,169)	-
January 1, calculated under PFRS 9		65,243,788	(11,751,068)	1,613,161
Gain on fair value adjustment		6,891,495	104,449,436	(430,060)
		72,135,283	92,698,368	1,183,101
Deferred income tax effect		(2,067,449)	(27,454,580)	-
December 31	16	70,067,834	65,243,788	1,183,101

As at December 31, 2019 and 2018, the Company determined that there is no indication that an impairment loss has occurred on its non-listed financial assets at FVOCI. There were no movements in the allowance for impairment on financial assets at FVOCI and listed securities for the years ended December 31, 2019 and 2018, respectively.

There were no additions and disposals of financial assets at FVOCI in 2019 and 2018, respectively.

Dividends received from these investments for the years ended December 31 are as follows:

	Notes	2019	2018	2017
CCI	5	7,804,878	7,804,878	8,292,683
GRDC	5	75,000	-	-
Banco de Oro		10,234	10,234	7,675
GMRI	5	-	33,789,000	63,233,700
	20	7,890,112	41,604,112	71,534,058

Note 11 - Retirement benefits

Details of the retirement benefit asset and retirement benefit expense as at and for the years ended December 31 are as follows:

	2019	2018
Retirement benefit asset	62,395,883	72,615,737
Retirement benefit expense	3,396,131	10,973,364

The Company maintains a funded, noncontributory defined benefit plan (the “plan”) for qualifying employees. Under the plan, the employees are entitled to retirement benefits based on the latest monthly basic salary for every year of credited service.

Keppel Philippines Marine, Inc. Retirement Plan (the “trustee”), a non-stock corporation, was exclusively formed for the purpose of receiving contributions of the Company for the Retirement Fund (the “fund”) of its employees, managing the fund and making payments and distributions to the beneficiaries of the fund in accordance with the retirement plan of the Company. The terms of the management of the fund between the trustee and the Company are embodied in a Trust Agreement.

Contributions and costs are determined in accordance with the actuarial valuation made for the plan. The present value of the defined benefit obligation and the related current service cost and past service costs are measured using the Projected Unit Credit Method. The Company’s latest actuarial valuation is as at December 31, 2019.

The plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(a) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan’s investments are in the form of government bonds and cash deposits to universal banks. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets is invested in government bonds.

(b) Interest rate risk

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the pension benefit obligation, the investment holdings of the plan is an appropriate element of the Company’s long term strategy to manage the plan efficiently.

(c) Longevity risk

The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

(d) Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

The actuarial present value of the pension benefits obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, return on plan assets, disability rates using the 1952 Disability Table, and mortality using the 1994 Group Annuity Mortality Table. The discount rates as at December 31, 2019 and 2018 were based on approximated zero-coupon yield of government bonds with remaining period to maturity approximating the estimated average duration of benefit payment.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	2019	2018
Discount rate	4.96%	7.29%
Average years of service	12.99	13.47
Expected rate of salary increase	7.00%	7.00%

The retirement benefit asset recognized in the statements of financial position as at December 31 are as follows:

	2019	2018
Fair value of plan assets	241,909,043	230,251,590
Present value of defined benefit obligations	(179,513,160)	(157,635,853)
	62,395,883	72,615,737

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

	2019	2018	2017
January 1	157,635,853	198,447,731	206,054,812
Current service cost	8,689,818	11,584,908	12,048,415
Interest cost	11,491,654	11,113,073	9,993,658
Benefits paid	(16,383,831)	(25,807,010)	(23,145,203)
Remeasurement gain	18,079,666	(37,702,849)	(6,503,951)
December 31	179,513,160	157,635,853	198,447,731

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

	2019	2018	2017
January 1	230,251,590	209,368,166	219,509,361
Interest income	16,785,341	11,724,617	10,646,204
Contributions	15,300,000	27,830,000	12,066,000
Benefits paid	(16,383,831)	(25,807,010)	(23,145,203)
Remeasurement gain (loss)	(4,044,057)	7,135,817	(9,708,196)
December 31	241,909,043	230,251,590	209,368,166

The Company does not expect to contribute to the plan for the year ending December 31, 2020.

The amounts of retirement benefit expense recognized in the statements of total comprehensive income included under cost of services and operating expenses for the years ended December 31 are as follows:

	Notes	2019	2018	2017
Current service cost		8,689,818	11,584,908	12,048,415
Net interest income		(5,293,687)	(611,544)	(652,546)
	18,19	3,396,131	10,973,364	11,395,869

Movements in other comprehensive income for the years ended December 31 are as follows:

	Notes	2019	2018	2017
January 1		121,595,290	89,236,978	100,998,194
Remeasurement gain/(loss)		(22,123,723)	44,838,666	(3,204,245)
Tax effect	12	1,935,826	(12,480,354)	(8,556,971)
December 31	16	101,407,393	121,595,290	89,236,978

Plan assets as at December 31 consist of:

	2019	2018
Investment in non-listed companies	216,098,613	207,327,681
Investment in government securities	20,783,654	11,946,947
Cash and cash equivalents	4,834,752	10,771,940
Other assets	192,024	205,022
	241,909,043	230,251,590

Movements in retirement benefit asset recognized in the statements of financial position for the years ended December 31 are as follows:

	Notes	2019	2018	2017
January 1		72,615,737	10,920,435	13,454,549
Retirement benefit expense	18,19	(3,396,131)	(10,973,364)	(11,395,869)
Contributions paid		15,300,000	27,830,000	12,066,000
Remeasurement gain/(loss)		(22,123,723)	44,838,666	(3,204,245)
December 31		62,395,883	72,615,737	10,920,435

Following are the details of sensitivity of the defined benefit obligation to changes in the weighted principal assumptions:

	Change in assumption	Increase (decrease) on defined benefit obligation	
		2019	2018
Increase in the discount rate	1%	(13,371,755)	(11,300,138)
Decrease in the discount rate	1%	15,664,796	13,049,096
Increase in the salary increase rate	1%	14,873,816	12,880,413
Decrease in the salary increase rate	1%	(13,140,827)	(11,512,558)
Increase in the employee turnover	10%	825,532	258,834
Decrease in the employee turnover	10%	(825,532)	(258,834)

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

Expected maturity analysis of undiscounted retirement benefits as at December 31 are as follows:

	2019	2018
Less than a year	25,093,191	19,782,015
Between 1 to 2 years	35,847,907	31,250,855
Between 3 to 5 years	51,577,830	35,135,077
Between 6 to 10 years	103,925,524	54,556,705
	216,444,452	140,724,652

Note 12 - Income taxes

The Company's deferred income tax assets (liabilities) as at December 31 consist of the tax effects of the following temporary differences:

	5% - GIT	30%	Total
2019			
Deferred income tax assets (liabilities)			
Allowance for doubtful accounts	-	40,243,796	40,243,796
Unrealized foreign exchange loss	-	13,803,219	13,803,219
Right-of-use asset, net of lease liability	3,372,332	1,064,947	4,437,279
Accrued liabilities	646,826	-	646,826
Accrued warranty	420,672	-	420,672
Allowance for inventory obsolescence	193,987	-	193,987
Capitalized interest	(791,714)	-	(791,714)
Retirement	(9,975,310)	(10,651,324)	(20,626,634)
FVOCI financial assets	-	(29,522,029)	(29,522,029)
Unrealized foreign exchange gain	-	(15,916,888)	(15,916,888)
	(6,133,207)	(978,279)	(7,111,486)
Net operating loss carry over (NOLCO)	-	76,273,702	76,273,702
Minimum corporate income tax (MCIT)	-	11,067,369	11,067,369
	(6,133,207)	86,362,792	80,229,585
2018			
Deferred income tax assets (liabilities)			
Allowance for doubtful accounts	-	39,747,321	39,747,321
Unrealized foreign exchange loss	-	51,352,405	51,352,405
Rental expense	-	9,602,281	9,602,281
Allowance for inventory obsolescence	6,146,209	-	6,146,209
Accrued liabilities	1,633,829	-	1,633,829
Accrued warranty	559,533	-	559,533
Capitalized interest	(818,781)	-	(818,781)
Retirement	(10,409,654)	(11,111,218)	(21,520,872)
FVOCI financial assets	-	(27,454,580)	(27,454,580)
Unrealized foreign exchange gain	-	(53,976,506)	(53,976,506)
	(2,888,864)	8,159,703	5,270,839
Net operating loss carry over (NOLCO)	-	54,248,215	54,248,215
Minimum corporate income tax (MCIT)	-	6,840,676	6,840,676
	(2,888,864)	69,248,594	66,359,730

Realization of the future benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company has considered these factors in arriving at its conclusion that the deferred income tax assets as at December 31, 2019 and 2018 are fully realizable.

Details of the recoverability of the Company's net deferred income tax assets as at December 31 are as follows:

	2019	2018
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	116,039,685	142,192,342
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	(35,810,100)	(75,832,612)
Deferred tax assets, net	80,229,585	66,359,730

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

	Notes	2019	2018	2017
January 1		66,359,730	56,014,383	59,254,192
Adjustment from adoption of PFRS 16		(5,190,320)	-	-
Credited to profit and loss		19,191,798	50,280,281	4,219,324
Charged to OCI	10,11	(131,623)	(39,934,934)	(8,556,971)
MCIT		-	-	1,097,838
December 31		80,229,585	66,359,730	56,014,383

The details of NOLCO and MCIT as at December 31 are as follows:

Year of incurrence	Year of expiration	NOLCO			MCIT		
		2019	2018	2017	2019	2018	2017
2014	2017	-	-	18,808,583	-	-	538,458
2015	2018	-	2,433,210	2,433,210	-	829,430	829,430
2016	2019	-	23,453,092	23,453,082	783,380	783,380	783,380
2017	2020	-	75,250,520	75,250,520	1,097,838	1,097,838	1,097,838
2018	2021	180,827,382	180,827,382	-	4,959,458	4,959,458	-
2019	2022	73,418,292	-	-	5,010,073	-	-
		254,245,674	281,964,204	119,945,395	11,850,749	7,670,106	3,249,106
Expired		-	(2,433,210)	(18,808,583)	(783,380)	(829,430)	(538,458)
Write-off		-	(98,703,612)	-	-	-	-
		254,245,674	180,827,382	101,136,812	11,067,369	6,840,676	2,710,648
Tax rate		30%	30%	30%	-	-	-
		76,273,702	54,248,215	30,341,044	11,067,369	6,840,676	2,710,648

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

	2019	2018	2017
Current	5,046,724	6,228,656	-
Deferred	(19,191,798)	(50,280,281)	(4,219,324)
	(14,145,074)	(44,051,625)	(4,219,324)

The reconciliation of income tax expense (benefit) for the years ended December 31 computed at the statutory rate and the actual income tax expense (benefit) shown in the statements of total comprehensive income is presented below:

	5% - GIT	30%	Total
2019			
Income tax expense (benefit) at statutory income tax rate	699,232	2,978,979	3,678,211
Add (deduct) tax effects of:			
Non-deductible expenses	6,544,970	491,103	7,036,073
Dividend income	-	(23,197,615)	(23,197,615)
Interest income subject to final tax	-	(368,868)	(368,868)
Other non-taxable income	(2,197,478)	904,603	(1,292,875)
Income tax benefit	5,046,724	(19,191,798)	(14,145,074)
2018			
Income tax expense (benefit) at statutory income tax rate	(2,628,332)	19,672,269	17,043,937
Add (deduct) tax effects of:			
Non-deductible expenses	8,898,748	200,126	9,098,874
Dividend income	-	(39,700,317)	(39,700,317)
Write-off of NOLCO	-	(29,611,084)	(29,611,084)
Interest income subject to final tax	-	(231,033)	(231,033)
Other non-taxable income	(41,760)	(610,242)	(652,002)
Income tax benefit	6,228,656	(50,280,281)	(44,051,625)

	5% - GIT	30%	Total
<i>2017</i>			
Income tax expense (benefit) at statutory income tax rate	(5,014,907)	30,855,422	25,840,515
Add (deduct) tax effects of:			
Non-deductible expenses	6,715,864	13,750,590	20,466,454
Dividend income	-	(49,924,275)	(49,924,275)
Interest income subject to final tax	-	(602,018)	(602,018)
Income tax expense	1,700,957	(5,920,281)	(4,219,324)

The income tax expense (benefit) reported in the statements total of comprehensive income represents 5% tax on gross income from registered activities with Philippine Economic Zone Authority (PEZA) based on R.A. No. 7916 as discussed above and 30% regular income tax on non-registered activities. The difference between the reported income tax expense (benefit) in the statements total of comprehensive income and the expected income tax expense (benefit) computed by applying the 5% tax rate to the gross income is mainly due to the exclusion of the non-deductible expenses in accordance with the provisions of R.A. No. 7916.

Note 13 - Trade and other payables

Trade and other payables as at December 31 are as follows:

	2019	2018
Trade payables	30,611,841	42,883,684
Payable to government agencies	32,586,945	45,902,615
Accrued expenses		
Salaries, wages and other staff cost	43,745,936	45,846,502
Repairs and maintenance	26,122,191	9,255,363
Test runs	12,121,678	-
Rent	11,490,036	41,697,640
Materials and subcontractors' fee	11,136,524	19,658,230
Security	7,311,473	4,524,083
Interest	5,945,090	7,986,509
Insurance	5,885,268	7,850,488
Professional fees	5,576,061	2,138,278
Utilities	4,934,147	2,892,790
Civic and welfare	4,239,726	2,150,814
Commissions	2,918,555	290,296
Safety	2,132,849	2,115,049
Others	20,471,847	11,669,627
	227,230,167	246,861,968

Trade payables are amount due to suppliers for purchases of certain goods with an average credit term of 30 days.

Payable to government agencies include withholding taxes and other statutory contributions related to employees of the Company.

Others are comprised of other overhead expenses, repairs and maintenance, uniforms, and clothing and other recurring accruals.

Note 14 - Bank loans

Bank loans as at December 31 amounted to P425,000,000 (2018 - P631,250,000).

Movements of the bank loans for the years ended December 31 are as follows:

	2019	2018	2017
January 1	631,250,000	836,250,000	990,900,800
Availments	1,220,000,000	670,000,000	680,000,000
Payments	(1,426,250,000)	(875,000,000)	(834,650,800)
December 31	425,000,000	631,250,000	836,250,000

(a) Short-term loans

In 2018, the Company availed of Peso unsecured short-term loans from local banks with a total amount of P670,000,000 and which bears an average interest of 3.28% and paid P70,000,000 of the outstanding balance. The remaining short-term loans amounting to P600,000,000 were paid in 2019.

In 2019, the Company availed of Peso unsecured short-term loans from local banks with a total amount of P1,220,000,000 and which bears an average interest of 6.75% and paid P795,000,000 of the outstanding balance. The remaining short-term loans amounting to P425,000,000 will mature in 2020.

(b) Long-term loans

The Company also availed of unsecured term loan with a local bank in March 2014 amounting to P500,000,000. The loan is payable in five (5) years from the date of the initial borrowing with an annual interest rate equal to the aggregate of the prevailing reference rate and the spread on the interest rate setting date. The loan is payable in sixteen (16) equal or nearly equal consecutive quarterly installments starting in June 2015. The loan outstanding balance of P31,250,000 was fully settled in March 2019.

There were no availments of long-term loans in 2019.

For the year ended December 31, 2019, finance costs charged to profit or loss pertaining to these bank loans amounted to P36,685,961 (2018 - P30,567,275 and 2017 - P32,731,693).

Note 15 - Provisions

Provisions as at December 31 are as follows:

	2019	2018
Losses	48,558,290	42,030,012
Late cost	15,533,459	20,935,269
Warranty	8,413,416	11,190,652
	72,505,165	74,155,933

(a) Losses

Provision for losses is recognized consistent with the requirements of PAS 37, Provisions, Contingent Liabilities and Contingent Assets. This is to cover estimated amount of losses arising from a legal loss in the ordinary course of business.

Apart from the recognition of the provision amounting to P6,528,278 (2018 - P42,030,012) as at December 31, 2019, there were no other movements in the provision account for the year ended December 31, 2019. Such are charged to operating expenses in the statements of total comprehensive income (Note 19).

(b) Provision for late cost

Late cost relates to provision for the expected cost of rectification work and guarantee work; and claims from third parties. This estimated probable cost has been developed in based on historical experience and project management analysis.

Movements in the provision for late cost account for the years ended December 31 are as follows:

	2019	2018	2017
January 1	20,935,269	31,686,514	37,593,531
Provision (reversal)	(2,042,993)	(3,811,606)	2,570,194
Utilization	(3,358,817)	(6,939,639)	(8,477,211)
December 31	15,533,459	20,935,269	31,686,514

Provision late cost is charged to cost of services under direct labor, subcontract and staff in the statements of total comprehensive income (Note 18).

(c) Provision for warranty

Provisions for warranty are recognized for estimated warranty on completed projects. Warranty provision is computed on a per project basis based on management's best estimate. The Company reviews and evaluates the provision to determine its validity after a reasonable period of time.

Movements in the provision for warranty account for the years ended December 31 are as follows:

	Note	2019	2018	2017
January 1		11,190,652	9,326,958	9,497,126
Provision (reversal)	18	(1,766,843)	1,863,694	(170,168)
Utilization		(1,010,393)	-	-
December 31		8,413,416	11,190,652	9,326,958

Note 16 - Equity

(a) Share capital and treasury shares

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

	2019		2018	
	Number of shares	Amount	Number of shares	Amount
Authorized, at P1 par value per share	2,180,000,000	2,180,000,000	2,180,000,000	2,180,000,000
Issued and fully paid, at P1 par value per share	2,007,157,512	2,007,157,512	2,007,157,512	2,007,157,512
Treasury shares	(479,447)	(1,202,089)	(440,340)	(1,103,931)
Issued and outstanding	2,006,678,065	2,005,955,423	2,006,717,172	2,006,053,581

Issued, fully paid and outstanding share capital carries voting right and a right to receive dividends.

In December 2019 and 2018, the Company purchased 39,107 treasury shares (2018 - 239,671 shares) for P98,158 (2018 - P601,575) or at P2.51 (2018 - P2.51) per share from its non-controlling shareholders. There were no other movements in share capital and treasury shares for the year ended December 31, 2019.

Details of the Company's weighted average number of shares as at December 31, 2019 and 2018 are disclosed in Note 22.

(b) Reserves

Reserves as at December 31 consist of:

	Notes	2019	2018
Remeasurement of retirement benefit asset	11	101,407,393	121,595,290
Investment valuation reserve	10	70,067,834	65,243,788
Appropriated retained earnings		160,000,000	70,000,000
Share premium		25,341,207	25,341,207
		356,816,434	282,180,285

In 2017, the Company released the appropriation made in 2016 amounting to P70,000,000 for the upgrade of the shipyard facilities to increase production efficiency and security.

In a regular meeting held last November 10, 2017, the BOD has approved the appropriation of P80,000,000 out of its unrestricted retained earnings as at December 31, 2017, to be used for major capital expenditures and corporate expansion which include tuning and retooling the shipyard's facilities in order to further improve its productivity and security. In addition, the Company is expecting major potential projects in the first half of 2018 wherein its retained earnings will be used as working capital to support these upcoming projects. This appropriation was subsequently released in 2018.

In a regular meeting held last November 21, 2018, the BOD has approved the appropriation of P70,000,000 out of its unrestricted retained earnings as at December 31, 2018, to be used for the upgrading of the shipyard's facilities in order to increase production efficiency, safety and security and to be used as working capital for a potential construction of Roro vessel for a local customer. This appropriation was subsequently released in 2019.

In a regular meeting held last November 11, 2019, the BOD has approved the appropriation of P160,000,000 out of its unrestricted retained earnings as at December 31, 2019, to be used for integration of new systems for use in operations.

(c) Retained earnings

The Company has declared and paid the following cash dividends to its equity holders:

Year	Date of declaration	Stockholders of record as at	Date of payment	Dividends per share	Amount
2019	June 21, 2019	July 9, 2019	July 31, 2019	0.005/share	10,033,504
2018	June 22, 2018	July 9, 2018	July 31, 2018	0.005/share	10,035,792
2017	June 16, 2017	July 9, 2017	July 31, 2017	0.005/share	10,035,127

As at December 31, 2019, total unrestricted retained earnings amounted to P2,665,616,116 (2018 - P2,771,364,028). The amount of unrestricted retained earnings is in excess of 100% of its share capital as at December 31, 2019 and 2018. The Company declared and paid cash dividends regularly to comply with Section 43, Power to declare dividends, of the Corporation Code of the Philippines.

The Company believes that retention of unrestricted retained earnings in excess of paid-in capital is justified by the amount of bank loans outstanding as at December 31, 2019 and 2018 (Note 14). Moreover, the Company also intends to declare dividends within the year ending December 31, 2020.

Note 17 - Service revenues

Service revenues for the years ended December 31 consist of:

	2019	2018	2017
Shiprepair	684,202,531	705,090,442	741,646,013
Shipbuilding	-	-	227,005,551
	684,202,531	705,090,442	968,651,564

Note 18 - Cost of services

Cost of services for the years ended December 31 consist of:

	Notes	2019	2018	2017
Direct labor, subcontract and staff		293,975,388	301,550,814	464,756,088
Depreciation	7,8	122,948,594	132,845,666	138,325,565
Repairs and maintenance		43,192,526	39,378,330	32,752,794
Materials and supplies	4	40,742,767	35,197,406	219,233,477
Electricity, commissions towage and insurance		34,610,015	25,671,099	66,729,808
Rental	7	6,866,484	6,840,091	6,989,925
Retirement benefit expense	11	2,886,711	9,327,359	9,686,489
Provision for (reversal of) inventory obsolescence and write-down	4	-	25,527,320	(82,376,574)
Warranty provision (reversal)	15	(1,766,843)	1,863,694	(170,168)
Chargeable and overheads		(8,729,369)	1,378,585	48,543,214
Others		13,866,173	9,826,374	36,954,231
		548,592,446	589,406,738	941,424,849

Other expenses consist of representation expenses and other allocated expenses charged to the projects.

Note 19 - Operating expenses

Operating expenses for the years ended December 31 consist of:

	Notes	2019	2018	2017
Salaries and other short-term employee benefits		46,093,384	51,273,491	45,821,151
Security services		19,267,367	18,611,053	22,586,902
Professional fees		12,881,941	8,774,736	10,385,286
Repairs and maintenance		8,567,351	5,988,917	3,120,827
Taxes and licenses		7,916,074	4,840,356	5,562,300
Utilities		7,560,019	9,296,712	8,542,141
Supplies		6,988,290	7,709,379	9,217,293
Provision for losses	15	6,528,278	42,030,012	-
Depreciation	7,8	6,470,979	5,992,407	6,293,295
Rental	7	5,032,151	14,625,184	14,652,184
Insurance		4,319,215	3,535,797	3,890,970
Transportation and travel fees		1,747,555	2,718,043	2,630,062
Provision (reversal) for doubtful accounts	3	1,654,916	(22,132)	240,938
Representation and entertainment		1,045,733	1,449,132	1,611,419
Membership fees and dues		918,111	524,760	242,120
Advertising expense		625,113	422,798	513,551
Retirement benefit expense	11	509,420	1,646,005	1,709,380
Bank charges		75,805	142,399	178,438
Others		408,739	2,338,138	1,738,005
		138,610,441	181,897,187	138,936,262

Note 20 - Other income, net

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

	Notes	2019	2018	2017
Dividend income	9,10	77,325,383	132,334,389	166,414,250
Interest income	2,3	7,691,252	7,823,940	5,369,814
Rental	7	3,387,137	3,094,747	1,633,700
Gain on disposal of property and equipment		2,183,585	808,173	276,155
Scrap sales and others		3,133,913	476,201	717,658
Commissions		-	57,500	8,358,107
Foreign exchange gain (loss), net	21	10,454,483	(11,764,644)	(18,553,703)
Loss on recoverability of investment in KCSI		(1,129,827)	-	-
Miscellaneous		3,209,042	3,148,771	2,755,793
		106,254,968	135,979,077	166,971,774

Commissions pertain to income received by the Company for the sale of Keppel Data Center owned by KSPI Property, Inc.

Miscellaneous income mainly relates to consumables issued to subcontractors.

Note 21 - Foreign currency denominated assets and liabilities

The Company's significant foreign currency denominated monetary assets and liabilities at December 31 consist of:

	2019		2018	
	In USD	In SGD	In USD	In SGD
Assets				
Cash and cash equivalents	396,747	307,160	508,769	173,505
Trade and other receivables, net	3,859,343	18,299	3,509,927	14,524
Due from related parties	-	119,221	764	108,921
Liabilities				
Trade and other payables	(149,633)	(72,312)	-	(82,879)
Due to related parties	(3,283,549)	(9,471,251)	(3,834,502)	(8,478,446)
Net foreign currency denominated assets (liabilities)	822,908	(9,098,883)	184,958	(8,264,375)
Closing rates	50.79	37.17	52.71	38.56
Philippine Peso equivalent	41,795,497	(338,205,481)	9,749,136	(318,674,300)

Net foreign exchange loss (gain) for the years ended December 31 consist of:

	Note	2019	2018	2017
Realized foreign exchange loss (gain), net		(3,408,923)	20,511,647	21,260,830
Unrealized foreign exchange gain, net		(7,045,560)	(8,747,003)	(2,707,127)
	20	(10,454,483)	11,764,644	18,553,703

Note 22 - Basic and diluted earnings per share

	Note	2019	2018	2017
Profit for the year attributable to shareholders:		38,059,643	57,059,213	6,772,597
Weighted average number of shares outstanding, net of treasury shares	16	2,006,678,065	2,006,717,172	2,006,956,843
Basic and diluted earnings per share		0.0190	0.0284	0.0034

The Company does not have any potential dilutive shares for the years 2019, 2018 and 2017.

Note 23 - Registration with government agencies*a) Philippine Economic Zone Authority (PEZA)*

The Company is registered with the PEZA as an ecozone export enterprise engaged in the oil rig construction, shipbuilding, shiprepair and conversion, and leasing since on September 17, 2007. Under the registration, the Company retains the duty and importation privileges under EO 226 and applicable provisions of the PEZA rules but is entitled to the 5% gross income tax (GIT) incentive, in lieu of all national and local taxes. As export producer of the registered activities, the Company enjoys income tax holidays (ITH) for the period of 6 years from January 2006 to December 2011. In 2012, the Company's application for the extension of ITH for the period January 1, 2012 to December 31, 2012 has been approved. Beginning January 1, 2013, the Company's registered activity is subject to 5% GIT.

b) Maritime Industry Authority (MARINA)

The Company is registered with MARINA pursuant to Section 1 (d) of Presidential Decree No. 666 and Section 14 (i) Executive Order No. 125, as amended, and Republic Act No. 9295 upon verification of compliance with the requirements and standards provided under MARINA Circular No. 2007-02. The existing registration is valid from March 17, 2016 to March 16, 2019 subject to renewal thereafter.

Note 24 - Segment information

The Company's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. As at December 31, 2019 and 2018, the Company has two (2) main business activities, shiprepair and shipbuilding, which are operated as one (1) single business segment. The subsidiaries are also engaged in shiprepair and shipbuilding, and they form part of the single business segment of the Company.

Significant information on the reportable segment is as follows:

	2019	2018
Operating assets	6,739,790,613	6,831,832,668
Operating liabilities	1,711,402,640	1,772,234,774
Service revenues	684,202,531	705,090,442
Gross profit	135,610,085	115,683,704
Operating expenses	138,610,441	181,897,187
Other income, net	106,254,968	135,979,077
Finance cost	79,340,043	56,758,006
Segment net income	38,059,643	57,059,213

All of the Company's revenue are derived from operations within the Philippines, hence the Company did not present geographical information required by PFRS 8, *Operating Segments*.

In 2019, there were no customers with individual revenue of more than 10% of the total service revenue. Total revenue pertaining to this in 2018 and 2017 amounted to P184,756,322 and P227,005,551, respectively.

There is no need to present reconciliation since the Company's operating assets, operating liabilities, revenue, cost and expenses and segment profit pertains to a single operating segment.

Note 25 - Financial risk management

25.1 Financial risk factors

The Company's operations expose it to a variety of financial risks: market risk (including foreign currency exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance department under policies and guidelines approved by the ultimate parent company. The finance department identifies and evaluates financial risks in close cooperation with the Company's other business units.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on two market risk areas such as interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position. Foreign currency exchange risk arises when an investment's value changing due to changes in currency exchange rate.

Moreover, the Company manages its foreign currency exposure within the acceptable limits by mitigating its costs at consistent levels, regardless of any upward or downward movements in the foreign currency exchange rates. The Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a construction company engaged in this type of business.

The sensitivity rate used in reporting foreign currency risk internally is the change in foreign exchange rates using historical movements of the U.S. Dollar and Singapore Dollar against the Philippine Peso. The sensitivity analysis includes all of the Company's foreign currency denominated monetary assets and liabilities.

The table below details the Company's sensitivity analysis between Philippine Peso and the relevant foreign currencies:

	2019	2018
U.S. Dollar		
Change against Philippine Peso	3.73%	4.00%
Impact on pre-tax profit	276,726	775,085
Singapore Dollar		
Change against Philippine Peso	2.55%	3.00%
Impact on pre-tax profit	245,949	22,003,072

(ii) Price risk

The fair values of the listed securities are based on the quoted market prices while the fair values of non-listed securities are based on the net asset value and/or discounted value of future cash flows using applicable rates for similar instruments.

The effect on other comprehensive income (as a result of a change in fair value of financial asset at FVOCI) due to a reasonably possible change in net asset value and/or discounted future cash flows, with all other variables held constant, will not have a significant impact on its financial statements.

(iii) Cash flow and fair value interest rate risk

The primary source of the Company's interest rate risk relates to cash and cash equivalents, due to related parties and bank loans as disclosed in Notes 2, 5 and 14, respectively. The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of each reporting period. The sensitivity rate in the analysis is the same rate used in reporting interest rate risk internally to key management personnel and represents the Company's best estimate of the reasonably possible change in interest rates.

Had interest rates been 10 basis point higher/lower and all other variables were held financial performance constant, the Company's profit before tax for the year ended December 31, 2019 would have been increased/decreased by P 7,811,048 (2018 - P5,598,790). The Company believes that fluctuations on the interest rates will not have significant effect on the Company's financial statements.

The Company is not exposed to fair value interest rate risk.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Company routinely assesses the financial strength of its customers.

The aging analysis of the Company's financial assets as at December 31 follows:

		Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
2019					
Cash and cash equivalents	(i)	106,213,690	-	-	106,213,690
Trade and other receivables*	(ii)	105,479,982	372,388,576	130,369,721	608,238,279
Due from related parties	(iii)	5,899,852	-	-	5,899,852
		217,593,524	372,388,576	130,369,721	720,351,821
2018					
Cash and cash equivalents	(i)	137,180,436	-	-	137,180,436
Trade and other receivables*	(ii)	131,988,936	385,772,047	128,777,412	646,538,395
Due from related parties	(iii)	5,122,623	-	-	5,122,623
		274,291,995	385,772,047	128,777,412	788,841,454

*Excluding advances to suppliers and deposits

Credit quality of financial assets

(i) Cash and cash equivalents

Cash are deposited/placed in banks that are considered stable as they qualify as universal and commercial banks as defined by the Philippine Banking System and are approved by the BOD to minimize credit risk. The amounts deposited in these banks are as follows:

	Note	2019	2018
Universal banks		64,097,568	109,935,135
Commercial banks		27,090,009	18,773,754
	2	91,187,577	128,708,889

The Company's cash equivalents are placed in Kephinance Investment Pte. Ltd, an entity under common control, whose principal activity is investment holding in various investments as well as financing and treasury function within the Keppel Group. Cash and cash equivalents as at December 31, 2019 and 2018 are all considered high grade financial assets. The remaining cash and cash equivalents item in the statements of financial position is cash on hand (Note 2).

(ii) Trade and other receivables

The Company applies PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. There is no concentration of credit risk with respect to trade and other receivables since the Company has a large number of counterparties involved.

The Company's maximum credit risk exposure on trade and other receivables is equal to the carrying amount in the statements of financial position excluding advances to suppliers and deposits (Note 3).

None of the financial assets that are fully performing has been renegotiated in 2019 and 2018.

The loss allowance as at December 31, 2019 was determined as follows for trade receivables:

	Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
2019				
Expected loss rate	0.09%	0.53%	100%	
Trade receivables	105,479,982	372,388,576	130,369,721	608,238,279
Loss allowance	95,884	1,961,771	130,369,721	132,427,376
2018				
Expected loss rate	0.18%	0.46%	100%	
Trade receivables	131,988,936	385,772,047	128,777,412	646,538,395
Loss allowance	237,580	1,757,468	128,777,412	130,772,460

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to internal credit ratings (if available) or to historical information about counterparty default rates.

As at December 31, 2019, trade and other receivables of P130,369,721 (2018 - P128,777,412) are non-performing. These trade and other receivables were provided for with an allowance for impairment. The individually impaired trade and other receivables mainly relate to counterparties which are in unexpectedly difficult economic situations.

Other receivables mainly relate to loans and advances to employees which are expected to be collected from employees through salary deductions.

(iii) Due from related parties

The credit exposure on due from related parties is considered to be minimal as there is no history of defaults and collections are expected to be made within 90 days to 1 year. The maximum amount exposed to credit risk on due from related parties is equal to the carrying amount in the statements of financial position (Note 5). The balances due from related parties are considered as high grade financial assets.

(c) Liquidity risk

Liquidity risk arises when the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table analyzes the Company's non-derivative financial liabilities (excluding payable to government agencies) as at December 31 into relevant maturity groupings based on the remaining period at the statements of financial position to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. The table below includes both interest and principal cash flows.

	Notes	Less than 1 year	More than 1 year
2019			
Trade and other payables	13	194,643,222	-
Bank loans*	14	442,867,516	-
Lease liability*	7	10,508,294	247,079,584
Due to related parties*	5	860,677,705	-
		1,508,696,737	247,079,584
2018			
Trade and other payables	12	200,959,353	-
Bank loans*	14	646,163,841	-
Due to related parties*	5	846,414,103	-
		1,693,537,297	-

*Includes future interest payable

25.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally-imposed restrictions to capital other than those financial covenants disclosed in Note 14.

The Company monitors capital based on its net debt. The Company's net gearing ratio is calculated as net debt (bank loans and borrowings from related parties less cash and cash equivalents) divided by total equity.

There were no changes made in the capital management policies for the years ended December 31, 2019 and 2018.

The net debt reconciliation and gearing ratio as at December 31 are presented below:

	Notes	2019	2018
Bank loans	14	425,000,000	631,250,000
Borrowings from related parties	5	792,112,682	773,425,376
Cash and cash equivalents	2	(106,213,690)	(137,237,822)
Net debt		1,110,898,992	1,267,437,554
Total equity	16	5,028,387,973	5,059,597,894
Net gearing ratio		0.22:1	0.25:1

Movements in financing liabilities comprising the net debt are disclosed in the related notes to the financial statements.

25.3 Fair value estimation

(a) Financial assets and liabilities

As at December 31, 2019 and 2018, except for the financial assets at FVOCI financial assets, the Company does not have other financial instruments that are measured at fair value. The Company's financial assets at FVOCI financial assets measured at fair value amounted to P476,759,962 (2018 - P469,868,467) are included in Levels 1 and 2 (Note 10).

Due to the short-term maturities of cash and cash equivalents (Note 2), trade and other receivables (Note 3), due from related parties (Note 5), trade and other payables (Note 13), and due to related parties (Note 5), their carrying amounts approximate their fair values.

Since the bank loans are interest-bearing subject to repricing based on prevailing market interest rate, the Company believes the fair values of bank loans approximate its carrying amounts (Note 14).

(b) Non-financial assets and liabilities

As at December 31, 2019 and 2018, the Company does not have other non-financial assets and liabilities that are measured at fair value.

Note 26 - Critical accounting estimates, assumptions and judgments

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates, assumptions and judgments will, by definition seldom equal the related actual results. Estimates, assumptions and judgments 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.

The estimates, assumptions and judgments applied by the Company and which may cause adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed herein.

26.1 Critical accounting estimates and assumptions

(a) Estimating measure of progress of construction contracts

The Company recognizes revenue using measure of progress method. The Company determines the appropriate measure of progress rate to be applied to the total contract and estimated costs at the end of financial year based on estimated equivalent percentage of the physical appearance of the project. Revenue recognized under the measure of progress method arising from shiprepair construction contracts for the year ended December 31, 2019 amounted to P684,202,531 (2018 - P705,090,442 and 2017 - P968,651,564) (Note 17).

The Company's revenue recognition policies on construction contracts require the use of estimates and assumptions that may affect the reported amounts of revenues and profit before tax. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result in material adjustments in future periods. For all customer contracts with revenue recognized during the year, had the measure of progress increased or decreased by 5% (based on assessment threshold used by management) all other variables held constant, revenue and pre-tax profit for the year ended December 31, 2019 would have been P34,210,127 (2018 - P35,254,522 and 2017 - P48,432,578) higher or lower.

(b) Estimating useful lives of property and equipment

The Company determines the estimated useful lives and related depreciation charges for property and equipment. This estimate is based on the expected future economic benefit to the Company. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of these assets. The Company will increase the depreciation where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

As at December 31, 2019, the carrying amounts of the Company's property and equipment amounted to P1,633,968,808 (2018 - P1,522,511,437). Total accumulated depreciation as at December 31, 2019 amounted to P2,350,782,587 (2018 - P2,247,440,405) (Note 8).

If the actual useful lives of these assets is to differ by +/-10% from management's estimates, the carrying amount of these assets as at December 31, 2019 would be P130,517,298 (2018 - P160,026,335) lower or P159,521,143 (2018 - P130,930,638) higher.

(c) Recognizing deferred tax assets

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred taxable assets to be utilized.

Recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. As at December 31, 2019, total deferred tax assets recognized in the statements of financial position amounted to P80,229,585 (2018 - P66,359,730) (Note 12).

During 2018, the Company wrote-off NOLCO amounting to P29,611,084 as the management assessed that it is no longer probable that sufficient future taxable profits will be available to allow portion of NOLCO to be utilized. There was no additional write off in 2019.

(d) Determining net realizable value of inventories

The Company writes down the cost of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed regularly to reflect the accurate valuation in the financial records. Inventory items identified to be obsolete and unusable are also written off and charged as expense for the period.

If non-moving inventory items for at least five (5) years are provided with an allowance, the Company would incur an additional expense of P3,014,686 in 2019 (2018 - P4,422,723 and 2017 - P4,468,102), recognized in the statements of total comprehensive income through profit or loss.

As at December 31, 2019, total inventories recognized in the Company's statements of financial position amounted to P98,237,216 (2018 - P309,443,765) which is net of the related allowance for inventory obsolescence amounting to P3,879,735 (2018 - P122,924,171) (Note 4).

(e) Estimating allowances for doubtful accounts

The allowance for doubtful accounts related to its trade receivables are based on assumptions about risk of default and expected loss rates. The Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 26.

As at December 31, 2019, total trade receivables recognized in the Company's statements of financial position amounted to P461,970,631 (2018 - P495,785,618) which is net of the related allowance for doubtful accounts amounting to P132,427,376 (2018 - P130,772,460) (Note 3).

(f) Determining retirement benefit obligation

The Company maintains a qualified defined benefit retirement plan. The calculations of retirement costs of the Company are dependent upon the use of assumptions, including discount rates, expected return on plan assets, interest cost, future salary increases, benefits earned, mortality rates, the number of employee retirements, the number of employees electing to take lump-sum payments and other factors.

Actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While the Company believes that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect the Company's retirement obligation and future expense.

In determining the long-term rates of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Company evaluates the expected long-term rate of return annually and adjusts such rate as necessary. The possible effects of sensitivities surrounding the actuarial assumption at the reporting date are presented in Note 11.

(g) Estimating provision for warranty claims

A provision is recognized for expected warranty claims on shiprepair and shipbuilding activities performed during the year based on experience of its own repairs and from professional advices from related parties with shipbuilding operations. It is expected that most of these costs will probably be incurred in the next financial year and all will probably be incurred within one year as at the reporting date.

Assumptions used to calculate the provision for warranty were based on current revenue levels and current information available about defects based on the one-year warranty period for shipbuilding and six-month warranty period for ship repair services provided.

If the total estimated warranty claims would be higher by 6% (based on average historical actual against provision data), cost of services and provision for warranty would increase by P504,805 in 2019 (2018 - P671,439 and 2017 - P559,617).

As at December 31, 2019, warranty provisions recognized in the statements of financial position amounted to P8,413,416 (2018 - P11,190,652) (Note 15).

(h) Estimating late cost provision

Due to complexity of the shipbuilding and repair projects, the Company involved significant accounting estimates in recognizing late cost accrual for the expected cost of rectification work and guarantee work; and claims from third parties. These estimated probable costs have been developed based on historical experience and project management analysis.

While the Company believes that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in the future periods. If total estimated late cost provision would be higher by 26% (based on average historical actual against provision data), profit or loss for the year ended December 31, 2019 would increase by P4,038,699 in 2019 (2018 - P5,443,170 and 2017 - P8,238,494).

Late cost provision recognized in the statements of financial position as at December 31, 2019 amounted to P15,533,459 (2018 - P20,935,269) (Note 15). The Company believes that this represents the best estimate of provision considering the complexity of the projects.

(i) Estimating provision of losses

Management also makes judgments and estimates in recording liabilities for claims, litigations and tax matters. Actual costs can frequently vary from estimates for a number of reasons. For example, the costs from settlement of claims and litigation can vary from estimates based on differing interpretations of laws, opinions on culpability and assessments on the amount of damages.

(j) Determining incremental borrowing rate under PFRS 16

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

26.2 Critical judgments in applying the company's accounting policies

(a) Determination of control over investments in subsidiaries

The Company exercises its judgment in determining whether it has control over another entity by evaluating the substance of relationship that indicates the control of Company over its subsidiaries. The recognition and measurement of the Company's investment over these subsidiaries will depend on the judgment made. As at December 31, 2019 and 2018, the Company owns 40% of GPI. PFRS requires the use of judgment in determining the existence of control. Despite having less than 51% ownership interest, the Company believes that it exercises control over GPI since the company has the power, exposure, or rights, to variable returns from its involvement and the ability to use its power to affect GPI's returns. This is clearly demonstrated by occupying significant positions in the board, making business and capital decisions, directing relevant business activities, and establishing of the operating and financing policies of GPI.

Based on the assessment made by the Company, it was determined that it has control over its subsidiaries presented in Note 1 and Note 9 as at December 31, 2019 and 2018.

(b) Investment in an associate

An associate is an entity over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee but not control or joint control. The Company has 20.72% interest in CLI and management has clearly identified CLI as an associate as disclosed in Note 9.

(c) Functional currency

The Company considers the Philippine Peso as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its results.

(d) Determining the lease term

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

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

Prior to adoption of PFRS 16, leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risk and rewards of the ownership to the lessee. Judgment is used in determining whether the significant risk and rewards of ownership are transferred to the lessee. In making such judgment, the Company evaluates the terms and conditions of the lease arrangement. Management believes that the lease agreements entered into by the Company did not transfer substantially all the risk and rewards over the leased asset. Failure to make the right judgment would directly affect the Company's assets and liabilities.

(e) Impairment of financial assets at FVOCI

The Company recognizes impairment losses on financial asset at FVOCI when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the 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 Company to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Company's financial statements. The carrying value of the investment is shown in Note 10.

(f) Impairment of non-financial assets

(i) Investment in subsidiaries and an associate

To determine if its investment in subsidiaries and an associate are impaired, the Company evaluates whether its ownership interest in the net assets of its subsidiaries and an associate after fair value adjustments on depreciable and non-depreciable non-current assets is less than its cost.

Other factors considered are financial health and short and long-term business outlook, including operational and financing cash flows. The carrying value of investment subsidiaries and an associate as at December 31, 2019 amounted to P3,671,277,633 (2018 - P3,672,407,460), net of allowance for impairment amounted to P155,502,877 (2018 - P154,373,050) (Note 9).

(ii) Other non-financial assets

The Company's other non-financial assets consist of other receivables specifically advances to supplier and deposits on other facilities, prepayments and other current assets, property and equipment, and other non-current assets. Impairment review is performed when certain impairment indicators are present. Determining the fair values of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact in the statements of total comprehensive income.

The carrying values of the Company's non-financial assets presented in the statements of financial position as at December 31, 2019 amounted to P5,485,956,370 (2018 - P5,573,304,546).

Note 27 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented.

27.1 Basis of preparation

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

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 26.

The financial statements of the Company have been prepared on historical cost basis, except for:

- financial assets at FVOCI financial assets;
- certain financial instruments carried at amortized cost; and
- the defined benefit asset recognized as the total of the fair value of plan assets less the present value of the defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

27.1.1 Separate financial statements

These are the Company's separate financial statements. Separate financial statements are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of direct equity interest rather than on the basis of the reported results and net assets of the investees.

27.1.2 Exemption from consolidation

The Company did not present consolidated financial statements having met all of the following criteria set out in PFRS 10, Consolidated Financial Statements and PIC Q&A No. 2006-02 (as amended by PIC Q&A No. 2013-02 and PIC Q&A No.2017-01):

- (a) The Company is itself a partially owned subsidiary of another entity, and its owners including those not otherwise entitled to vote, have been informed about, and do not object to the Company not preparing consolidated financial statements;
- (b) The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- (c) The Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- (d) The ultimate parent of the Company produces consolidated financial statements available for public use that comply with Singaporean Financial Reporting Standards, which is substantially aligned with IFRS.

The consolidated financial statements of KCL, the ultimate parent company, can be obtained from www.kepcorp.com.

In a letter dated January 22, 2019 from the Securities and Exchange Commission (SEC), SEC granted the Company's request to be discharged from the obligation of filing consolidated financial statements as part of its reportorial requirements.

Changes in accounting policy and disclosures

(a) New standards adopted by the Company

The Company has applied the following standard for the first time for their annual reporting period commencing January 1, 2019:

- PFRS 16, 'Leases' (effective January 1, 2019). PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On adoption of PFRS 16, the Company recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. This is disclosed in Note 27.26.

- Philippine Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments (effective January 1, 2019)

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account,
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored,
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,

- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Based on the Company's assessment, the interpretation did not have changes on its current recognition and measurement of deferred and current income tax assets and liabilities

- Long-term Interests in Associates and Joint Ventures - Amendments to PAS 28 *Investments in Associates and Joint Ventures* (effective January 1, 2019). The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under PFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in PAS 28. Based on the Company's assessment, the amendment did have impact on its long-term interest in an associate.
- Plan Amendment, Curtailment or Settlement - Amendments to PAS 19 *Employee benefits* (effective January 1, 2019). The amendments to PAS 19 clarified that if a plan amendment, curtailment or settlement occurs, the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement must be calculated using the updated assumptions from the date of the change. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company has no plan amendment, curtailment or settlement as at December 31, 2019 and 2018.

(b) New standards, amendments and interpretations not yet adopted

There are no other relevant standards, amendments and interpretations, which are effective on January 1, 2019 and adopted by the Company, and issued but are not yet effective as at December 31, 2019 that have or are expected to have a significant impact on the Company's financial statements.

27.2 Cash and cash equivalents

Cash includes deposits held at call with banks which are carried in the statement of financial position at face amount or at nominal amount. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from acquisition date and that are subject to an insignificant risk of change in value.

27.3 Financial instruments

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

Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) and amortized cost.

The Company did not hold financial assets under the category financial assets at FVPL as at December 31, 2019.

(i) Amortized cost

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortized cost comprise cash and cash equivalents (Note 27.2), trade and other receivables, net (excluding advances to suppliers and deposits on other facilities) (Note 27.4), and due from related parties (Note 27.24) in the statement of financial position.

(ii) Fair value through other comprehensive income

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are classified in the statement of financial position (Note 10).

(b) Recognition and measurement

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

Loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method.

Equity investments

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

(c) Impairment

For trade receivables, the Company applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables. Impairment testing of trade and other receivables is described in Note 27.4.

Equity investments

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

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

(d) Derecognition

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

Financial liabilities

(a) Classification

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

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

The Company's trade and other payables (excluding payable to government agencies) (Note 27.11), bank loans (Note 27.12), and due to related parties (Note 27.24) are classified under other financial liabilities at amortized cost.

Recognition and derecognition

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

(b) Measurement

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

(c) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. As at December 31, 2019 and 2018, there were no offsetting of financial assets and liabilities other than the offsetting of advances from KFELS disclosed in Note 5.

27.4 Trade and other receivables

Trade receivables arising from services performed with credit term of 30 to 180 days are recognized initially at invoice amount, unless they contain significant financing components, which approximates fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Other receivables are held for collection of contractual cash flows only.

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

The expected loss rates are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the bank interest rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Refer to Note 27.3 for other relevant accounting policies on trade and other receivables.

27.5 Prepayments and other assets

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

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

27.6 Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at lower of cost and net realizable value. Costs of work-in-progress include direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity. Purchase cost of materials and supplies are accounted using the weighted average method.

Net realizable value represent the estimated billed price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale. When the net realizable value of the inventories is lower than the cost, the Company provides an allowance for the decline in the value of inventory and recognizes the write-down as an expense through profit or loss in the statement of total comprehensive income. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense through profit or loss in the statement of total comprehensive income in the period in which the reversal occurs.

Inventories are derecognized when they are sold or there are no future benefits to the Company. The carrying amount of those inventories is recognized as an expense, reported as cost of sales in the period in which the related revenue is recognized.

27.7 Property and equipment

Property and equipment are stated at historical cost less subsequent depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in the accounts until these projects are completed upon which they are classified to the appropriate property accounts.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged through in the statement of total comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives (in years), as follows:

Ship repair and construction machinery	2 to 30 years
Drydock	20 to 60 years
Buildings and improvements	20 years
Office furniture and other equipment	2 to 5 years
Transportation equipment	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 27.9).

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss.

Cost includes professional fees, and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized through profit or loss in the statement of total comprehensive income.

27.8 Investments in subsidiaries and associates

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are recognized from the date on which control is transferred to the Company. Investment in subsidiaries are measured initially at cost. Subsequent to initial recognition, investment in subsidiaries are carried in the Company's financial statements at cost less any provision for impairment losses (Note 27.9).

The investment in subsidiaries are derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in subsidiaries and is recognized through profit or loss in the statement of total comprehensive income.

(b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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.

Investments in associates are accounted for at cost following the provisions of PAS 28 - Investment in Associates on exemptions in using equity method. Investments in associates are stated at cost less impairment in value, if any. Under this method, the Company recognizes dividend income from investments through profit or loss in the statement of total comprehensive income when its right to receive dividends has been established.

The investment in an associate is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in an associate and is recognized through profit or loss in the statement of total comprehensive income.

27.9 Impairment of non-financial assets

Asset that has an indefinite useful life such as investment in a subsidiary not subject to amortization is evaluated regularly for impairment. Assets that have definite useful lives and are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to other income in the statement of total comprehensive income.

27.10 Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except that the deferred income tax liability arises from initial recognition of goodwill, if any.

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

Deferred tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

27.11 Trade and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other current payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest rate method.

Trade payables and other payables are derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing 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 the statement of total comprehensive income through profit or loss.

Relevant accounting policies for classification, recognition, measurement and derecognition of trade payables and other current liabilities are disclosed in Note 27.3.

27.12 Borrowings and borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

All general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized as finance costs through profit or loss in the statement of total comprehensive income in the period in which they are incurred.

Relevant accounting policies for classification, recognition, measurement and derecognition of borrowings are presented in Note 27.3.

27.13 Construction work in progress, net of progress billings

Construction work in progress - net of progress billings represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as a contract asset in the statement of financial position for all contracts in which costs incurred plus recognized profits less recognized losses exceed progress billings. If progress billings exceed costs incurred plus recognized profits less recognized losses, then the difference is presented as a contract liability in the statement of financial position.

Relevant accounting policy for impairment is presented in Note 27.3.

27.14 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

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

Provisions are derecognized when the obligation is extinguished, discharged, or is cancelled. Provisions for warranty costs are recognized at the date of completion of services and are management's best estimate of the expenditure required to settle the Company's obligation.

27.15 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

27.16 Employee benefits

(a) Retirement benefit asset

Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The retirement benefit asset (liability) recognized in the statement of financial position in respect of the defined benefit plan is the surplus (deficit) of the fair value of plan assets over the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The pension benefit asset recognized in the statement of financial position is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. The rates used to discount the estimated cash outflows and to determine the asset ceiling are determined by reference to market yields at the end of the reporting period on high quality government bonds.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately through profit or loss in the statement of total comprehensive income.

(b) Termination benefits

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

(c) Short-term employee benefits

The Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves, and bonuses. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for employee benefits are derecognized when the obligation is settled, cancelled or has expired.

27.17 Advances from customers

Advances from customers represent cash received for future services or rental. These are recognized and carried at cost. These are derecognized upon application against actual contract price from execution of services.

27.18 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has no dilutive potential common share as at December 31, 2019 and 2018.

27.19 Equity

(a) Share capital

Share capital are stated at par value and are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

(b) Retained earnings

Retained earnings include all current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any. Retained earnings may also include the effect of changes in accounting policy as may be required by the relevant standards' transitional provision on their initial adoption.

27.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved by the Company's BOD.

27.21 Revenue and expense recognition

(a) Rendering of services

Revenue from a shiprepair contract to provide services is recognized by reference to the stage of completion of the contract. Under this method, revenue is recognized in the accounting periods in which the services are rendered. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs the service. Therefore, the Company transfers control of service and recognizes revenue over time. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labor hours spent and materials used relative to the total expected labor hours and materials usage.

The measure of progress from the contract to provide service is determined using milestones as computed by the Company's project engineers. The determined measure of progress rate to be applied to the total contract and estimated costs is equivalent to the percentage of the physical appearance of the project. The Company assesses that this method provide a faithful depiction of the transfer of services.

The customer pays the fixed amount based on an agreed payment schedule. If the services rendered by Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(b) Construction contracts

When the outcome of a ship building construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of each reporting period.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The measure of progress is determined using milestones as computed by the Company's project engineers. Any effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of recoverable contract costs incurred. Contract costs represent accumulated costs of a construction contract. Contract costs include those directly attributable to the construction of the projects such as direct labor, subcontract and staff, direct materials and supplies and overheads. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue; the expected loss is recognized as an expense immediately.

(c) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(e) Rental income

Revenue recognition for rental income is disclosed in the Company's policy on leases.

(f) Other income

Other income are income generated outside the normal course of business and are recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

(g) Cost and operating expenses

Cost and operating expenses are recognized when incurred. Interest is recognized based on effective interest method.

27.22 Leases

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

(a) Measurement of lease liabilities

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

(b) Measurement of right-of-use assets

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

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

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

(c) Extension and termination options

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

(d) Short-term leases and leases of low-value assets

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

Prior to adoption of PFRS 16, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Company as a lessor

Rental income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Initial direct costs incurred by Company in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

(ii) The Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

27.23 Foreign currency transactions and translations

(a) Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of total comprehensive income through profit or loss.

27.24 Related party relationships and transactions

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

27.25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. The listed financial assets at FVOCI financial assets are classified under Level 1 category.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. The Company's unlisted shares of stock of related parties are included in Level 2 (Note 10). If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

As at December 31, 2019, the Company does not hold financial and non-financial assets and liabilities at fair value, except for listed and non-listed securities recognized as financial assets at FVOCI which are measured at fair value and classified under Levels 1 and 2, respectively.

Prior to the adoption of PFRS 9, as at December 31, 2017, the Company does not hold financial and non-financial assets and liabilities at fair value, except for listed securities recognized as available-for-sale financial assets which are measured at fair value and classified under Level 1.

27.26 Changes in accounting policy

This note explains the impact of the adoption of PFRS 16 on the Company's financial statements.

The Company has adopted PFRS 16 with a date of transition of January 1, 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Company did not early adopt PFRS 16 in previous periods.

As permitted by the transitional provisions of PFRS 16, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of assets and liabilities at the date of transition were recognized in the opening retained earnings and profit and loss of the current period.

Set out below are disclosures relating to the impact of the adoption of PFRS 16 on the Company. Further details of the specific PFRS 16 accounting policies applied in the current period (as well as the previous PAS 39 accounting policies applied in the comparative period) are described in more detail in Note 27.22.

The total impact on the Company's retained earnings as at January 1, 2019 is as follows:

	Amount
Closing retained earnings December 31 - PAS 18	2,771,364,028
Adjustment to retained earnings from adoption of PFRS 16 on January 1, 2019	
Recognition of right-of-use assets, net of lease liability	(17,406,325)
Deferred tax effect on recognition	4,411,959
Reversal of accrued rent under PAS 17	(21,177,405)
Reversal of deferred tax asset under PAS 17	(9,602,280)
Opening retained earnings January 1 - PFRS 16	2,727,589,977

27.27 Events after the reporting date

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

Note 28 - Supplementary information required by Bureau of Internal Revenue (BIR)

The following supplementary information required by Revenue Regulations (RR) No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output value-added tax (VAT)

Details of the Company's output VAT declared in 2019 are as follows:

	Gross receipts	Output VAT
Subject to 12% VAT		
Sale of services	627,502,658	67,232,428
Zero-rated		
Sale of services	136,918,248	-
Exempt		
Sale of services	21,374,847	-
Total	785,795,753	67,232,428

Zero-rated services represent sale of services to PEZA-registered entities. Further, the gross revenues subject to 12% VAT shown above are based on gross receipts of the Company for VAT purposes while gross revenues in the statement of total comprehensive income are measured in accordance with the policy in Note 27.21.

(b) Input VAT

Movements in input VAT for the period for the year ended December 31, 2019 are as follows:

January 1	426,279
Current year's domestic purchases/payments for services lodged under other accounts	5,192,234
Total available Input VAT	5,618,513
Input VAT claimed	4,338,889
December 31	1,279,624

(c) Importations

Custom duties and taxes paid and accrued amounting to P3,961,822 for the year ended December 31, 2019.

(d) Excise tax

The Company had no transactions subject to excise taxes for the year ended December 31, 2019.

(e) Documentary stamp tax

Documentary stamp tax paid amounting to P6,187,721 for the period December 31, 2019 pertains to loan agreements and were presented as part of taxes and licenses in operating expenses.

(f) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2019 consist of:

Permits and other licenses	1,128,494
Registration and filing fees	584,757
Residence Certificates	13,402
PEZA fees	1,200
Annual registration fee	500
	<u>1,728,353</u>

The local and national taxes are recognized under taxes and licenses account in the Company's statement of total comprehensive income.

As PEZA-registered entity, Company applied exemption from national and local taxes as one of its incentive.

(g) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2019 consist of:

	Accrued	Paid	Total
Withholding tax on compensation	415,479	7,674,395	8,089,874
Expanded withholding tax	779,288	6,754,797	7,534,085
Final withholding tax	-	1,502,716	1,502,716
Total	<u>1,194,767</u>	<u>15,931,908</u>	<u>17,126,675</u>

(h) Tax assessments and cases

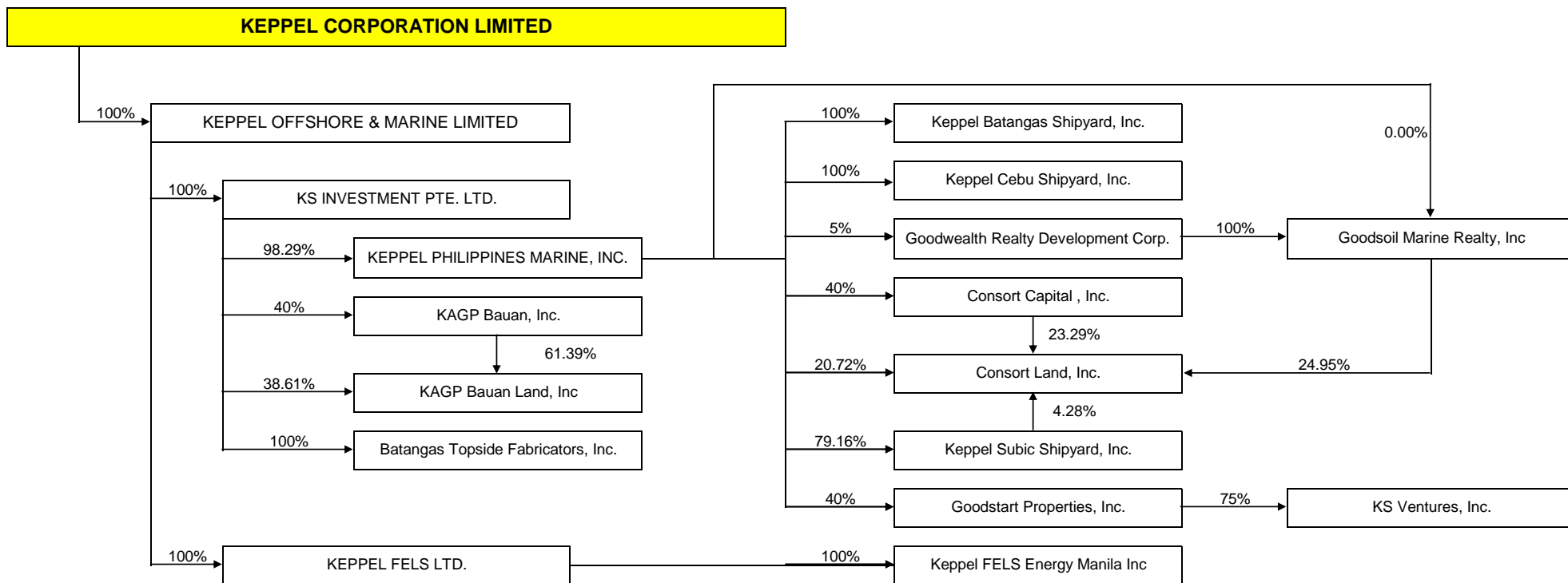
There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2019.

Keppel Philippines Marine, Inc.

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

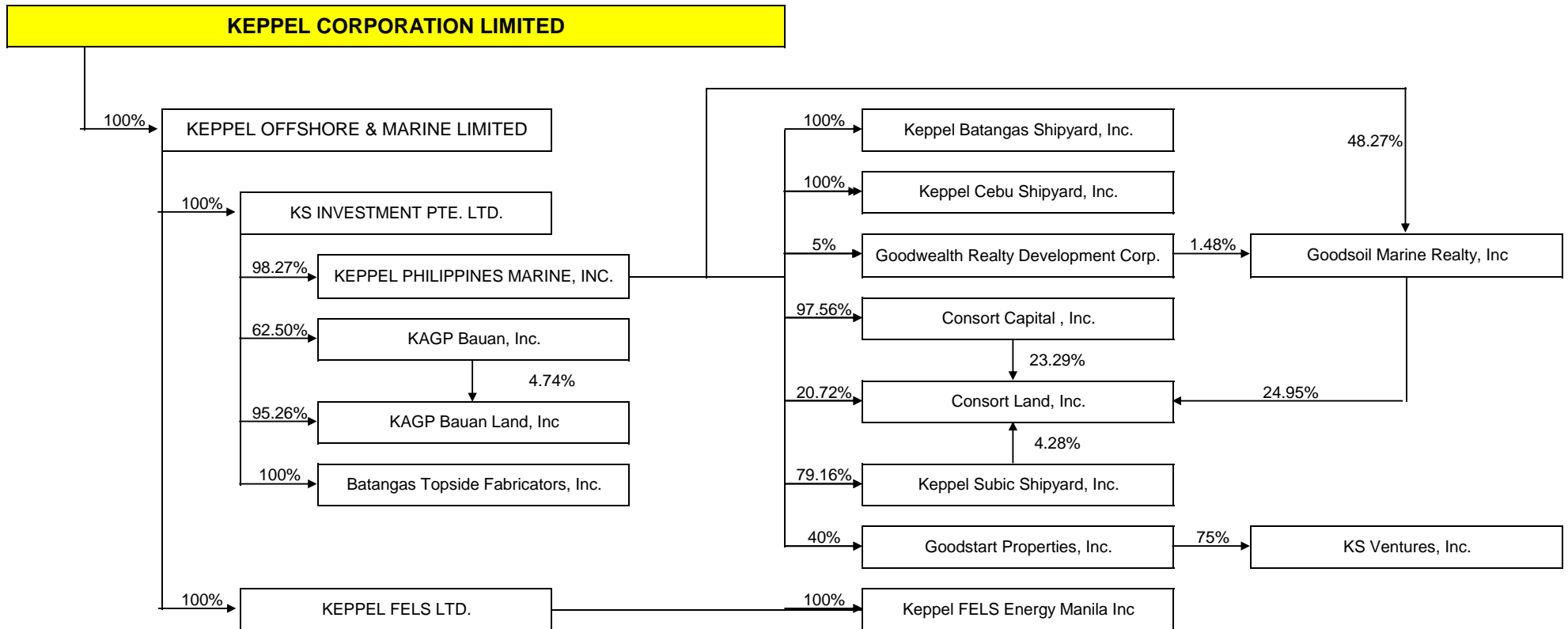
Unappropriated retained earnings available for dividend distribution, beginning	2,778,745,340
Changes in accounting policy	<u>(43,774,051)</u>
Unappropriated retained earnings available for dividend distribution, as adjusted, beginning	2,734,971,289
Add: Net income actually earned/realized during the year	
Net income during the period closed to retained earnings	38,059,643
Less: 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)	(7,666,332)
Unrealized actuarial gain	-
Fair value adjustment (mark-to-market gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
	<u>7,666,332</u>
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Unrealized foreign exchange loss - net except (Cash and Cash Equivalents)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Unrealized fair value adjustment (mark-to-market loss)	-
Loss on fair value adjustment of investment property (after tax)	-
Subtotal	-
Net income actually earned during the year	30,393,311
Add (Less):	
Dividend declarations during the period	(10,033,504)
Appropriations of retained earnings during the period	(160,000,000)
Reversals of appropriations	70,000,000
Effects of PAS 19 R adoption	
Treasury shares	<u>(98,158)</u> <u>(100,131,662)</u>
Total retained earnings available for dividend distribution, ending	<u>2,665,232,938</u>

KEPPEL PHILIPPINES MARINE, INC
GROUP STRUCTURE BASED ON VOTING SHARES
AS OF 30 APRIL 2020



Note:
 Percentage of ownership is based on the number of voting shares which is only applicable to common shares. Preferred shares do not have voting rights.

KEPPEL PHILIPPINES MARINE, INC
ORGANIZATIONAL STRUCTURE BASED ON ECONOMIC SHARES
AS OF 30 APRIL 2020



Note:
Percentage of ownership is based on the total amount of capital invested.

Keppel Philippines Marine, Inc.

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

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Income received and accrued
Financial assets at fair value through other comprehensive income			
Consort Capital, Inc. (CCI)	4,799,998	194,351,013	7,804,878
Goodsoil Marine Realty, Inc. (GMRI)	89,600	279,986,787	-
Banco de Oro Universal*	4,600	453,200	10,234
Mt. Malarayat Golf and Country Club	1	200,000	-
Goodwealth Realty Development, Inc. (GRDC)	10,000	1,768,962	75,000
Total financial assets at fair value through other comprehensive income		476,759,962	7,890,112
Cash and cash equivalents		106,213,690	
Trade and other receivables*		608,238,279	
Due from related parties		5,899,852	
Total financial assets		1,197,111,783	

* *Excluding advances to suppliers and deposits*

Keppel Philippines Marine, Inc.

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current
Receivable from employees	3,706,689	40,085,997	38,632,699	-	5,159,987	-

The Company's receivable from employees and officers are expected to be collected through salary deductions subject to usual terms for ordinary expense advances and items arising in the ordinary course of business.

Keppel Philippines Marine, Inc.

Schedule D - Intangible Assets - Other Assets
As at December 31, 2019

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Keppel Philippines Marine, Inc.

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

Name of issuer and type of obligation	Amount authorized by indenture	Amount shown as current	Amount shown as non-current
Metrobank - Term loan	500,000,000	-	-

The loan is payable in five (5) years from the date of the initial borrowing with an annual interest rate equal to the aggregate of the prevailing reference rate and the spread on the interest rate setting date. The loan is payable in sixteen (16) equal or nearly equal consecutive quarterly installments starting in June 2015. This long-term loan matured and was fully settled in March 2019.

Keppel Philippines Marine, Inc.

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

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

This schedule pertains only to long-term loan from a related party included in the statements of financial position.

Keppel Philippines Marine, Inc.

Schedule G - Guarantees of Securities of Other Issuers
As at December 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Keppel Philippines Marine, Inc.

Schedule H – Share Capital
As at December 31, 2019

Title of issue	Number of shares authorized	Number of shares issued	Treasury shares	Number of shares issued and outstanding	Number of shares received, conversion and other rights	Number of shares held by		
						Affiliates	Directors, officers and employees	Others
Common Stock P1 par value per share	2,180,000,000	2,007,157,512	479,447	2,006,678,065	-	1,972,379,671	7	34,298,387

Keppel Philippines Marine, Inc.

Financial Soundness Indicators
December 31, 2019

		2019	2018
A. Current ratio	Total current assets divided by total current liabilities		
	Total current assets	636,409,989	
	Divide by: Total current liabilities	1,587,508,459	
	Current ratio	0.40	0.40
B. Acid ratio test	Quick assets (total current assets less inventories and other current assets) divided by total current liabilities		
	Total current assets	636,409,989	
	Less: Inventories	(98,237,216)	
	Other current assets	(64,446,861)	
	Quick assets	473,725,912	
	Divide by: total current liabilities	1,587,508,459	
	Acid test ratio	0.30	0.30
C. Solvency ratio	(Net income and depreciation) divided by Total liabilities		
	Net income	38,059,643	
	Add: Depreciation	129,419,573	
	Total	167,479,216	
	Divide by: Total liabilities	1,711,402,640	
	Solvency ratio	0.10	0.10
D. Debt to equity ratio	Total liabilities divided by total Stockholders' equity		
	Total liabilities	1,711,402,640	
	Divide by: Total stockholders' equity	5,028,387,973	
	Debt to equity ratio	0.34	0.34
E. Asset to equity ratio	Total assets divided by Stockholders' equity		
	Total assets	6,739,790,613	
	Divide by: Total stockholders' equity	5,028,387,973	
	Asset to equity ratio	1.34	1.34
F. Interest coverage ratio	Earnings before interest and income tax divided by Interest expense		
	Earnings before interest and income tax	103,254,612	
	Divide by: Interest expense	79,340,043	
	Asset to equity ratio	1.30	1.30

		2019	2018
G. Return on equity (%)	Net income divided by Average stockholders' equity		
	Net income	38,059,643	
	Divide by: Average stockholders' equity	<u>5,043,992,933</u>	
	Return on equity	0.75%	0.75% 1.13%
H. Return on assets (%)	Net income divided by Total assets		
	Net income	38,059,643	
	Divide by: Total assets	<u>6,739,790,613</u>	
	Return on assets	0.56%	0.56% 0.84%
I. Net margin (%)	Net income divided by revenue		
	Net income	38,059,643	
	Divide by: Revenue	<u>684,202,531</u>	
	Net margin	5.56%	5.56% 8.09%

Keppel Philippines Marine, Inc.

Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
December 31, 2019

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Additional Components of Financial Statements

Reconciliation of Retained Earnings Available for Dividend Declaration
Financial Soundness Indicators

COVER SHEET

A S O 9 2 - 0 0 7 8 5 8

S.E.C Registration Number

K E P P E L P H I L I P P I N E S M A R I N E , I N C .

(Company's Full Name)

U N I T 3 B C O U N T R Y S P A C E 1 B L D G . 1 3 3 S E N . G I L P U Y A T A V E N U E , S A L C E D O V I L L A G E , 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

8892-1816

Contact Person

Company Telephone Number

1 2 Month

3 1 Day

SEC FORM 17-Q (For The Quarter Ended 31 March 2020) FORM TYPE

0 6 Month

2 1 Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

2,469 as 31 March 2020 Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b)**

1. For the quarterly period ended 31 March 2020
2. SEC Identification Number AS 092-7858
3. BIR Tax Identification No. 001-950-215-000

4. KEPPEL PHILIPPINES MARINE, 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 3-B, Country Space 1 Bldg. 133 Sen. Gil J. Puyat Ave., Salcedo Village, Brgy. Bel-Air,
Makati City 1200
Address of registrant's principal office Postal Code

8. (632) 8892-18-16
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 RSA

Title of each class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,006,648,343 common shares (net of treasury shares totaling to 509,169); no commercial paper issued/outstanding

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [] No [✓]

12. Indicate by check mark whether the registrant:
- (a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA Rule 11(a)-1 thereunder, and sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)
Yes [✓] No []
- (b) Has been subject to such filing requirements for the past 90 days.
Yes [✓] No []

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

KEPPEL PHILIPPINES MARINE, INC.

As at 31 March 2020 and 31 December 2019
(in '000)

	31 March 2020 (Unaudited)	31 December 2019 (Audited)	Increase/ (Decrease)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4c)	P 137,926	P 106,214	P 31,712
Trade and other receivables – net (Note 4d)	455,954	361,612	94,342
Inventories – net (Note 4e)	93,609	98,237	(4,628)
Due from related parties – net (Note 4f)	26,228	5,900	20,328
Prepayments and other current assets	69,776	64,447	5,329
Total Current Assets	783,493	636,410	147,083
Non-current Assets			
Trade Receivables, net of current portion	117,134	121,598	(4,464)
Investments in subsidiaries and associates (Note 4a)	3,671,278	3,671,278	-
Property and equipment – net (Note 4g)	1,631,943	1,633,969	(2,026)
Financial assets at fair value through OCI, net	476,760	476,760	-
Right of Use Asset (Note 3a)	54,335	54,907	(572)
Retirement benefit asset	68,207	62,396	5,811
Deferred tax assets - net (Note 4k)	80,230	80,230	-
Other non-current assets	2,243	2,243	-
Total Non-current Assets	6,102,130	6,103,381	(1,251)
TOTAL ASSETS	P 6,885,623	P 6,739,791	P 145,832
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	P 270,214	P 227,230	P 42,984
Advances from customers	8,055	7,408	647
Lease Liability	2,010	2,010	-
Due to related parties (Note 4f)	878,666	853,356	25,310
Provisions	78,244	72,505	5,739
Bank Loans	505,000	425,000	80,000
Total Current Liabilities	1,742,189	1,587,509	154,680
Non-current Liabilities			
Lease Liability (Note 3a)	123,424	123,894	(470)
Total Non-current Liabilities	123,424	123,894	(470)
Equity			
Share Capital	2,007,158	2,007,158	-
Reserves	356,816	356,816	-
Retained earnings	2,657,313	2,665,616	(8,303)
Treasury Shares	(1,277)	(1,202)	(75)
Net Equity	5,020,010	5,028,388	(8,378)
TOTAL LIABILITIES AND EQUITY	P 6,885,623	P 6,739,791	P 145,832

See accompanying notes to interim financial statements.

KEPPEL PHILIPPINES MARINE, INC.

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

For The Three Months Ended 31 March 2020 and 2019

(in '000)

	Year-to-Date January – March	
	2020	2019
Sales Revenue <i>(Note 4b)</i>	₱197,321	₱ 218,451
Cost of Production and Operating Expenses <i>(Note 4b)</i>	(196,822)	(203,061)
Operating Profit	499	15,390
Other Expense – net	(7,124)	(9,621)
Profit/(Loss) Before Income Tax	(6,625)	5,769
Income Tax Expense <i>(Note 4j)</i>	(1,678)	(5,560)
Net Profit/(Loss)	(8,303)	209
Other Comprehensive Income	-	-
Total Comprehensive Income/(Loss)	(8,303)	209
Retained Earnings at Beginning of Period	2,665,616	2,771,364
Changes in Accounting Policy	-	(39,545)
Retained Earnings at End of Period	₱2,657,313	₱2,732,028
Earnings/(Loss) Per Share <i>(Note 4k)</i>	(₱ 0.0041)	₱ 0.0001

See accompanying notes to interim financial statements.

KEPPEL PHILIPPINES MARINE, INC.

UNAUDITED STATEMENTS OF CASH FLOWS

For The Three Months Ended 31 March 2020 and 2019
(in '000)

	Year-to-Date January – March	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss)	P (8,303)	P 209
Adjustments to reconcile net profit to Cash provided by operating activities:		
Depreciation	31,105	33,669
Dividend Income	(3)	78
Unrealized foreign exchange loss/(gain)	353	3,301
Retirement benefit expense	(5,811)	(2,949)
Adjustment on Lease	-	(39,545)
Gain on sale of property and equipment	-	1,965
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	(90,270)	9,900
Inventories	4,628	(6,278)
Due from related parties	(19,438)	(1,084)
Right of Use Asset	572	-
Other current assets	(7,007)	(3,656)
Increase (decrease) in:		
Accounts payable and other current liabilities	49,409	28,549
Due to Related Parties	24,420	(12,013)
Lease Liability	-	1,883
Income tax payable	1,678	5,560
Net cash from / (used in) operating activities	(18,667)	19,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Right of Use Asset	-	(55,663)
Additions to property and equipment	(29,079)	(9,901)
Dividends received from investee company	3	(78)
Proceeds on sale of property and equipment	-	(1,965)
Net cash used in investing activities	(29,076)	(67,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	80,000	450,000
Payment of bank loans	-	(551,250)
Proceeds from borrowings – related parties	-	489,618
Payment of borrowings – related parties	-	(522,394)
Lease Liability	(470)	125,433
Buy back of shares	(75)	-
Net cash from / (used in) financing activities	79,445	(8,593)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	31,712	(56,611)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	106,214	137,238
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 137,926	P 80,267

See accompanying notes to interim financial statements.

KEPPEL PHILIPPINES MARINE, INC.**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

For The Three Months Ended 31 March 2020 and 2019

	2020		2019	
	January – March		January – March	
	No. of shares ('000)	Amount ('000)	No. of shares ('000)	Amount ('000)
CAPITAL STOCK				
Authorized – Common, – ₱1 par value	<u>2,180,000</u>	<u>₱2,180,000</u>	2,180,000	₱2,180,000
Issued				
Balance at beginning and end of period	<u>2,007,158</u>	<u>2,007,158</u>	2,007,158	2,007,158
RESERVES				
Additional paid-in capital		25,341		25,341
Remeasurement of defined benefit obligation		101,407		121,595
Appropriated retained earnings		160,000		70,000
Investment revaluation reserve		<u>70,068</u>		<u>65,244</u>
		356,816		282,180
RETAINED EARNINGS				
Balance at beginning of period		2,665,616		2,771,364
Net profit (loss)		(8,303)		209
Changes in Accounting Policy		-		(39,545)
Balance at end of period		<u>2,657,313</u>		<u>2,732,028</u>
TREASURY SHARES	<u>(509)</u>	<u>(1,277)</u>	(441)	(1,104)
	<u>2,006,648</u>	<u>₱5,020,010</u>	2,006,717	₱5,020,262

See accompanying notes to interim financial statements.

KEPPEL PHILIPPINES MARINE, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
AS OF 31 March 2020 (Unaudited)

1. CORPORATE INFORMATION

Keppel Philippines Marine, Inc. (hereinafter to be referred to as the "Corporation") was incorporated in 1992 and was registered with the Board of Investments (BOI) in 1993 as a shiprepair and shipbuilding enterprise enjoying preferred pioneer status. In 1993, the Corporation was granted an operating license by the Maritime Industry Authority as a Class 'A' shipyard. Further in 2005, the Corporation obtained its registration with the BOI, under IPP 2005, as a new export producer of tugboat, general cargo vessel and oil rig hulls.

On 17 September 2007, the Corporation signed the registration agreement with the Philippine Economic Zone Authority (PEZA) as an Ecozone Export Enterprise at the Keppel Philippines Marine – Special Economic Zone (KPM-SEZ) located in Bauan, Batangas. The BOI incentives were transferred to and continued under PEZA. As a PEZA-ecozone locator, the Corporation is entitled to both tax and non-tax incentives under E.O. 226 and applicable provisions of the PEZA rules.

The Corporation's registered office is at Unit 3-B Country Space 1 Building, 133 Sen. Gil J. Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City.

The Corporation is 98.29% owned by KS Investments Pte. Ltd., a company incorporated in Singapore. The Corporation's ultimate parent is Keppel Corporation Ltd. (KCL), an entity incorporated under the laws of Singapore. KCL is primarily engaged in the business of offshore and marine, property and infrastructure.

The Corporation has two wholly-owned subsidiaries, Keppel Batangas Shipyard, Inc. (KBSI) and Keppel Cebu Shipyard, Inc (KCSI). Both companies have been duly organized under Philippine Laws and have been duly registered with the Philippine Securities and Exchange Commission (SEC) in 1997 and 2001, respectively. KBSI started commercial leasing operations in 2007 while KCSI had ceased operations in 2009 and is now dormant. As of 30 June 2018, KCSI retired its business and filed a notification of cessation of operation and cancellation of business registration to Bureau of Internal Revenue (BIR) and Office of the City Treasurer. In August 2018, a certification was already issued by the City Treasurer and in September 2019, a business closure certificate was issued by BIR. As at January 2020, the tax clearance certificate from the BIR and the certificate of dissolution from SEC are still pending.

The Corporation also has a 79% owned subsidiary, Keppel Subic Shipyard, Inc. (KSSI), a corporation duly organized and existing under Philippine Laws and registered with SEC in 1976. KSSI is also engaged in the business of shiprepair and shipbuilding and fabrication activities.

The Corporation also has a 40% equity interest in Goodstart Properties, Inc. (GPI), a company duly organized under Philippine Laws and registered with the SEC in 1997 as an investment holding company. GPI has been treated as a subsidiary despite the Group's 40% equity interest as said company is under the direct management and control of the Corporation. In 2006, GPI has ceased operation and currently undergoing dissolution.

The Corporation did not present Consolidated Financial Statements having met the criteria set out in Philippine Accounting Standards (PAS) 27, Consolidated and Separate Financial Statements.

The Corporation is not involved in any bankruptcy, receivership or similar proceedings.

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

Details of the Corporation's subsidiaries (all are incorporated in the Philippines) as of 31 March 2020 are as follows:

	Interest Ownership	Date Acquired
KBSI	100%	11 October 2001
KCSI	100%	29 October 1997
KSSI	79%	29 September 2010
GPI	40%	5 May 1997

2. Financial Reporting Framework

The financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. The principal accounting policies adopted in preparing the financial statements of the Corporation are listed below.

Basis of Preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines as set forth in PFRS and the disclosure requirements under the new Securities Regulation Code being implemented by the SEC. These have been prepared using the same accounting policies and methods of computation as those used in the preparation of the audited financial statements as at 31 December 2019 applied consistently.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the country requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Separate Financial Statements

These are the Corporation's separate financial statements. Separate financial statements are those presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of direct equity interest rather than on the basis of the reported results and net assets of the investees.

Exemption from consolidation

The Corporation did not present consolidated financial statements having met the following criteria set out in PAS 27, Consolidated and Separate Financial Statements:

- a. The Corporation is itself a wholly-owned subsidiary of another entity, and its owners including those not otherwise entitled to vote, have been informed about, and do not object to the Corporation not preparing consolidated financial statements.
- b. The Corporation's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets)
- c. The Corporation did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.
- d. The ultimate parent of the Corporation produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.
- e. The Corporation does not consolidate its post-employment benefit plans or other long-term employee benefit plans to which PAS 19 applies.

The consolidated financial statements of KCL, the ultimate parent company can be obtained from www.kepcorp.com.

3. Adoption of New and Revised Accounting Standards

(a) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments, and interpretations to existing standards are effective for annual periods after January 1, 2020 and have not been early adopted nor applied by the Corporation in preparing these financial statements. None of these standards are expected to have significant effect on the separate financial statements of the Corporation, while the most relevant ones are set out below:

- January 1, 2020. The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:
 - how to determine the appropriate unit of account,
 - that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored,

- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Based on the Corporation's assessment, the interpretation will not have changes on its current recognition and measurement of deferred and current income tax assets and liabilities

- Long-term Interests in Associates and Joint Ventures - Amendments to PAS 28 *Investments in Associates and Joint Ventures* (effective January 1, 2020). The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under PFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in PAS 28. Based on the Corporation's assessment, the amendment will not have impact on its long-term interest in an associate.
- Plan Amendment, Curtailment or Settlement - Amendments to PAS 19 *Employee benefits* (effective January 1, 2020). The amendments to PAS 19 clarified that if a plan amendment, curtailment or settlement occurs, the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement must be calculated using the updated assumptions from the date of the change. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Corporation has no plan amendment, curtailment or settlement as at December 31, 2019 and 2018.

There are no other relevant standards, amendments and interpretations, which are effective on January 1, 2020 and adopted by the Corporation and issued but are not yet effective as at December 31, 2019 that have or are expected to have a significant impact on the Corporation's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Investments in Associates

An associated company is an entity over which the Corporation has significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. A company can be identified also as an associate of a corporation if the Corporation owns 20% or more of the voting stocks.

Consort Land, Inc. (CLI), the only associated company as of 31 March 2020, is 20.72% owned by the Corporation. CLI is incorporated in the Philippines and is engaged in the business of real estate, power distribution activities and property holdings and development.

b. Revenue and Cost Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Corporation and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from shiprepair is recognized when the shiprepair service is completed. Shiprepair is deemed completed when all works, except clean-up and other minor tasks have been performed. Revenue from construction (shipbuilding and fabrication) contracts is recognized based on the percentage-of-completion method of accounting. The percentage-of-completion method is applied on a cumulative basis in each reporting period to the current estimates of contract revenue and contract costs. Any effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate. The percentage-of-completion is determined using the method by reference to the completion of a physical proportion of the contract work.

Rental income is accounted for on a straight line basis over the lease term.

Interest income is recognized as the interest accrues taking into account the effective yield of an asset.

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

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or, (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

c. Cash and Cash Equivalents

Cash includes cash on hand and cash 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.

d. Trade and other receivables

Trade and other receivables, which generally have 30-60 days' terms, are recognized and carried at original invoice amount or face value less allowance for doubtful accounts. Provision is recognized using the expected credit loss model upon adoption of PFRS 9 which generally result in earlier recognition of losses compared to PAS 39.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price net of all estimated costs of completion and costs to be incurred in marketing, selling and distributing the goods.

f. Due from and (to) related parties

Due from and (to) related parties account consist mostly of amounts advanced or paid in behalf of the affiliates or associated companies, which are recoverable.

g. Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets.

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

The asset's residual values, useful lives and methods are reviewed, and adjusted appropriately, at each financial year end.

When each 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.

Borrowing cost to the extent incurred during the period of construction is also capitalized as part of the cost of the asset as long as the resulting carrying amounts of the asset will not exceed their replacement costs or recoverable values. Capitalized borrowing cost is amortized over the assets' depreciable lives.

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

h. Impairment of Tangible Assets

The Corporation 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 Corporation 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 group 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 of continuing operations are recognized in the statements of income 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 amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

i. Leases

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

(a) Measurement of lease liabilities

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

(b) Measurement of right-of-use assets

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

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

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

(c) Extension and termination options

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

(d) Short-term leases and leases of low-value assets

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

Prior to adoption of PFRS 16, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

j. Foreign Currency Transactions

The financial statements are presented in Philippine pesos, which is the Corporation's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences are taken to statement of income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity and those associated with the financing of the acquisition and construction of certain qualifying assets, which were capitalized as part of the cost of the assets. These are taken directly against stockholders' equity until the disposal of the net investment, at which time they are recognized in the statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in stockholders' equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

k. Taxes

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 amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred Tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date 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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Income tax relating to items recognized directly in equity is recognized in stockholders' equity and not in the statement of income.

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.

I. Earnings Per Share (EPS)

The Corporation computes its basic earnings per share by dividing the net profit for the period attributable to common equity holders of the Corporation by the weighted average number of ordinary shares outstanding during the period.

5. Dividends

The cash dividends were paid out of the Corporation's Distributable Retained Earnings account. Dividends declared by the Corporation on its shares of stocks were paid in cash. The declaration and payment of dividends depend, among others, upon the Corporation's earnings, cash flow, capital requirement and financial condition. Cash dividends are subject to approval by the Board of Directors but no stockholders approval is required.

6. Segment Information

No segment information is available for the current period.

7. Earnings/(Loss) Per Share Computation

Earnings/Loss per share is calculated by dividing the profit/(loss) attributable to common stockholders of (P8.30) million and P0.21 million for the 1st quarter of 2020 and 2019, respectively, by 2.01 billion weighted average number of common shares outstanding for the same period.

8. Subsequent Events

There were no subsequent events or transactions that may have material effect on the interim financial statements being reported.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis relate to the financial condition and results of operations of the Corporation and should be read in conjunction with the accompanying interim unaudited financial statements and related notes.

Results of Operations

Quarter Ended 31 March 2020 vs. Quarter Ended 31 March 2019

The Corporation generated revenue of P197.32 million for the 1st quarter of 2020 compared with P218.45 million of the same period last year. The decrease in revenue is attributed to lower value of vessels repaired during the period.

Cost of production and operating expenses decreased by P6.23 million to P196.82 million as compared to same period last year due mainly to lower revenue reported in the current period. The Corporation recognized an operating profit of P0.5 million which is lower compared to the operating profit of P15.39 million in the same period last year.

Other expense – net of other income amounting to P7.12 million was lower by P2.50 million compared to previous year's other expense – net of other income of P9.62 million due mainly to lower borrowing costs incurred during the period.

As a result, the Corporation recorded net loss amounted of P8.30 million for the 1st quarter of 2020 compared to a net profit of P0.21 million for the same period last year.

Financial Position

As of 31 March 2020 vs. As of 31 December 2019

The Corporation's total assets amounted to P6.89 billion as at 31 March 2020. Current ratio stood at 0.45:1. The Corporation's indebtedness remained manageable with a debt-to-equity ratio of 0.37:1. The significant changes in account balances during the period are:

- Cash and cash equivalents increased by P31.71 million to P137.93 million due mainly to availment of loans and collections received from customers during the period.
- Trade and other receivables increased by P89.88 million to P573.09 million due mainly higher billings issued to customers.
- Inventories decreased by P4.63 million to P93.61 million due mainly to lower stocks and lower work-in-progress at the end of the period.
- Due from related parties increased by P20.33 million to P26.23 million due to higher billings issued to a subsidiary.
- Prepayments and other current assets increased by P5.33 million to P69.78 million due to withholding taxes and prepaid insurance during the period.
- Property and equipment decreased by P2.03 million to P1.63 billion due mainly to depreciation expense and assets disposed offset by purchase of additional equipment and capitalized yard development recognized during the period.

- Retirement benefit asset increased by ₱5.81 million to ₱68.21 million due to contributions made to retirement plan offset by retirement expense incurred during the period.
- Trade and other payables increased by ₱42.98 million to ₱270.21 million due to higher purchases of materials and services for shiprepair projects during the period.
- Advances from customers increased by ₱0.65 million to ₱8.06 million due mainly to advanced payment received from customers for shiprepair projects.
- Due to related parties increased by ₱25.31 million to ₱878.67 million due mainly to cash advances availed during the period.
- Provisions increased by ₱5.74 million to ₱78.24 million due mainly to accruals for late cost and warranty expenses of shiprepair projects.
- Bank loans increased by ₱80.0 million to ₱505.0 million due to availment of loans during the period.

Key Performance Indicators

Financial Ratios		For the Quarter Ended/ As At	
		31 Mar 2020 (Unaudited)	31 Mar 2019 (Unaudited)
Current Ratio	Current assets over current liabilities	0.45:1	0.50:1
Quick Asset (Acid Test Ratio)	Quick assets over current liabilities	0.34:1	0.27:1
Debt to Equity Ratio	Total liabilities over total equity	0.37:1	0.36:1
Asset to Equity Ratio	Total assets over total equity	1.37:1	1.36:1
Book Value per Share	Total equity over number of shares issued & outstanding	2.50:1	2.50:1
Return on Assets	Net profit/(loss) over total assets	(0.12%)	0.00%
Return on Equity	Net profit/(loss) over average equity	(0.17%)	0.00%
Earnings per Share	Net profit/(loss) over number of shares issued & outstanding	(0.41%)	0.01%
Asset Turnover	Sales revenue over average total assets	2.90%	3.20%

Financial Ratios		For the Quarter Ended/ As At	
		31 Mar 2020 (Unaudited)	31 Mar 2019 (Unaudited)
Times Interest Earned	Net profit before interest and income tax over interest expense	2x	1x

Material Events and Uncertainties

There are no other known trends, demands, commitments, events or uncertainties that may have material impact on the Corporation's liquidity or may have an impact, favorably or unfavorably, on the sales or income from the continuing operation of the business.

There are no material commitments for capital expenditures and there are no known commitments for any borrowing that will be used to fund capital investment during the interim period being reported upon, aside from those contained in the approved budget for the current year.

There are no significant elements of income or loss recorded during the interim period that arose from transactions or events other than the Corporation's continuing operations.

Outlook

In general, with the present global crisis due to COVID-19 where business establishments are greatly affected with the closed down and movement of people by land, sea and air were restricted, the shiprepair and shipbuilding market will not only be competitive but will also be very tough for sustainability.

Seasonality or Cyclicity of Interim Operations

There was no distinct seasonality or cyclicity in the operations of the yard.

Unusual Transactions

There were no unusual transactions, in size, nature or incidents that may affect the assets, liabilities, equity, net income or cash flows of the Corporation that has not been disclosed in this report.

There were no issuances, repurchase and repayments of debt and equity securities during the quarter.

Changes in the Composition of the Issuer

There was no major change in the composition of the issuer during the quarter.

Material Contingencies

There are no events or transactions that may give rise to material contingencies nor are there any transactions or events that were not disclosed that are material in the understanding of the interim financial statements being reported.

There are no known changes in estimates of amounts reported in prior interim periods of the current year or changes in estimated amounts reported in prior financial years that may have a material effect in the current interim period.

The Corporation has no contingent liabilities or contingent assets since the last annual balance sheet date.

Financial Risks Exposures and Risk Management Policies

The Corporation's principal financial instruments comprise of cash and short-term deposits. The main purpose of these financial instruments is to finance the Corporation's operations. The Corporation has various other financial assets and liabilities such as the trade receivables and payables, which arise directly from its operations.

The significant judgment made in classifying a particular financial instrument in the fair value hierarchy is based on the following assumptions:

- a. Cash and Cash Equivalent, Receivables, Due from and to Related Parties-Current and Accounts Payable and Other Current Liabilities – since these are short-term in nature, the fair values approximate the amount of consideration at balance sheet dates.
- b. Available-for-sale Financial Assets – the fair values of these financial assets are determined by reference to quoted market bid prices at the close of business on the balance sheet date since these are actively traded in organized financial markets.
- c. Due to and from Related Parties – Non-current – the fair value of due to related parties is determined by discounting expected cash flows using market interest rate of a comparable Philippine Peso Bond.

Likewise, the Corporation's activities expose it to a variety of financial risks which include market risk, foreign exchange risk, interest rate risk, credit risk, liquidity risk and equity price risk. The Corporation's overall risk management program seeks to minimize potential adverse effects on its financial performance.

Market risk

With the decline in freight rates and slowdown in the shipping industry, the shiprepair business is subject to slowdown. However, the Corporation will capitalize on its good track record and strong branding in the industry and continue to preserve and make gains on its market share and look for other type of marine-related work to broaden its base load.

Foreign exchange risk

The Corporation undertakes certain transactions denominated in foreign currencies, namely, US Dollar and Singapore Dollar. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in these currencies. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's functional currency. Significant fluctuation in the exchange rates could significantly affect the Corporation's financial position. The Corporation manages its foreign currency exposure within the acceptable limits and it believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits.

Interest rate risk

The primary source of the Corporation's interest rate risk relates to borrowings from two local banks, as well as in cash in bank and short-term receivables. With the current interest rate level, any variations in the interest rates on borrowings and cash in bank will not have a material impact on the Corporation's statement of comprehensive income.

Credit risk

Credit risk refers to the risk that customers will be in default on their contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk. It trades only with recognized, credit worthy third parties. It is the Corporation's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to bad debts is not significant.

Liquidity risk

The Corporation manages the liquidity risk by monitoring and maintaining a level of cash and bank credit facilities deemed adequate by Management to finance its operations and to ensure continuity of funding, as well as to mitigate the effects of fluctuations in cash flows. The Corporation maintains adequate and highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The Corporation also maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

Equity price risk

The Corporation is exposed to equity price risks arising from equity investments. Equity investments are held

for strategic rather than trading purposes. The Corporation does not actively trade these investments. The Corporation has no investments in foreign securities.

KEPPEL PHILIPPINES MARINE, INC.

**Aging of Accounts Receivable
as at 31 March 2020
(in ₱'000)**

	Total	1 Month	2-3 Months	4-6 Months	7 Mos. -1yr	1 – 2 Years
Receivables – Trade	317,184	117,356	24,039	21,127	42,356	112,305
Less: Allowance for Doubtful Account	(78,931)	(11,160)	(2,286)	(2,009)	(4,028)	(59,448)
Net Trade Receivables	238,253	106,196	21,753	19,118	38,328	52,857
Receivables - Non- trade	392,383					
Less: Allowance for Doubtful Account	(57,548)					
Net Receivables – Non Trade	334,835					
Net Receivables	573,088					

Part 2 - OTHER INFORMATION

1. Disclosures NOT made under SEC Form 17-C

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **Keppel Philippines Marine, Inc.**

Signature and Title : 
Rosalyn V. Evangelista
Finance Manager

Signature and Title : 
Cray Oh Kok Kwai
Treasurer

Signature and Title : 
Leong Kok Weng
President

Date : 8 May 2020