



108072018003395



SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name KEPPEL PHILS. HOLDINGS INC.
Industry Classification
Company Type Stock Corporation

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER**

1. For the quarterly period ended 30 June 2018
2. Commission identification number 62596
3. BIR Tax Identification No. 000-163-715-000
4. Exact name of issuer as specified in its charter
KEPPEL PHILIPPINES HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Unit 3-B, Country Space I Bldg., 133 Sen. Gil Puyat Avenue 1200
Salcedo Village, Barangay Bel-Air, Makati City
8. Issuer's telephone number, including area code
(632) 892-18-16
9. Former name, former address and former fiscal year, if changed since last report
N.A.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- | Title of each Class | Number of shares of common stock outstanding |
|---------------------|----------------------------------------------------------|
| Common 'A' | 36,166,970 |
| Common 'B' | 21,636,449 |
| Total | 57,803,419 (Net of Treasury Shares of 15,370,081) |
11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [/] No []
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
- | | |
|----------------------------------|----------------------|
| Philippine Stock Exchange | Common Shares |
|----------------------------------|----------------------|
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 and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No []
- (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/] No []

DOCUMENTS INCORPORATED BY REFERENCE

**PART I
FINANCIAL INFORMATION**

- 1) **Financial Statements (see EXHIBIT 1)**
- 2) **Management's Discussion and Analysis of Financial Condition and Results of Operations (see EXHIBIT II)**

**PART II
OTHER INFORMATION**

Information not previously reported and made in this report in lieu of a report on SEC Form 17-C.

NONE

EXHIBIT I

**30 JUNE 2018
QUARTERLY REPORT**

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2018 & DECEMBER 31, 2017
(IN PHILIPPINE PESOS)**

	Unaudited June 30 2018	Audited December 31 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	₱56,956,049	₱87,943,929
Receivables – net (Notes 7, 14 and 19)	253,545,912	209,279,624
Other current assets - net (Note 8)	3,361,739	742,995
Total Current Assets	313,863,700	297,966,548
Noncurrent Assets		
Available-for-sale financial assets (Notes 9 and 19)	35,000,001	20,000,001
Investments in associates (Note 10)	425,822,247	420,435,364
Loan receivable – net of current portion (Notes 7, 14, and 19)	12,500,000	37,500,000
Lease receivables – net of current portion (Notes 7 and 14)	28,772,543	29,234,677
Investment properties – net (Note 11)	205,784,190	205,901,940
Property and equipment - net (Note 12)	94,430	134,690
Other noncurrent assets (Note 21)	4,140,710	4,140,710
Total Noncurrent Assets	712,114,121	717,347,382
TOTAL ASSETS	₱1,025,977,821	₱1,015,313,930
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	₱7,540,168	₱8,028,814
Refundable deposits	232,955	487,080
Income tax payable	191,724	1,093,310
Total Current Liabilities	7,964,847	9,609,204
Noncurrent Liability		
Deferred tax liability	1,471,311	1,494,418
Total Liabilities	₱9,436,158	₱11,103,622

(Forward)

	Unaudited June 30 2018	Audited December 31 2017
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	₱73,173,500	₱73,173,500
Additional paid-in capital	73,203,734	73,203,734
Retained earnings (Note 16)	479,568,816	477,219,523
Unrealized gains on available-for-sale financial assets (Note 9)	34,422,058	19,422,058
Treasury shares (Note 16)	(22,622,976)	(22,622,976)
Total Equity Attributable to Equity Holders of the Parent	637,745,132	620,395,839
Noncontrolling Interests	378,796,531	383,814,469
Total Equity	1,016,541,663	1,004,210,308
TOTAL LIABILITIES AND EQUITY	₱1,025,977,821	₱1,015,313,930

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(IN PHILIPPINE PESOS)
(UNAUDITED)**

	April to June		January to June	
	2018	2017	2018	2017
REVENUES				
Rental income (Notes 11 and 14)	₱ 3,486,103	₱ 4,797,292	₱ 7,042,336	₱ 9,931,325
Interest income (Notes 6 and 7)	2,859,830	3,295,976	5,453,839	6,127,251
Equity in net earnings of associates (Note 10)	2,585,965	2,901,981	5,386,883	4,999,240
Management fees (Note 14)	189,000	493,500	378,000	1,017,200
Gain on sale of investment properties (Note 11)	-	18,999,996	-	18,999,996
Total Revenues	9,120,898	30,488,745	18,261,058	41,075,012
OPERATING EXPENSES (Note 17)	(5,790,931)	(5,536,715)	(10,721,439)	(10,254,275)
OTHER INCOME				
Recovery of provision	453,368	-	453,368	-
Director's fee	10,000	20,000	40,000	40,000
Others	40,497	91,847	49,497	98,537
Total Other Income	503,865	111,847	542,865	138,537
INCOME BEFORE INCOME TAX	3,833,832	25,063,877	8,082,484	30,959,274
PROVISION FOR INCOME TAX	(534,213)	(4,466,559)	(1,097,129)	(5,574,272)
NET INCOME	₱3,299,619	₱20,597,318	₱6,985,355	₱25,385,002
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱1,031,030	₱17,658,203	₱2,349,293	₱20,116,299
Noncontrolling interests	2,268,589	2,939,115	4,636,062	5,268,703
	₱3,299,619	₱20,597,318	₱6,985,355	₱25,385,002
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
	₱0.018	₱0.305	₱0.041	₱0.348

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(IN PHILIPPINE PESOS)
(UNAUDITED)**

	Second Quarter		To - Date	
	April to June 2018	2017	January to June 2018	2017
NET INCOME	₱3,299,619	₱20,597,318	₱6,985,355	₱25,385,002
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Unrealized gain (loss) in AFS financial assets (Note 9)	10,000,000	-	15,000,000	-
TOTAL COMPREHENSIVE INCOME	₱13,299,619	₱20,597,318	₱21,985,355	₱25,385,002
ATTRIBUTABLE TO:				
Equity holders of the parent	₱11,031,030	₱17,658,203	₱17,349,293	₱20,116,299
Noncontrolling interest	2,268,589	2,939,115	4,636,062	5,268,703
NET INCOME	₱13,299,619	₱20,597,318	₱21,985,355	₱25,385,002

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
IN PHILIPPINE PESOS

	Attributable to Equity Holders of the Parent							Total Equity
	Capital Stock (Note 15)	Additional Paid in Capital	Retained Earnings (Note 16)	Available-for-Sale Financial Assets (Note 9)	Treasury Shares (Note 15 and 16)	Noncontrolling Interests	Total	
Balance as of January 1, 2018	₱73,173,500	₱73,203,734	₱477,219,523	₱19,422,058	(₱22,622,976)	₱383,814,469	₱1,004,210,308	
Net income	-	-	2,349,293	-	-	4,636,062	6,985,355	
Net gain on available-for-sale financial assets	-	-	-	15,000,000	-	-	15,000,000	
Total comprehensive income	-	-	2,349,293	15,000,000	-	4,636,062	21,985,355	
Cash dividend declared	-	-	-	-	-	(9,654,000)	(9,654,000)	
Balance as of June 30, 2018	₱73,173,500	₱73,203,734	₱479,568,816	₱34,422,058	(₱22,622,976)	₱378,796,531	₱1,016,541,663	
Balance as of January 1, 2017	₱73,173,500	₱73,203,734	₱438,203,772	₱18,922,058	(₱22,622,976)	₱436,971,578	₱1,017,851,666	
Net income	-	-	20,116,299	-	-	5,268,703	25,385,002	
Net gain on available-for-sale financial assets	-	-	-	-	-	-	-	
Total comprehensive income	-	-	20,116,299	-	-	5,268,703	25,385,002	
Cash dividend declared	-	-	-	-	-	(10,136,700)	(10,136,700)	
Balance as of June 30, 2017	₱73,173,500	₱73,203,734	₱458,320,071	₱18,922,058	(₱22,622,976)	₱432,103,581	₱1,033,099,968	

See Accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017
(IN PHILIPPINE PESOS)
(UNAUDITED)

	June 30 2018	June 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱8,082,484	₱30,959,274
Adjustments for:		
Depreciation (Notes 11, 12, and 17)	158,010	193,068
Provision (Recovery) for impairment losses - (Note 8)	(171,627)	111,070
Equity in net earnings of associates (Note 10)	(5,386,883)	(4,999,240)
Interest income (Notes 6, 7 and 14)	(5,453,839)	(6,127,251)
Gain on sale of investment properties (Note 11)	-	(18,999,996)
Operating income (loss) before working capital changes	(2,771,855)	1,136,925
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	(76,616)	(20,280)
Other assets (Note 8)	(2,900,485)	(790,452)
Increase (decrease) in:		
Accounts payable and other current liabilities	(488,646)	1,256,569
Refundable deposits	(254,125)	(574,922)
Net cash generated from operations	(6,491,722)	1,007,840
Income tax paid	(2,021,822)	(3,418,251)
Net cash provided by (used in) operating activities	(8,513,544)	(2,410,411)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of loan receivable from related party	25,000,000	81,375,000
Interest received	5,179,664	6,332,023
Loans granted to a related party	(43,000,000)	(70,000,000)
Proceeds from sale of investment properties	-	19,000,000
Net cash provided by (used in) investing activities	(12,820,336)	36,707,023
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid to noncontrolling interest (Note 16)	(9,654,000)	(10,136,700)
Net cash provided by (used in) financing activities	(9,654,000)	(10,136,700)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(30,987,880)	24,159,912
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	87,943,929	24,316,162
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱56,956,049	₱48,476,074

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in Philippine Pesos)

1. Corporate Information

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

KPHI's shares are publicly traded in the Philippine Stock Exchange (PSE). As of June 30, 2018 and December 31, 2017, the top three (3) shareholders are the following:

	Percentage of Ownership
Keppelwealth Inc.	52.8%
Keppel Corporation Limited (KCL)	29.2%
Public	18.0%

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

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

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

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

The Parent Company and all its associates were incorporated in the Philippines.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The unaudited consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. The Group uses uniform accounting policies; any difference between subsidiaries and Parent Company are adjusted properly.

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

Assessment of Control

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

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

- The ability to use its power over the investee to affect its returns.

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if it results in the NCI having a deficit balance. Acquisitions of NCI are accounted for using the acquisition method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity and attributed to the owners of the parent.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an acquisition. If the Group loses control over a subsidiary, it:

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

As of June 30, 2018, and December 31, 2017, NCI pertains to 44% and 5% ownership of KPMIRP and KPMI, respectively in GRDC.

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

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	₱396,591	₱95,591,676	₱95,988,267	₱424,915	₱89,728,757	₱90,153,672
Noncurrent assets	3,843,282	584,875,045	588,718,327	3,843,282	606,640,134	610,483,416
Total assets	4,239,873	680,466,721	684,706,594	4,268,197	696,368,891	700,637,088
Current liabilities	906,231	317,627	1,223,858	1,252,389	367,072	1,619,461
Noncurrent liabilities	-	1,623,479	1,623,479	-	1,646,586	1,646,586
Total liabilities	906,231	1,941,106	2,847,337	1,252,389	2,013,658	3,266,047
Revenue	421,787	7,391,150	7,812,937	2,915,445	10,144,492	13,059,937
Other income	-	9,000	9,000	-	12,396,585	12,396,585
Net income (loss)	317,834	4,170,384	4,488,218	2,528,221	14,726,009	17,254,230
Total comprehensive income (loss)	317,834	4,170,384	4,488,218	2,528,221	14,726,009	17,254,230
Cash flows from:						
Operating activities	(365,644)	(477,706)	(843,350)	(2,824,159)	4,239,095	1,414,936
Investing activities	296,000	7,208,980	7,504,980	3,088,800	137,515,918	140,604,718
Financing activities	-	-	-	-	(131,000,000)	(131,000,000)
Net increase (decrease) in cash and cash equivalents	(69,644)	6,731,274	6,661,630	264,641	10,755,013	11,019,654
Accumulated balance of material NCI	-	-	378,796,531	-	-	383,814,469
Net income attributable to material NCI	-	-	4,636,062	-	-	10,076,591

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

3. Summary of Changes in Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

(a) New interpretations and amended standards adopted by the Group

There are no new standards, amendments to existing standards, and interpretations which are effective for the financial year beginning on January 1, 2018 which would have a significant impact or is considered relevant to the Group's consolidated financial statements.

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

A number of new standards, and amendments and interpretations to existing standards are effective for annual periods after January 1, 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the Group's consolidated financial statements, except as set out below:

- PFRS 9, '*Financial instruments*' (effective January 1, 2018). The Group intends to adopt the standard when becomes effective but the Group has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its financial instruments are limited to loans and receivables, and financial liabilities at amortized cost. Currently, the Group recognizes the change in fair value of its available-for-sale financial asset in other comprehensive income.
- PFRS 15, '*Revenue from contracts with customers*' (effective January 1, 2018). The Group intends to adopt the standard on January 1, 2018 but has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its revenues are mainly derived from dividends, interests, and rental income, which are all fixed in amount and the period covered is defined. Additionally, the leases are outside the scope of PFRS 15 and therefore, there will be no impact on the Group's financial statements upon its adoption.
- PFRS 16, '*Leases*' (effective January 1, 2019). The Group does not foresee any significant effect on the consolidated financial statements as it is mainly the lessor in the existing lease agreements. However, it will continue its assessment and finalize the same upon effective date of the new standard.

4. Significant Accounting Policies

The Group's disclosures on significant accounting principles and policies and practices are substantially the same with the disclosures made in December 31, 2017 audited financial statements and for the period ended June 30, 2018. Any additional disclosures on the significant changes of accounts and subsequent events are disclosed in the succeeding notes and presented in the Management Discussion and Analysis.

5. Significant Accounting Judgment, Estimates and Assumptions

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As of June 30, 2018, there were no judgment, seasonal or cyclical aspects that materially affect the operation of the Group, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in the estimates of amounts reported in December 31, 2017 audited financial statements, and no unusual items that materially affect the Group's assets, liabilities, equity, net income or cash flows.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited June 30 2018	Audited December 31 2017
Cash equivalents	P51,318,237	P82,220,201
Cash on in banks	5,632,812	5,718,728
Cash on hand	5,000	5,000
	P56,956,049	P87,943,929

Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earned interest at annual interest that ranged from 1.75% to 2.5% during the first half of 2018 and 1.375% to 1.75% in 2017. Cash in banks earn interest at the respective bank deposit rates.

Interest income on cash and cash equivalents amounted to P0.6 million and P0.3 million for the periods ended June 30, 2018 and 2017. Accrued interest receivable from cash and cash equivalents amounted to P0.04 million in June 30, 2018 and P0.08 million in December 31, 2017.

7. Receivables

This account consists of:

	Unaudited June 30 2018	Audited December 31 2017
Loan receivable from a related party (Note 14)	P260,000,000	P242,000,000
Lease receivables:		
Related parties	33,641,626	32,931,722
Others	-	707,493
	293,641,626	275,639,215
Nontrade	2,152,580	2,152,580
Interest receivable (Note 14)	1,102,629	828,454
Due from related parties (Note 14)	74,200	-
	296,971,035	278,620,249
Less noncurrent portion:		
Lease receivables (Note 14)	28,772,543	29,234,677
Loan receivable (Note 14)	12,500,000	37,500,000
	41,272,543	66,734,677
	255,698,492	211,885,572
Less provision for doubtful accounts	2,152,580	2,605,948
	P253,545,912	P209,279,624

The loan receivable from a related party pertains to unsecured, short-term and long-term interest-bearing loans obtained by KPMI, an entity under common control, from the Parent Company, GMRI and KPSI. (see Note 14)

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

Non-trade receivable represents the Group's claim against a seller of a parcel of land, the title of which has not been transferred to the Group. The nontrade receivable has been outstanding for more than one year and has been provided with allowance.

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

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

The Parent Company recognized provision for doubtful accounts related to its third-party receivables amounting to P0.5 million for the year ended December 31, 2017 which was recovered as of June 30, 2018. These accounts pertain to terminated lease contracts with third party customers that have history of defaults.

8. Other Current Assets - net

This account consists of:

	Unaudited June 30 2018	Audited December 31 2017
Creditable withholding taxes (CWT)	₱3,343,144	₱2,810,307
Prepaid expenses	2,448,708	12,101
Input VAT	616,260	777,498
Advances to employees	614,320	480,000
Deposits	55,645	55,645
Others	18,697	60,738
	7,096,774	4,196,289
Less allowance for impairment loss	3,735,035	3,453,294
	₱3,361,739	₱742,995

Movements in the provision for impairment related to Input VAT and CWT as follows:

Unaudited June 30, 2018	Input VAT	CWT	Total
Balance at the beginning of the period	₱642,987	₱2,810,307	₱3,453,294
Provision for the period	187,669	513,960	701,629
Recovery of provision	(376,396)	(43,492)	(419,888)
Net provision (recovery)	(188,727)	470,468	281,741
Balance at the end of the period	₱454,260	₱3,280,775	₱3,735,035
Audited December 31, 2017	Input VAT	CWT	Total
Balance at the beginning of the period	₱1,225,075	₱2,032,442	₱3,257,517
Provision for the year	288,964	1,067,113	1,356,077
Recovery of provision	(871,052)	(277,645)	(1,148,697)
Net provision (recovery)	(582,088)	789,468	207,380
Write-off	-	(11,603)	(11,603)
Balance at the end of the period	₱642,987	₱2,810,307	₱3,453,294

The Group recovered input VAT and CWT amounting to ₱0.4 million and ₱0.04 million, respectively as of June 30, 2018 and such were applied against output VAT and income tax due, respectively.

9. Available-for-Sale Financial Assets

This account consists of investments in golf club shares:

	Unaudited June 30 2018	Audited December 31 2017
Quoted share—at fair value (cost ₱577,943)	₱35,000,001	₱20,000,001
Unquoted share - at cost	880,000	880,000
	35,880,001	20,880,001
Less allowance for impairment	880,000	880,000
	₱35,000,001	₱20,000,001

The above investments represent proprietary club shares that provide the Group with opportunities for return through capital gains. These do not have fixed maturity or coupon rate and the movement is based on closing market prices obtained in an active market.

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

	Unaudited June 30 2018	Audited December 31 2017
Balance at the beginning of the period	₱20,000,001	₱19,500,001
Fair value gain	15,000,000	500,000
Balance at the end of the period	₱35,000,001	₱20,000,001

The roll forward analysis of unrealized gains on AFS financial assets follows:

	Unaudited June 30 2018	Audited December 31 2017
Balance at the beginning of the period	P19,422,058	P18,922,058
Fair value gain	15,000,000	500,000
Balance at the end of the period	P34,422,058	P19,422,058

10. Investments in Associates – at equity

This account consists of:

	Unaudited June 30 2018	Audited December 31 2017
Investments in associates	P337,596,800	P337,596,800
Accumulated shares in net income:		
Balance at beginning of the period	82,838,564	77,589,523
Equity in net earnings of associates	5,386,883	8,742,280
Cash dividend received	-	(3,493,239)
Balance at end of the period	88,225,447	82,838,564
	P425,822,247	P420,435,364

CLI

GMRI owns 25% investment or 17,466,196 shares out of 70,000,000 shares in CLI, a company incorporated in the Philippines as at June 30, 2018 and December 31, 2017. CLI is involved in property leasing and power sales with the same principal place of business as KPHI. The Group has 13% effective ownership in CLI.

For the periods ended June 30, 2018 and 2017, the Group's equity in net earnings of CLI amounted to P5.4 million and P5.0 million, respectively.

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

CLI's financial information as of and for the periods ended June 30, 2018 and December 31, 2017 follows:

	Unaudited June 30 2018	Audited December 31 2017
Current assets	P96,862,357	P76,860,499
Noncurrent assets	255,635,766	256,491,254
Total assets	352,498,123	333,351,923
Current liabilities	23,245,964	25,647,295
Total liabilities	23,245,964	25,647,295
Net assets	329,252,159	307,704,628
Revenue	80,164,347	162,707,201
Income before income tax	23,292,881	37,899,578
Total comprehensive income	21,547,531	34,969,123

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

11. Investment Properties - net

This account consists of:

Unaudited June 30, 2018				
	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the period	₱205,666,439	₱854,751	₱3,689,178	₱210,210,368
Accumulated depreciation:				
Balance at beginning	-	619,250	3,689,178	4,308,428
Depreciation	-	117,750	-	117,750
Balance at end of the period	-	737,000	3,689,178	4,426,178
Net book value	₱205,666,439	₱117,751	₱-	₱205,784,190

Audited December 31, 2017				
	Land	Building	Condominium Units	Total
Cost:				
January 1	₱205,901,939	₱2,609,001	₱25,342,689	₱233,853,629
Disposal	(235,500)	(1,754,250)	(21,653,511)	(23,643,261)
December 31	205,666,439	854,751	3,689,178	210,210,368
Accumulated depreciation:				
January 1	-	2,135,524	22,196,617	24,332,141
Depreciation	-	48,983	235,975	284,958
Disposal	-	(1,565,257)	(18,743,414)	(20,308,671)
December 31	-	619,250	3,689,178	4,308,428
Net book value	₱205,666,439	₱235,501	₱-	₱205,901,940

In 2017, the Group sold certain land, building and improvements, and condominium units with carrying values of ₱ 0.2 million, ₱0.2 million, and ₱2.9 million, respectively, for a total consideration of ₱52.9 million resulting in a gain on sale amounting to ₱49.6 million.

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

The investment properties have an aggregate fair value of ₱994.0 million based on an appraisal by an independent appraiser in November 2017. Fair value attributable to controlling interest of the Group amounts to ₱513.0 million. The fair value of the investment properties was determined using inputs such as discount rates, terminal yields, expected vacancy rates as estimated by the independent appraiser or management based on comparable transactions and industry data.

Rental income attributable to the investment properties amounted to ₱7.0 million and ₱9.9 million for the periods ended June 30, 2018 and 2017, respectively.

12. Property and Equipment

This account consists of:

Unaudited June 30, 2018				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1 and June 30	₱5,397,020	₱495,224	₱776,186	₱6,668,430
Accumulated depreciation:				
January 1	5,397,020	360,534	773,186	6,533,740
Depreciation	-	40,260	-	40,260
June 30	5,397,020	400,794	776,186	6,574,000
Net Book Value	₱-	₱94,430	₱-	₱94,430

Audited December 31, 2017

	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	₱5,397,020	₱368,455	₱776,186	₱6,541,661
Additions	-	126,769	-	126,769
December 31	₱5,397,020	₱495,224	₱776,186	₱6,668,430
Accumulated depreciation:				
January 1	5,397,017	337,976	773,153	6,508,146
Depreciation	3	22,558	3,033	25,594
December 31	5,397,020	360,534	776,186	6,533,740
Net Book Value	₱-	₱134,690	₱-	₱134,690

Fully depreciated assets amounting to ₱6.6 million are still in use as of June 30, 2018.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited June 30 2018	Audited December 31 2017
Accrued expenses	₱6,771,930	₱7,116,555
Payable to government agencies	278,274	422,218
Advance rentals	232,956	232,956
Others	257,008	257,085
	₱7,540,168	₱8,028,814

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, employee benefits and others. These are noninterest-bearing and generally have terms of 30-60 days.

Payable to government agencies pertains to output VAT, withholding taxes on salaries and other expenses which are normally settled within one month after the reporting period.

Advance rentals from related parties and third-party customers are applied against rent due at the end of the lease term.

Other accounts payable pertains to unclaimed monies or dividends by stockholders which are noninterest-bearing and due and demandable.

14. Related Party Transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Significant related transactions and balances as of June 30, 2018 and December 31, 2017 follow:

Related Party	Notes	As of June 30, 2018		As of December 31, 2017		Terms and conditions
		Transactions (Jan to June)	Outstanding receivable (payable)	Transactions (annual)	Outstanding receivable (payable)	
Entities under common control						
<i>Rental Income (a)</i>						
KPMI		₱6,417,090	₱33,611,626	₱12,852,185	₱32,931,722	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is non-interest bearing and unsecured.
Keppel IVI Investments, Inc. (KIVI)		150,000	-	300,000	-	
Keppel Energy and Consultancy Inc. (KECI)		60,000	30,000	228,000	-	
Kepwealth Property Phils., Inc. (Kepwealth Property)		-	-	271,877	-	
	7	6,627,090	33,641,626	13,652,062	32,931,722	
<i>Advance rental and deposit – KPMI (a)</i>						
Advance rentals	13	-	(232,956)	-	(232,956)	The outstanding balance is unsecured and non-interest bearing.
Refundable deposits		-	(232,956)	-	(232,956)	
<i>Various expenses and charges (b)</i>						
KPMI		12,678	1,862	253,623	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Keppel Subic Shipyard, Inc.		10,868	4,597	19,257	-	
KECI		15,662	7,741	-	-	
Kepwealth Property		-	-	998	-	
	7	39,208	14,200	273,878	-	
<i>Loans – KPMI (c)</i>						
Interest income - KPMI	7	18,000,000	260,000,000	132,500,000	242,000,000	These are interest bearing, unsecured and not impaired.
		4,811,661	1,060,203	11,742,752	743,904	
<i>Management fees (d)</i>						
Kepwealth, Inc.		138,000	-	120,000	-	
KECI		120,000	60,000	300,000	-	
KIVI		90,000	-	180,000	-	
Kepventure, Inc.		30,000	-	30,000	-	
Kepwealth Property		-	-	1,150,200	-	
		378,000	60,000	1,780,200	-	
<i>Director's Fees</i>						
KPPI		40,000	-	310,000	-	
KPMI		-	-	60,000	-	
		40,000	-	370,000	-	
Associates						
Equity in net earnings	10	5,386,883	-	8,742,280	-	
Cash dividend received	10	-	-	3,493,239	-	
Shareholders						
Unclaimed monies or dividends	13	(76)	(257,009)	5,780,432	(257,085)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as agreed by the BOD.
Key management personnel (e)						
Salaries and other employees benefits	13,17	4,654,804	(5,444,034)	11,128,786	(5,410,567)	The outstanding payable is unsecured, non-interest bearing, payable every designated period on employees' contracts.

Outstanding balances of transactions with related parties are unsecured and settlements are made in cash. As of this period, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

The following are the Group's significant transactions with related parties:

Lease agreements

- (i) GMRI has lease agreement with KPMI, an affiliate, covering the properties in the site of KPMI's shipyard for a period of 50 years beginning 1993. Rent income based on straight-line method amounted to ₱4.8 million as of June 30, 2018 and 2017. Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱32.5 million and ₱32.9 million as of June 30, 2018 and December 31, 2017, respectively.

In 2015, GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on January 1, 2015, subject to yearly renewal. Rental income derived from these transactions amounted to ₱0.2 million as of June 30, 2018 and 2017. Advance rentals and deposits of KPMI amounted to ₱0.1 million as at June 30, 2018 and December 31, 2017 which will be applied against the rent due at the end of the contract. Outstanding receivable as of June 30, 2018 amounted to ₱0.04 million (December 31, 2017 – nil).

- (ii) GRDC leases its properties to KPMI, for a period of one (1) year commencing on January 1, 2015, subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. Rental income amounted to ₱0.1 million as of June 30, 2018 and 2017. Outstanding receivable as of June 30, 2018 amounted to ₱0.02 million (December 31, 2017 – nil).
- (iii) KPSI leases certain properties to KPMI, KIVI, KECI and Kepwealth Property for a period of one (1) year, renewable annually. The lease contracts with Kepwealth Property was terminated on October 31, 2017. Rental income amounted to ₱0.4 million and ₱0.7 million as of June 30, 2018 and 2017. Outstanding receivable as of June 30, 2018 amounted to ₱0.06 million (December 31, 2017 – nil).
- (iv) Parent Company and KPMI have an existing land lease agreement on a piece of land which is the subject of complaint against Philippine National Oil Company (PNOC). The lease is for a period of one (1) year subject to renewal with a monthly rent of ₱0.2 million. The lease contract was last renewed in July 2017. Rental income amounted to ₱1.0 million both for the periods ended June 30, 2018 and 2017. Outstanding receivable as of June 30, 2018 amounted to ₱0.2 million (December 31, 2017 – nil).

Total rental income derived from these agreements amounted to ₱6.6 million as of June 30, 2018 (June 30, 2017 – ₱6.9 million).

Advance rentals and refundable deposits are both equivalent to one (1) month rental of the corresponding lease contract. Refundable deposits amounting to ₱0.2 million as at June 30, 2018 (December 31, 2017 - ₱0.5 million) is presented under accounts payable and other current liabilities in the consolidated statement of financial position. The refundable deposit is to be returned at the end of the lease term, net of any expenses that will be incurred in the process of restoring the leased premises.

(b) Advances for various expenses and charges

Amounts due from KPMI, KSSI, KECI and Kepwealth Property pertain to reimbursement of various expenses such as legal, communication and business development expenses paid for by the Group.

(c) Loan agreements

- (i) GMRI granted short-term and long-term interest-bearing loan to KPMI).

	Release Date	Principal Amount	Balance as of January 1 2017	Transactions as of June 30, 2018	Balance as of June 30 2018	Terms and Conditions
				Availment Payment		
Long-term	Sep 5, 2014	₱200,000,000	₱87,500,000	₱ - ₱25,000,000	₱62,500,000	5-year, 4 equal quarterly installments, interest subject to repricing semi-annual, option for repayment, interest rates - 2017 - 3.6% to 4.6%; 2018 - 4.5% to 5.4%
			87,500,000	- 25,000,000	62,500,000	
Short-term	Dec 5, 2017	12,500,000	12,500,000	- -	12,500,000	88-90 days with renewal; 3% to 3.5% interest
			12,500,000	- -	12,500,000	
			₱100,000,000	₱- ₱25,000,000	₱75,000,000	

The total outstanding loan of KPMI as of June 30, 2018 and December 31, 2017 amounted to ₱75.0 million and ₱100.0 million, respectively. Interest income recognized from these loans amounted to ₱2.2 million and ₱4.4 million for the periods ending June 30, 2018 and 2017, respectively. Accrued interest receivable amounted to ₱0.3 million both as of June 30, 2018 and December 31, 2017.

- (ii) KPSI granted short-term loan to KPMI since February 2016. As of December 31, 2017, KPMI has outstanding balance of ₱15.0 million with 90 days term and was renewed thereafter till this period June 30, 2018. Interest

income recognized from the short-term loans amounted to ₱0.2 million both as of June 30, 2018 and 2017. Accrued interest receivable amounted to ₱0.1 million as of June 30, 2018 and December 31, 2017.

Release Date	Principal Amount	Balance as of Dec 31 2017	Transactions as of June 30, 2018		Balance as of June 30, 2017	Terms and Conditions
			Availment	Payment		
Oct 17, 2016	₱15,000,000	₱15,000,000	₱ -	₱ -	₱15,000,000	90 days with renewal, interest – 2017 3.0% - 3.5%; 2018 3.2% - 3.6%

(iii) The Parent Company started to grant short-term loans to KPMI in June 2015. As of June 30, 2018, KPMI has outstanding short-term loans as follows:

Release Date	Principal Amount	Balance as of Dec 31 2017	Transactions as of June 30, 2018		Balance as of June 30, 2017	Terms and Conditions
			Availment	Payment		
June 16, 2017	₱52,000,000	₱52,000,000	₱ -	₱ -	₱52,000,000	90 days with renewal,
Nov 27, 2017	50,000,000	50,000,000	-	-	50,000,000	interest – 2017 2.8% to
Dec 4, 2017	25,000,000	25,000,000	-	-	25,000,000	3.5%; 2018 3% - 3.6%
Mar 12, 2018	18,000,000	-	18,000,000	-	18,000,000	90 days with renewal at
						3.2% to 3.5%
Apr 7, 2018	25,000,000	-	25,000,000	-	25,000,000	90 days at 3.4%
		₱127,000,000	₱43,000,000	₱ -	₱170,000,000	

Interest income recognized from these loans by the Parent Company amounted to ₱2.4 million as of June 30, 2018 (2017 - ₱1.1 million). Accrued interest receivable amounted to ₱0.7 million as of June 30, 2018 (December 31, 2017 - ₱0.3 million).

Total interest income earned from these loan agreements amounted to ₱4.8 million as of June 30, 2018 (2017 - ₱5.8 million). Accrued interest receivable amounted to ₱1.1 million as of June 30, 2018 (December 31, 2017 - ₱0.7 million).

(d) *Management fees*

The Parent Company has existing annual management agreement with Kepwealth Inc, KECI, KIVI, Kepventure and Kepwealth Property. The management fee is subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written termination at least three (3) months prior to the date of expiration. The management agreement with Kepwealth Property was terminated in October 2017 due to the sale of Kepwealth Property to a third party.

Management fees earned amounted to ₱0.4 million and ₱1.0 million as of June 30, 2018 and 2017.

(e) *Key management personnel*

Outstanding balance related to salaries and other employees benefits of key management personnel amounting to ₱5.4 million both for the periods ended June 30, 2018 and December 31, 2017 as presented within accrued expenses under accounts payable and other current liabilities in the consolidated statement of financial position.

15. Capital Stock

The Class "A" and Class "B" shares of stock are identical in all respects and have ₱1 par value, except that Class "A" shares are restricted in ownership to Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as of June 30, 2018. Authorized and issued shares as of June 30, 2018 and December 31, 2017 as follows:

	Authorized	Issued
Class " A "	90,000,000	39,840,970
Class " B "	200,000,000	33,332,530
	290,000,000	73,173,500

Details of the Parent Company's shares as at June 30, 2018 and 2017 as follows:

Treasury shares	
Class " A "	3,674,000
Class " B "	11,696,081
	15,370,081
Weighted average number of shares	
Class " A "	36,166,970
Class " B "	21,636,449

57,803,419

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as at June 30, 2018 and 2017:

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders of Securities
June 30, 2018				
Class "A"	36,166,970	1.00	June 30, 2000	382
Class "B"	21,636,449	1.00	June 30, 2000	56
	57,803,419			
June 30, 2017				
Class "A"	36,166,970	1.00	June 30, 2000	386
Class "B"	21,636,449	1.00	June 30, 2000	57
	57,803,419			

There are 424 and 429 total shareholders per record holding both Class "A" and "B" shares as of June 30, 2018 and 2017, respectively.

16. Retained Earnings and Treasury Shares

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

Retained earnings are further restricted to the extent of with the following details as of June 30, 2018 and 2017.

	No. of Shares	Cost
Class "A"	3,674,000	₱13,408,963
Class "B"	11,696,081	9,214,013
	15,370,081	₱ 22,622,976

In 2017, GMRI declared cash dividends amounting to ₱131.0 million. Out of this amount, the Parent Company received ₱65.8 million while dividends attributable to NCI amounted to ₱63.2 million. In April 2018, GMRI declared and paid ₱20.0 million cash dividends. The Parent Company received ₱10.0 million while dividend attributable to NCI amounted to ₱9.6 million.

17. Operating Expenses

This account consists of:

	Unaudited June 30 2018	Unaudited June 30 2017
Salaries, wages, and employees' benefits	₱4,654,804	₱5,071,121
Taxes and licenses	2,596,010	2,941,201
Professional fees	1,633,754	546,624
Utilities	305,503	278,751
Transportation and travel	240,918	236,595
Provision for impairment losses	281,741	111,070
Membership dues and subscriptions	239,385	206,720
Depreciation and amortization	158,010	193,068
Office supplies	126,058	98,458
Postages	36,859	20,323
Repairs and maintenance	21,774	21,221
Insurance	20,509	34,025
Rental expense	-	48,000
Others	406,114	447,008
	₱10,721,439	₱10,254,275

Other expenses consist of fringe tax expense, out-of-pocket charges, bank charges, business development expenses and various items that are individually immaterial.

18. Segment Information

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

Unaudited June 30, 2018					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱4,243,042	₱8,631,133	₱12,874,175	₱-	₱12,874,175
Inter-segment	10,440,000	-	10,440,000	(10,440,000)	-
Equity in net earnings of an associate	-	5,386,883	5,386,883	-	5,386,883
Total Revenue	14,683,042	14,018,016	28,701,058	(10,440,000)	18,261,058
Income before tax	7,139,646	10,992,838	18,132,484	(10,050,000)	8,082,484
Provision for income tax	(165,603)	(931,526)	(1,097,129)	-	(1,097,129)
Net Income	6,974,043	10,061,312	17,035,355	(10,050,000)	6,985,355
<i>Other Information</i>					
Segment assets	346,236,383	790,885,396	1,137,121,779	(111,143,957)	1,025,977,821
Segment liabilities	8,223,728	3,087,660	11,311,388	(1,875,230)	9,436,158
Depreciation & amortization	40,260	117,750	158,010	-	158,010
Audited December 31, 2017					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱7,322,919	₱75,166,326	₱82,489,245	₱-	₱82,489,245
Inter-segment	107,927,500	-	107,927,500	(107,927,500)	-
Equity in net earnings of an associate	-	8,742,280	8,742,280	-	8,742,280
Total revenue	115,250,419	83,908,606	199,159,025	(107,927,500)	91,231,525
Income before tax	99,812,156	75,169,245	174,981,401	(107,327,500)	67,653,901
Provision for income tax	(256,756)	(12,524,461)	(12,781,217)	-	(12,781,217)
Net Income	99,555,400	62,644,784	162,200,184	(107,327,500)	54,872,684
<i>Other Information</i>					
Segment assets	324,677,988	802,079,901	1,126,757,889	(111,443,959)	1,015,313,930
Segment liabilities	8,639,374	4,639,478	13,278,852	(2,175,230)	11,103,622
Depreciation & amortization	22,550	288,002	310,552	-	310,552

Segment assets and segment liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

All the Group's revenues are derived from operation within the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

Rental income from KPMI amounted to ₱6.4 million both for the periods ended June 30, 2018 and 2017. Rental from KPMI comprises more than 35% and 30% of the Group's revenue for the periods ended June 30, 2018 and 2017.

19. Financial Risk Management Objectives and Policies

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

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

Credit risk

Credit risk pertains to the risk that a party to financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group transacts mostly with related parties, thus, there is no requirement for collateral. Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk as of June 30, 2018 and December 31, 2017 pertains to loan receivables from a related company amounting to ₱260.0 million and ₱242.0 million, respectively, which comprise more or less 80% of the Group's loan and receivables in both periods.

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

	Unaudited June 30 2018	Audited December 31 2017
<i>Loans and receivables</i>		
Cash and cash equivalents *	₱56,951,049	₱87,938,929
Receivables		
Loan receivable from related party	260,000,000	242,000,000
Current portion of lease receivables**	4,869,083	4,404,538
Interest receivable	1,102,629	828,454
Due from related party	74,200	-
	₱322,996,961	₱335,171,921

*Excluding cash on hand

**Noncurrent portion of lease receivables arises from the straight-line recognition of rental income

Credit quality

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

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

Cash in bank

The Group has maintained business relationships with an accredited universal bank that has high credit standing in the financial services industry. The remaining cash in the consolidated financial position pertains to cash on hand which is not subject to credit risk.

Receivables

Loan, lease, interest and other receivables from related parties

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

Receivables from third parties

The credit quality of receivables that are neither past due nor impaired can be assessed as reference to historical information about counterparty default rates. The Group does not hold any collateral in relation to the receivables. None of the financial assets that are fully performing has been renegotiated in the last year or period.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan receivable with interest rate repriced on periodic basis. Since the Group's long-term loan was granted to a related party, there is no requirement for collateral or guaranty. (Note 14).

Equity Price Risk

Equity price risk is the risk that the fair values of the equities will decrease resulting from changes in the levels of equity indices and the value of the individual stocks. The Group's price risk exposure relates to its quoted available-for-sale financial assets where values will fluctuate as a result of changes in market prices. Such quoted AFS financial asset is subject to price risk due to changes in market values arising from factors specific to the instruments or its issuer or factors affecting all instruments traded in the market.

Liquidity Risk

Liquidity is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, and loans. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

Capital Management

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

The Group monitors capital using a debt to equity ratio, which is the total liabilities divided by total equity. Total liabilities include current and noncurrent liabilities. Equity comprises all components of equity.

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

The debt to equity ratios as of June 30, 2018 and December 31, 2017 are as follows:

	Unaudited June 30 2018	Audited December 31 2017
Total liabilities	₱9,436,158	₱11,103,622
Total equity	1,016,541,663	1,004,210,308
Debt to equity ratio	0.009:1	0.011:1

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

Fair Value Estimation of Financial Assets

Loans and Receivables

Due to the short-term nature of the Group's financial instruments, the fair values approximate their carrying amounts as of June 30, 2018 and December 31, 2017. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

AFS Financial Assets

The fair value of quoted available-for-sale financial assets is determined by reference to quoted market bid price at the close of business at the end of the reporting dates since this is actively traded in organized financial markets. Unquoted available-for-sale financial assets are carried at cost, less any allowance for impairment loss.

Fair Value Hierarchy

As of June 30, 2018 and December 31, 2017, the Group classifies its quoted available-for-sale financial asset amounting to ₱35.0 million and ₱20.0 million, respectively, under Level 1 of the fair value hierarchy. During the reporting periods ending June 30, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

20. Financial Soundness - Key Performance Indicators

	Unaudited June 30 2018	Audited December 31 2017
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	39.41	31.01
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	38.98	30.93
B. Solvency Ratio (annualized)		
1. Net Income + Depreciation/Total Liabilities	1.51	4.97
2. Total Assets/Total Liabilities	108.73	91.44
C. Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	0.01	0.01
D. Asset to Equity Ratio	1.01	1.01
E. Debt Ratio (Total Liabilities/Total Assets)	0.01	0.01
F. Interest Rate Coverage Ratio (EBIT/Interest Expense)	Nil	Nil
G. Profitability % (annualized)		
1. Return on Assets (Net Income/Total Assets)	1.36	5.40
2. Return on Equity (Net Income/Stockholders Equity)	1.37	5.46
H. Earnings per Share Attributable to Equity Holders of Parent (₱) (Annualized)	0.08	0.78
I. Book Value per Share Attributable to Equity Holders of the Parent (₱)	11.03	10.73

21. Other Matters

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

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated May 14, 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent's Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Book of Entries of Judgments. As of June 30, 2018, the Parent Company is still waiting on the final resolution of the RTC.

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

Aging of Receivable as at June 30, 2018:

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Loan receivable - current	₱247,500,000	₱247,500,000	₱-	₱-	₱-	₱-
Lease receivables - current	4,869,083	4,869,083			-	-
Interest receivable	1,102,629	1,102,629	-	-	-	-
Due from related parties	74,200	74,200	-	-	-	-
Nontrade - receivables	2,152,580	-	-	-	-	2,152,580
Total	255,698,492	253,545,912	-	-	-	2,152,580
Less Allowance for doubtful accounts	2,152,580	-	-	-	-	2,152,580
Net Receivables	₱253,545,912	₱253,545,912	₱-	₱-	₱-	₱-

EXHIBIT II

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

The Group recorded a net income of ₱7.0 million for the first half ending June 30, 2018 as against ₱25.4 million in same period last year. The 72% decrease was mainly due to gain on sale of investment properties realized in May 2017 and nil as of this period. This also resulted in a decline in rental income. Lower interest income and management fees also contributed to lower net income this year and was partially offset by higher equity in net earnings of associates and lower income tax.

Rental revenue for the period ending June 30, 2018 amounted to ₱7.0 million, 29% lower than same period last year of ₱9.9 million. The decrease was due to the sale of the condominium units starting second quarter of 2017.

The Group earned interest income of ₱5.5 million as of June 30, 2018, 11% lower than same period last year of ₱6.1 million mainly due to repayment of long-term loan amounting to ₱25.0 million. This was partially offset by the granting of new short-term loan of ₱43.0 million.

The Group recognized equity in net earnings of associates of ₱5.4 million during the first half of 2018, or 8% higher than same period last year of ₱5.0 million.

Management fees charged to related parties decreased from ₱1.0 million as of June 30, 2017 as against this period of ₱0.4 million. This was due to lower number of related companies being served by the Parent Company.

Operating expenses of ₱10.7 million for the first half was slightly higher by 5% as against ₱10.2 million as of June 30, 2017. This was brought by higher professional (legal) fees, utilities, dues, provision for impairment losses, office supplies, postages and others. This was partially offset by lower salaries and benefits, travel and transportation, depreciation, repairs and insurance expense.

Other income earned as of June 30, 2018 amounted to P0.5 million as against last year same period of P0.1 million. This is mainly from the recovery of allowance for doubtful accounts receivable from an external party provided in December 2017 which was fully collected/recovered as of in June 30, 2018.

The Group recognized other comprehensive income from fair value gain adjustment on AFS financial assets as of June 30, 2018 of ₱15.0 million and none during the period ending June 2017.

Financial Condition

The cash position of the Group as of June 30, 2018 amounted ₱57.0 million, ₱30.9 million or 35% lower than ₱87.9 million as of December 31, 2017. The decrease was due to a) net cash used in operating activities of ₱8.5 million mainly due to prepayments of taxes and lower rental receivables, b) granting of new short-term loans of ₱43.0 million, and c) cash dividend paid to noncontrolling interest of ₱9.6 million. This was partially offset by receipt of ₱25 million principal payment of long-term loan receivable and ₱5.2 million interests received from loan receivable and short-term deposits.

Total receivables both current and non-current, net of allowance amounted to ₱294.8 million and ₱276.0 million in June 30, 2018 and December 31, 2017, respectively, or an increase of ₱18.8 million. This increase was due to net effect of granting of new short-term loan of ₱43.0 million and receipt of ₱25 million as quarterly payment of long-term loan. Lease & other receivables also increased by ₱0.8 million.

Other current assets as of this period increased to ₱3.4 million as against ₱0.7 million as of December 31, 2017. This was mainly due to prepaid expenses particularly real property and business taxes.

Available-for-sale financial assets related to a quoted club share at fair value price as of June 30, 2018 amounted to ₱35.0 million, ₱15.0 million higher than in December 31, 2017 of ₱20.0 million.

Investments in associates increased from ₱420.4 million as of December 31, 2017 to ₱425.8 million as of June 30, 2018. The increase of ₱5.4 million was due mainly to the recognition of equity in net earnings of associate.

Investment properties and Property and equipment as of June 30, 2018 amounting to ₱206.0 million is almost at same level as of December 31, 2017. There was no acquisition made during the period and decrease was due to depreciation.

Total liabilities as of June 30, 2018 amounting to ₱9.4 million as against ₱11.1 million as of December 31, 2017. The decrease was due to payment of income tax payable, refundable deposits and various accruals.

The equity attributable to equity holders of the Parent Company as of June 30, 2018 amounted to ₱637.7 million as against last December 31, 2017 of ₱620.4 million. This was due to net income attributable to Parent Company of ₱2.3 million for the period ending June 30, 2018 and comprehensive income from the fair value gain on available-for sale financial assets of ₱15.0 million.

Noncontrolling interests as of June 30, 2018 amounted to ₱378.8 million as against last December 31, 2017 of ₱383.8 million. The decrease was due to the net effect of net income attributable to the noncontrolling interests of ₱4.6 million for and payment of cash dividends of ₱9.6 million.

The book value per share attributable to equity holders of the parent (equity attributable to equity holders of the parent divided by common shares outstanding) at ₱11.03 as of June 30, 2018 higher than in December 31, 2017 at ₱10.73 per share.

Earnings per share attributable to the equity holders of the Parent (net earnings for the period divided by common shares outstanding) as shown in the consolidated statement of income for the period ending June 30, 2018 was ₱0.04 lower than as of June 30, 2017 of ₱0.35 per share.


Material Events and Uncertainties

There are no known trends, commitments, events or uncertainties that will have a material impact on the Group's liquidity for the remaining periods of the year. There are also no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the first half of period.

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 HOLDINGS, INC.**

Signature and Title : 

ALAN I. CLAVERIA
President



FELICIDAD V. RAZON
VP/Treasurer

Date : **03 August 2018**