

COVER SHEET

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S.E.C Registration Number

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(Company's Full Name)

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

Alan I. Claveria/ Felicidad V. Razon/ Ma. Melva E. Valdez Contact Person
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892 1816 815-9071 Company Telephone Number
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1	2
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Month

3	1
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Day

SEC FORM 17A – Annual Report 2017

FORM TYPE

0	6
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Month

1	6
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Day

Annual Meeting

Secondary License Type, if Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

424 as of December 31, 2017
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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



- 1. For the fiscal year ended December 31, 2017
- 2. SEC Identification Number 62596
- 3. BIR Tax Identification No. 000-163-715-000

4. KEPPEL PHILIPPINES HOLDINGS, INC.
Exact name of registrant as specified in its charter

Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

Unit 3B, Country Space I Bldg., 133 Sen. Gil Puyat Ave., Salcedo Village,
Barangay Bel-Air, Makati City
7. Address of registrant's principal office Postal Code

(632) 892-1816
8. Registrant's telephone number, including area code

N.A.
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding
<u>Common - Class 'A' P1.00 Par Value</u>	<u>36,166,970</u>
<u>Common - Class 'B' P1.00 Par Value</u>	<u>21,636,449</u>
<u>Total</u>	<u>57,803,419</u>
	<u>(Net of Treasury Shares of 15,370,081)</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [/] No [] **Philippine Stock Exchange** **Common Shares of Stock**

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [/] No []

(b) Has been subject to such filing requirements for the past 90 days.

Yes [/] No []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:
P56,940,317 as of December 31, 2017 closing price (KPH P5.40 KPHB P5.70)

14. Documents Incorporated By Reference:
None

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

1 - Business

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

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

- (b) The Company is not involved in any bankruptcy, receivership or similar proceedings.
- (c) There is no material reclassification, merger, consolidation, purchase or sale of a significant amount of assets not in the ordinary course of business.
- (d) The Company does not have any patents, trademarks, licenses, franchises, concessions, and/or royalty agreements.
- (e) As an investment holding company, KPH has seven (7) regular employees in 2017 from five (5) regular employees during the period 2015 to 2016. There is no collective bargaining agreement between the Company and the employees.

(f) **Brief Description of Business**

KPH has two main business segments: Investment Holdings and Real Estate. The contribution from each segment of the businesses to the consolidated revenues and net income of the Company is stated in Note 16 of the audited financial statements.

Real Estate

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

2 - Properties

The Company owns the following properties:

Owned by	Property Description	Area
KPH	Two (2) office condominium units at Fedman Suite in Makati City	166 sqm
KPSI	Two (2) office condominium units and five (5) parking slots at Country Space I Building in Makati City	345 sqm
GRDC	Five (5) lots of residential land in Batangas City	1,500 sqm
GRDC	One (1) residential land and improvement in Batangas City	252 sqm
GMRI	Land located in Bauan, Batangas	249,584 sqm
CLI	Land and building located in Subic, Zambales	840,043 sqm

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

3 - Legal Proceedings

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

On July 25, 2016, Supreme Court (SC) affirmed the decision of the CA in December 2011 and the resolution dated May 14, 2012 and upheld the Company's option to buy the land and remanded the case to the RTC in Batangas City to update the Company's Filipino equity ownership. As at December 14, 2016, SC's decision became final and executory and was recorded in the Books of Entries of Judgments. As of January 26, 2018, the Company is still awaiting on the final resolution of the RTC.

4 - Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the third and fourth quarter of the fiscal year covered by the report. The last meeting of the Company's stockholders was the annual stockholders' meeting, which was held on 16 June 2017.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

(a) Market Information

The principal market of the Company's common equity is the Philippine Stock Exchange (PSE) where it was listed on 26 August 1987. The high and low closing prices for each quarter within the last two (2) fiscal years and first quarter of 2018 as traded at the Philippine Stock Exchange are as follows:

STOCK PRICES

	2017		2016	
	High	Low	High	Low
First Quarter	'A' ₱5.59	'A' ₱4.06	'A' ₱8.98	'A' ₱4.01
	'B' ₱5.34	'B' ₱5.26	'B' ₱7.48	'B' ₱4.99
Second Quarter	'A' ₱6.88	'A' ₱4.32	'A' ₱8.20	'A' ₱5.10
	'B' ₱7.46	'B' ₱5.02	'B' ₱7.95	'B' ₱4.22
Third Quarter	'A' ₱6.22	'A' ₱5.03	'A' ₱6.41	'A' ₱5.00
	'B' ₱6.12	'B' ₱5.33	'B' ₱6.50	'B' ₱5.23
Fourth Quarter	'A' ₱5.89	'A' ₱5.04	'A' ₱5.99	'A' ₱4.95
	'B' ₱5.70	'B' ₱5.35	'B' ₱7.50	'B' ₱5.22

	2018	
	High	Low
First Quarter	'A' ₱6.50	'A' ₱5.20
	'B' ₱5.98	'B' ₱5.36

(b) Holders

The number of shareholders of record as of 31 December 2017 was 424.

Common shares outstanding as of 31 December 2017 were 57,803,419 broken down as follows:

Nationality	Class	No. of Shares	Percentage
Filipino - A	A	36,166,970	62.57
Filipino - B	B	3,919,236	6.78
Foreign	B	17,717,213	30.65
Total		57,803,419	100.00

The top 20 stockholders as of 31 December 2017 are as follows:

	Shareholder	No. of Shares Held	%
1.	Kepwealth, Inc.	30,532,930	52.822
2.	Keppel Corporation Ltd.	16,894,087	29.227
3.	PCD Nominee Corp. – Filipino	6,830,625	11.817
4.	International Container Terminal Services, Inc,	2,121,287	3.670
5.	PCD Nominee Corp. – Foreign	604,915	1.047
6.	Soh Ngoi May	83,179	0.144
7.	Willy Y. C. Lim	60,175	0.104
8.	Edbert G. Tantuco	50,017	0.087
9.	El Observatorio De Manila	45,070	0.078
10.	Emilio C. Tiu	23,238	0.040
11.	National Book Store, Inc.	22,422	0.039
12.	Ang Guan Piao	21,900	0.038
13.	Manolo Z. Alcasabas	21,170	0.037
14.	Willy Yew Chai Lim	20,085	0.035

15.	Yeo Chee Chiow	18,848	0.033
16.	Liwayway Sy	17,938	0.031
17.	Ma. Victoria R. Del Rosario	17,938	0.031
18.	Ramon R. Del Rosario Jr.	17,938	0.031
19.	Dr. Victorino Medrano Jr. &/or Ofelia R. Medrano	13,952	0.024
20.	Procurador General de Padres Franciscano de Manila	11,211	0.019
	Josefina Tengco Reyes	11,211	0.019

(c) Dividends

The declaration and payment of dividends will depend, among others, upon the Company's earnings, cash flow, capital requirements and financial condition in addition to other factors. Cash dividends are subject to approval by the Board of Directors (BOD) but no stockholders' approval is required. Dividends are payable to stockholders whose names are recorded in the stock and transfer books as of the record date fixed by the Board. The Company declared cash dividends in 2017, 2016 and 2015. Details of cash dividend are as follows:

	Y2017	Y2016	Y2015
Date of BOD Approval	June 16	June 17	June 19
Record Date	July 3	July 1	July 6
Payment Date	July 27	July 27	July 30
Amount of Dividend per Share	₱0.10 or 10%	₱0.10 or 10%	₱0.10 or 10%

(d) Recent Sales of Unregistered Securities

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

6 - Management's Discussion and Analysis

Results for the Year

Year Ended 2017

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

The Company realized gain on sale on investment properties of ₱49.6 million from sale of its condominium units in Makati City, Cebu City and residential unit at Batangas City. The proceeds received from the sale of properties amounted to ₱52.90 million.

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

Interest income from short-term and long-term loans granted to related company and short-term deposits this year amounted to ₱12.5 million, ₱10.6 million in 2016, and ₱9.6 million in 2015. The interest earned from the loans granted to a related company amounted to ₱11.5 million, ₱10.0 million and ₱8.0 million in 2017, 2016 and 2015, respectively. Interest rates are agreed upon with related party on arms-length based on lowest loan rates of at least three (3) commercial banks on date of granting or renewal of the short-term loan. The interest earned from short-term deposits amounted to ₱0.9 million, ₱0.6 million, and ₱1.6 million in 2017, 2016 and 2015, respectively.

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

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

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

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

Financial Condition

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

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

Other current assets increased to ₱0.7 million as against ₱0.1 million last year. The increase was due to higher advances subject for liquidation and prepaid expenses.

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

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

Investment properties and Property and equipment decreased from ₱209.5 million in 2016 to ₱206.0 million this period due to sale of depreciated condominium units with book value of

₱3.3 million, depreciation of ₱0.3 million and partially offset by purchase of office equipment amounting to ₱0.1 million.

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

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

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

Year Ended 2016

KPH recorded a net income of ₱23.8 million in 2016 as against ₱26.9 million in 2015 and ₱26.2 million in 2014. The Company achieved revenues of ₱44.7 million this year as against ₱46.3 million in 2015, and ₱46.2 million in 2014. Revenues in 2016 were mainly from rental income, equity share in net earnings of associates, interest income, dividend income and management fees.

The Company realized rental revenue of ₱20.5 million, ₱19.4 million and ₱19.3 million in 2016, 2015 and 2014, respectively, brought by increase in rental rate. The equity in net earnings of associate CLI as of December 31, 2016 of ₱10.3 million was lower than in 2015 of ₱14.8 million and in 2014 of ₱20.0 million. This was brought by lower income realized by CLI in 2016. The Company received cash dividend from CLI amounting to ₱11.1 million in 2016, ₱17.5 million in 2015 and ₱14.0 million in 2014.

The Company earned interest income from loans granted to a related company and from short-term deposits amounting to ₱10.6 million in 2016, ₱9.6 million in 2015, and ₱4.7 million in 2014. The interest earned from the loans granted to a related company amounted to ₱10.0 million, ₱8.0 million and ₱2.0 million in 2016, 2015 and 2014, respectively. The increase was brought by the higher short-term loan granted from ₱100.0 million in 2015 to ₱229.5 million in 2016. This was partially offset by lower interest earned from long-term loan due to repayment of principal amounting to ₱50.0 million. The interest earned from short-term deposits amounted to ₱0.6 million, ₱1.6 million and ₱2.7 million in 2016, 2015 and 2014, respectively. The decrease was due to lower funds in short-term deposits.

The Company earned dividend income from an associate of ₱1.6 million in 2016. Management fees charged to related parties amounted to ₱1.4 million in 2016, and ₱1.2 million in 2015, and 2014.

The Company generated other income of ₱0.3 million this year as against ₱1.3 million in 2015 and ₱1.1 million in 2014. The decrease was brought by reversal of prior years' accrual amounting to ₱0.7 million and commission earned from joint venture agreement with related company of ₱0.3 million in 2015 and ₱0.9 in 2014.

Operating expenses in 2016 amounted to ₱16.7 million, 14% higher as against ₱14.7 million in 2015, and 4% lower as against ₱17.5 million in 2014. Increase in expenses was brought mainly

by the impact of the recovered creditable withholding tax which was previously provided with allowance in prior years and none this year. Salaries and benefits, taxes and licenses, travel and transportation cost, utilities and office supplies also increased and were partially offset by lower depreciation expense, membership dues, professional fees and others.

The Company realized other comprehensive income from fair value gain adjustment on AFS financial assets of ₱3.7 million in 2016, ₱0.8 million in 2015 and nil in 2014.

Financial Condition

The cash position of the Company for the year ended 31 December 2016 amounted to ₱24.3 million as against the same period last year of ₱55.1 million. The decrease of 56% or ₱30.8 million was brought mainly by the net effect of granting of new loan and repayment amounting to ₱29.5 million, payment of dividends of ₱15.7 million and buy-back of KPH shares amounting to ₱12.7 million. This was partially offset by the receipt of cash dividend of ₱12.7 million, receipt of interest from loans and deposits of ₱10.2 million and net cash provided by operating activities of ₱4.0 million

Total net receivables this year amounted to ₱353.7 million as against last year of ₱324.2 million. The increase was by brought mainly by ₱176.8 million short-term loan with 90-day, interest bearing of 2.8% to 3.2% granted to a related company, increase in interest receivable of ₱1.2 million in 2016 from ₱0.8 million in 2015 and increase in other receivables of ₱1.5 million as against last year of ₱1.2 million. The increase was partially offset by principal payment on long term loan of ₱50.0 million and payment of short-term loan receivable of ₱97.3 million.

Other current assets decreased to ₱0.1 million this year as against ₱1.0 million in 2015. The decrease was due primarily to application of creditable withholding tax and input vat against provision for income tax and output tax.

Available-for-sale financial assets related to a quoted club share as of December 2016 and 2015 amounted to ₱19.5 million and ₱15.8 million, respectively. Investment in an associate decreased from ₱416.0 million in 2015 to ₱415.2 million this year. The decrease was due primarily to lower equity share in net income of CLI of ₱10.3 million this year as against ₱14.9 million 2015. The share was reduced by the cash dividend received from CLI this year amounting to ₱11.1 million as against ₱17.5 million in 2015. Investment properties and Property and equipment decreased from ₱209.9 million in 2015 to ₱209.6 million this period due to depreciation. There was purchase of office equipment amounting to ₱0.03 million this year and nil in 2015.

Total liabilities increased from ₱7.4 million in 2015 to ₱8.6 million this year. The 13.0% increase was due increase in accruals for expenses and provision for income tax.

Total equity as of 31 December 2016 amounted to ₱1,017.9 million and ₱1,018.8 million in December 2015. Retained earnings amounted to ₱438.2 million as of December 2016 as compared to ₱430.7 million in December 2015. The increase was due to net income after non-controlling interests of ₱13.6 million partially offset by cash dividend of ₱6.0 million. The number of treasury shares increased from 12,806,081 shares amounting to ₱9.9 million to 15,370,081 shares at ₱22.6 million. This was due to purchase from the open market of 2,564,000 shares at ₱4.95 per share plus related expenses.

The equity attributable to equity holders of the parent amounted to ₱580.9 million and ₱582.4 million as of December 2016 and 2015, respectively. The net book value per share as of December 2016 was ₱10.05 as against same period last year of ₱9.65. The earnings per share attributable to the equity holders of the parent as of December 2016 and 2015 were ₱0.24 and ₱0.22, respectively.

Year Ended 2015

Results for the Year

KPH recorded a net income of ₱26.9 million in 2015 as against ₱26.2 million in 2014 and ₱20.8 million in 2013. The Company achieved revenues of ₱46.3 million this year as against ₱46.2 million in 2014, and ₱45.1 million in 2013. Revenues in 2015 were mainly from rental income, equity in net earnings of associates, interest income, and management fees.

The Company realized rental revenue of ₱19.4 million, ₱19.3 million and ₱18.8 million in 2015, 2014 and 2013, respectively, brought by increase in rental rate. The equity share in net earnings of associate CLI as of December 31, 2015 of ₱14.8 million was lower than in 2014 of ₱20.0 million and in 2013 of ₱17.9 million. This was brought by lower income realized by CLI in 2015. The Company received cash dividend from CLI amounting to ₱17.5 million in 2015 and ₱14.0 million in 2014 and stock dividend of 6,549,823 shares in 2013.

The Company earned interest income of ₱9.6 million in 2015, ₱4.7 million in 2014 and ₱6.9 in 2013. Out of the ₱9.6 million interests earned by the Company in 2015, ₱8.0 million came from interest on loan granted to related party and ₱1.6 million from short-term deposits. In 2014, interest on loan to related party amounted to ₱2.0 million and nil in 2013. Interest earned from short-term deposits went down to ₱1.6 million this year from ₱2.7 million in 2014 and ₱6.9 million in 2013. This was due to the decrease in short-term deposits brought by the payment of dividends and granting of loans to related company

Management fees charged to related parties amounted to ₱1.2 million in 2015, 2014, and 2013.

The Company generated other income of ₱1.3 million this year as against ₱1.1 million in 2014 and ₱0.4 million in 2013. The increase was brought by reversal of prior years' accrual amounting to ₱0.7 million and commission earned from joint venture agreement with related company of ₱0.3 million.

Operating expenses in 2015 amounted to ₱14.7 million, 16% lower as against ₱17.5 million in 2014, and 32% lower as against ₱21.7 million in 2013. Lower expenses in 2015 was brought by a) the impact of the recovered creditable withholding tax against provisions on input tax amounting to ₱1.5 million b) lower depreciation expense in 2015 amounting to ₱0.4 million as against ₱1.8 million in 2014 and ₱2.3 million in 2013. The decrease was partially offset by higher personnel expenses of ₱7.0 million in 2015 as against ₱6.6 million in 2014 and ₱6.7 million in 2013.

The Company realized other comprehensive income from fair value gain adjustment on AFS financial assets of ₱0.8 million as against nil in 2014 and fair value loss of ₱1.5 million in 2013.

Financial Condition

The cash position of the Company for the year ended 31 December 2015 amounted to ₱55.1 million as against the same period last year of ₱127.9 million. The decrease of 57% or ₱72.8 million was brought mainly by the loan granted to a related company of ₱100.0 million and dividend payment of ₱14.2 million by KPH. This was offset by receipt of ₱18.2 million dividends, receipt of ₱12.5 million as first installment payment of long-term loan, receipt of interest income from loans and short-term deposits of ₱9.3 million and net cash provided by operating activities of ₱1.5 million.

Total receivables this year amounted to ₱324.2 million as against last year of ₱236.1 million. The increase was by brought mainly by ₱100.0 million short-term loan with 90-day, interest bearing of 2.9% to 3.4% granted to related company, increase in interest receivable of ₱0.8

million in 2015 from ₱0.5 million in 2014 and increase in other receivables of ₱1.2 million as against last year of ₱0.2 million. The increase was partially offset by first installment payment of ₱12.5 million of the ₱200 million long-term loan granted in 2014.

Other current assets increased to ₱1.0 this year as against ₱0.2 million in 2014. The increase was due primarily to net recovery of provision for fully impaired creditable withholding tax and input VAT of ₱1.7 million. This was offset by lower creditable withholding tax as of December 31, 2015 of ₱2.1 million as against ₱3.0 million in 2014.

Available-for-sale financial assets related to a quoted club share as of December 2015 and 2014 amounted to ₱15.8 million and ₱15.0 million, respectively. Investment in an associate decreased from ₱419.6 million in 2014 to ₱416.0 million this year. The decrease was due primarily to lower equity share in net income of CLI of ₱14.9 million this year as against ₱20.0 million 2014. The share was reduced by the cash dividend received from CLI this year amounting to ₱17.5 million as against ₱14.0 million in 2014 and provision for impairment on investment in an associate of ₱0.2 million this year. Investment properties and Property and equipment decreased from ₱210.4 million in 2014 to ₱209.9 million this period due to depreciation. There were no major purchases made in 2015 and 2014.

Total liabilities decreased from ₱7.9 million in 2014 to ₱7.4 million this year. The slight decrease was due to reversal of accruals and provisions.

Total equity as of 31 December 2015 amounted to ₱1,018.8 million and ₱1,005.3 million in December 2014. Retained earnings amounted to ₱430.7 million as of December 2015 as compared to ₱423.5 million in 2014. The increase was due to net income after non-controlling interests of ₱13.2 million partially offset by cash dividend of ₱6.0 million.

The equity attributable to equity holders of the parent amounted to ₱582.4 million and ₱574.4 million as of December 2015 and 2014, respectively. The net book value per share as of December 2015 was ₱9.65 as against same period last year of ₱9.52. The earnings per share attributable to the equity holders of the parent as of December 2015 and 2014 were ₱0.22 and ₱0.20, respectively.

Plan of Action for 2018

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

Key Performance Indicators

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

Particulars	2017	2016	2015
Current Ratio (Current Assets/Current Liabilities)	31.01	52.22	45.09
Acid Test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	30.93	52.20	44.87
Solvency Ratio (Net Income + Depreciation)/Total Liabilities	4.97	2.80	3.72
Assets to Equity Ratio	1.01	1.01	1.01
Debt Ratio (Total Liabilities/Total Assets)	0.01	0.01	0.01
Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	0.01	0.01	0.01
Return on Assets (%) (Net Income/Total Assets)	5.40	2.31	2.62
Return on Equity (%) (Net Income/Stockholders' Equity)	5.46	2.33	2.64
Earnings per Share Attributable to Equity Holders of Parent (₱)	0.78	0.24	0.22

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

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

7 - Financial Statements

The audited consolidated financial statements as of and for the year ended 31 December 2017 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

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

8 - Information on Independent Accountants and Other Related Matters

(a) External Audit Fees and Services

- (i) **Audit and Related Fees** - The Company's new auditor for 2017 is Isla Lipana & Co. (PwC) to audit the current year's financial statements. The aggregate fee billed by Isla Lipana for the audit of the Company's annual financial statements was ₱292,228 in 2017 and 2016. In 2015 payment to SyCip Gorres Velayo & Co. (SGV) amounted to ₱350,000. There were no other services performed by Isla Lipana for 2017 and 2016 and by SGV for 2015. The services performed by the Company's external auditors and the fees are reviewed by the Audit Committee prior to submission to the Board of Directors for approval.
- (ii) **Tax Fees** - No tax fees were paid for the years 2017, 2016 and 2015.
- (iii) **Other Fees** - No other fees were paid for the years 2017, 2016 and 2015.
- (iv) **Audit Committee's Approval Policies & Procedures** - The Committee evaluates proposals based on the quality of service, commitment for deadline and fees. The Committee may require a presentation from each proponent to clarify some issues.

(b) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Accounting standards in accordance with PFRS are stated in Note 2 to the financial statements. For the last three (3) fiscal years, there were no disagreements with the independent accountants relating to accounting principles or practices, financial statements disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

9 - Directors and Executive Officers of the Issuer

(a) Directors, Including Independent Directors and Executive Officers

There are seven (7) members of the Board, three (3) of whom are independent directors. The term of office of each member is one (1) year and the members are elected at the Annual Stockholders' Meeting, to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. A director who is elected to fill any vacancy holds office for the unexpired portion of the term of his predecessor. The current members of the Board of Directors are the following:

Board of Directors

- (i) **Paul Tan Poh Lee**, 64, Singaporean, has been elected as Chairman of the Board of the Company on 5 April 2017. He has been the Group Controller of Keppel Corp. Ltd.(KCL) since 2006 and concurrently Chief Financial Officer of Keppel Offshore & Marine (Keppel O&M), Ltd. in 2017. He is also a director of several Keppel Group of companies. From 1988 until 2006, he was at various times, Group Accountant, Group Accounts Manager, Financial Controller, Deputy Controller of KCL. He is responsible for the Group Accounts of Keppel Group and provides advice to Senior Management and his peers in accounting and corporate matter. Mr. Tan is a Fellow of Association of Chartered and Certified Accountants. He has more than 40 years of experience in his field of profession.

- (ii) **Alan I. Claveria**, 46, Filipino, has been elected as President and appointed as regular Director of the Company on 14 September 2017. Prior to his appointment, he was the Senior Manager, Administration and Corporate Affairs of Keppel Philippines Marine, Inc. He is concurrently the President and Director of Consort Capital, Inc. He also holds the position of Treasurer and Director in KPSI Property, Inc. and other Keppel companies in the Philippines. He provides advice in matters relating to corporate affairs and communication, administration and human resources, drawing from his experience from holding various positions in Keppel's different business units involved in shipbuilding and ship repair, towage and salvage, investment and real estate. Mr. Claveria holds a Master in Business Administration degree from the Ateneo Graduate School of Business and finished BS Management, Major in Legal Management at the Ateneo de Manila University. He has been with Keppel in the Philippines for over 20 years.
- (iii) **Celso P. Vivas**, 71, Filipino, has been elected as an Independent Director of Keppel Philippines Holdings, Inc. since June 2005 and currently the Chairman and Lead Independent Director of the Audit & Risk Management Committee of the Company. Mr. Vivas is a Certified Public Accountant. He is an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc. and independent Director and member of the Audit Committee of Keppel Philippines Properties, Inc. He is also an Independent Director of Republic Glass Holdings since June 2017. He is also a regular Director of Goodsoil Marine Realty, Inc., and Goodwealth Realty Development, Inc., subsidiaries of the Company and regular Director of Keppel Subic Shipyard, Inc. He is a member of Marubeni Foundation's Board of Trustees. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (Cum Laude) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar). Mr. Vivas has 50 years of experience in audit, finance, enterprise risk management and corporate governance.
- (iv) **Mayo Jose B. Ongsingco**, 66, Filipino, has been re-elected as Independent Director of the Company on 08 May 2017. He was a non-executive Director and member of the Audit Committee of KPHI from June 2002 to March 2015. He is currently 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, and Independent Director of Mapfre Insular Insurance Corp. and Omnipay, Inc. since 2016 and 2017, respectively. He is also Trustee of De La Salle College of St. Benilde since 2013 and Foundation for Carmelite Scholastics since 2012. He is also a non-executive Director of Rafael-Alunan Agro Development Inc. since 2006. Mr. Ongsingco was the President and Chief Operating Officer of Insular Life Assurance Co. Ltd. since 2004 to 2015. From 2002 to 2015, he was the Vice-Chairman and/or Director of various Insular Life subsidiaries and affiliates such as Union Bank of the Philippines, Pilipinas Shell Petroleum Corp., Insular Savings Bank, Mapfre Insular Insurance Corp., Insular Healthcare Inc., Insular Investment Corp., Asian Hospital and Keppel Subic Shipyard, Inc. Mr. Ongsingco graduated from the De La Salle University with dual Bachelor's Degrees (Magna Cum Laude) in Economics and Accounting. He also obtained Master's Degree in Business Administration from the University of the Philippines and in National Security Administration from the National Defense College of the Philippines (both with Honors). Mr. Ongsingco has 44 years of experience in banking, and insurance.

- (v) **Ramon J. Abejuela**, 68 years old, Filipino, has been elected as Independent Director of the Keppel Philippines Holdings, Inc. on 14 September 2017. He is also the Independent Director of Keppel Philippines Properties, Inc. (KPPI) from November 1999 to June 2008. He was re-elected as in 2009 and currently the Chairman of the Audit Committee of the KPPI. He also serves as Director and Vice Chairman of the Board of Philippine Nutri-Foods Corporation and NCP Publishing Inc. since 2004 to present. 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 40 years of experience in the field of financial planning, control and consultancy.
- (vi) **Stefan Tong Wai Mun**, 45, Malaysian, has been regular Director since June 2007. He was President from June 2007 to September 2017. He has been regular Director of Keppel Philippines Marine, Inc. since February 2010 and its Executive Vice-President since June 2011. He is also a Director of Keppel Philippine Properties, Inc. since June 2007 and holds directorships of various Keppel companies in the Philippines. Mr. Tong graduated from University of Western Australia with a Bachelor's Degree in Accounting and Finance (Honors). He is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia. He has more than 20 years of experience in banking, finance and real estate.
- (vii) **Felicidad V. Razon**, 57, Filipino, has been elected as a regular Director of the Company last May 2014. She joined the Company as Finance Manager in May 2008 and has been elected as Treasurer in June 2008 and appointed as Vice President/Treasurer and Compliance Officer in November 2013. She is also a Chairman/President of Goodsoil Marine Realty, Inc. and Goodwealth Realty Development Corp., President of Consort Land, Inc. and regular Director and Officer of Keppel companies. She graduated from Polytechnic University of the Philippines with Bachelor of Science Degree in Commerce major in Accountancy and is a Certified Public Accountant.

Executive Officers

- (i) **Alan I. Claveria** - (See foregoing Director's profile)
- (ii) **Felicidad V. Razon**, Vice President/Treasurer – (See foregoing Director's profile)
- (iii) **Ma. Melva E. Valdez**, Corporate Secretary – 58, Filipino, holder of degrees of Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines, has been the Corporate Secretary of the Company since 1998 and a regular Director since 2001 up to June 2016. She is a name Partner of the law firm of Bello Valdez Caluya and Fernandez Law Offices. She is also currently Corporate Secretary of Keppel Philippines Properties, Inc. and Mabuhay Vinyl Corporation (both listed companies) and Keppel Philippines Marine, Inc. (a public company). She is likewise the Corporate Secretary of Asian Institute of Management and Keppel Subic Shipyard, Inc., and various Keppel companies in the Philippines and Director of Leighton Contractors (Phils.) Inc. Atty. Valdez has more than 30 years of working experience in her field of profession as a lawyer.
- (iv) **Lory Anne P. Manuel-McMullin**, 47, Filipino, has been the Asst. Corporate Secretary of the Company since 1998. She is also the Asst. Corporate Secretary of Keppel Philippines Marine, Inc. (a public company), Keppel Subic Shipyard, Inc., Consort Land, Inc., Consort Capital, Inc., Logwin Air + Ocean Philippines, Inc., Goodwealth Realty Development Corp., Goodwealth Ventures, Inc., Kepventures, Inc., Kepwealth, Inc., KPSI Property, Inc., Keppel FELS Energy, Inc., Keppel FELS

Energy Manila, Inc., Keppel Energy Consultancy, Inc., Goodsoil Marine Realty, Inc., Keppel Batangas Shipyard, Inc., Keppel IVI Capital, Inc., KP Capital, Inc., Keppel Cebu Shipyard, Inc., and Dyna-Mac Keppel Philippines, Inc. She is also a regular Director and Corporate Secretary/Treasurer of Cominix (Philippines), Inc. and Saint-Gobain Philippines Co. Ltd., Inc.; Director/Corporate Secretary of Mektec (Philippines) Corp., Tokai Electronics Philippines, Inc. and A + O Distribution Corp.; Director of Yosemite Holdings, Inc. and Cushman Wakefield Philippines, Inc.; Corporate Secretary of Mitsuba Philippines Technical Center Corp., Philippine Nagano Seiko, Inc., Cavite Nagano Seiko, Inc., South Sea Nagano Development, Inc., Karumona Nagano Seiko, Inc., Nachi Pilipinas Industries, Inc., Technol Eight Philippines Corporation, CMC Communications (Philippines), Inc., and Sumi Philippines Wiring Systems Corp.; 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 JGLaw Offices. She graduated from the University of Santo Tomas with Bachelor's degrees in Communication Arts and Laws.

(b) Significant Employees

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

(c) Family Relationship

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

(d) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, none of the directors and officers was involved in any bankruptcy proceedings during the last five (5) years. Neither have they been convicted by final judgment in any criminal proceedings, or been subjected to any order, judgment or decree of any court of jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law or regulation.

10 - Executive Compensation

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

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

Description	Year	Salary	Bonus	Other Annual Compensation
Aggregate for All Officers	2018 Estimate	₱6,500,000	None	None
	2017	₱5,215,000	None	None
	2016	₱4,690,000	None	None

Aggregate for All Officers & Directors as a Group	2018 Estimate	₱6,800,000	None	None
	2017	₱5,440,000	None	None
	2016	₱5,110,000	None	None

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

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

Security Ownership of Certain Record and Beneficial Owners

As of 31 December 2017, the Company knows of no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name, Address of Record/ Beneficial Owner	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	Kepwealth, Inc. ¹ Unit 3-B, Country Space 1 Bldg. 133 Sen. Gil J. Puyat Ave., Salcedo Village, Brgy. Bel- Air, Makati City	None	Filipino	'A': 28,817,182 'B': 1,715,748 30,532,930	52.82
Common	Keppel Corporation Ltd. ² 1 Harbour Front Ave., #18-01 Keppel Bay Tower, Singapore 098632	None	Singaporean	'B': 16,894,087	29.23
Common	PCD Nominee Corp. ³ 37/F Enterprise Bldg., Ayala Avenue, Makati City		Filipino Filipino Foreign	'A': 4,726,976 'B': 2,103,649 'B': 604,915 <u>7,435,540</u>	12.86

- Kepwealth, Inc. is majority-owned by Kepventure, Inc. The Chairman, or in his absence, the President of Kepwealth, Inc. is duly authorized as proxy to vote in the shares of Kepwealth, Inc. in the Company.*
- Keppel Corporation Ltd. (KCL) is listed in the Singapore Stock Exchange. The Chairman of the Board, or in his absence, the President or in his absence, the Chairman of the meeting, shall have the right to vote or direct voting or disposition of the shareholdings of KCL in the Company.*
- PCD Nominee Corp. is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (PCD). It is the registered owner of the shares in the books of the Company's transfer agents in the Philippines. The beneficial owners of such shares are PCD's participants. PCD holds the shares on their (beneficial owner behalf or on behalf of their (PCD) clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.*

Security Ownership of Management as of 31 December 2017

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

Free float level

The Company has 17.95% or 10,376,358 shares owned by the public out of the 57,803,419 total outstanding shares as of 31 December 2017.

12 - Certain Relationships and Related Transactions

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

(a) Lease agreements

GMRI

GMRI has a non-cancellable lease agreement with KPMI for a parcel of land used as a shipyard site in Barrio San Miguel, Bauan, Batangas. The agreement covering these properties is for a period of 50 years beginning 1993. The annual rental on the least property is ₱6.0 million during the first five (5) years subject to 10% escalation after every five (5) years. In May 2007, the lease contract was amended revising the annual lease rate from ₱6.6 million to ₱10.2 million effective January 1, 2007, subject to 1.5% escalation after every five (5) years. As of January 1, 2017, the annual lease rate amounted to ₱10.5 million up to December 31, 2021. Rental income, based on the straight-line method, amounted to ₱9.6 million in 2017, 2016, and 2015. Total outstanding balance of lease receivables presented in the consolidated statement of financial position representing lease differential in the computation of rent income using straight line method amounted to ₱32.9 million and ₱34.8 million as at 31 December 2017 and 2016, respectively.

In 2015, the GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on 1 January 2015 to 31 December 2015, subject to yearly renewal. The lease agreement was renewed in 2017 and 2016 with monthly rental of ₱0.04 million. In 2017 and 2016, rental income earned from this agreement amounted to ₱0.4 million.

GRDC

GRDC leases its properties to KPMI for a period of one (1) year commencing on 1 January 2015, subject to yearly renewal under such terms and conditions as may be

mutually agreed upon by both parties. Total rent income recognized for the year amounted to ₱0.3 million as of 31 December 2017 and 2016.

KPSI

KPSI leases certain properties to KPMI, KIVI, Kepwealth Property, and KECI for a period of one (1) year, renewable annually. The lease contract with Kepwealth Property was terminated on 31 October 2017. Lease contracts with KIVI and KECI are for two (2) years and were last renewed on 1 April 2017 and 1 June 2017, respectively. Total rent income recognized during the year amounted to ₱1.3 million both in 2017 and 2016.

Parent Company

The Parent Company and KPMI has an existing land lease agreement on a piece of land which is the subject of complaint against the PNOC. The monthly rent for the said piece of land is ₱0.2 million for a period of one (1) year, subject to yearly renewal. In July 2016, the lease agreement was renewed for another year with no increase in the monthly rental rate. Total rental income recognized amounted to ₱2.1 million in 2017 and 2016.

Total rental income earned from these agreements amounted to ₱13.7 million for the year ended December 31, 2017 and 2016.

(b) Loan agreements with KPMI

GMRI

GMRI granted a long-term interest-bearing loan to KPMI in September 2014 amounting to ₱200.0 million. The loan has a term of five (5) years on principal payment with grace period of 15 months and payable in equal quarterly instalments. The loan is subject to interest re-pricing on semi-annual basis. The interest rate applied ranges from 3.6% to 4.6% in 2017 (2016 - 3.5% to 3.8%). KPMI made partial payment of the loan amounting to ₱50.0 million, both in 2017 and 2016. The current and non-current portion of the loan receivable amounting to ₱50.0 million and ₱37.5 million, respectively as of 31 December 2017, (2016 – ₱50 million and ₱87.5 million, respectively). Accrued interest receivable as of 31 December 2017 amounted to ₱0.3 (2016 - ₱ 0.4 million).

In December 2015, GMRI granted 45-day short-term loan to KPMI amounting to ₱15.0 million with interest of 2.9%. In 2016, KPMI obtained additional short-term loan of ₱82.8 million for 45 to 90 days at interest rates ranging from 2.6% to 3.2%. In February 2017, the outstanding short-term loan as at December 31, 2016 amounting to ₱87.5 million was converted to five (5) year long-term loan, payable in 20 equal consecutive quarterly instalments, and interest of 4.7%, subject to semi-annual repricing. In November 2017, the said loan was pre-terminated and was fully paid. Interest earned and received from this loan amounted to ₱2.9 million.

In June and December 2017, GMRI granted KPMI additional loans of ₱18.0 million and ₱12.5 million, respectively, with terms of 45 to 90 days at 3% interest rate. Interest earned from these short-term loans amounted to ₱0.7 million. Accrued interest receivable amounted to ₱0.01 million as of 31 December 2017.

KPSI

KPSI granted short-term loan to KPMI on 23 February 2016 amounting to ₱15.0 million with 90-day term and interest of 3.2%. Upon maturity, interest was paid and the principal loan was extended for another 90 days with interest of 2.9% until 21 August 2016 where the principal loan and interest were fully paid.

In October 2016, KPSI granted another short-term loan of ₱15.0 million with 90-day term and interest of 3.2%. Upon maturity, the loan was extended with 88 to 90-day term with interest ranging from 3.0% - 3.5%. Interest income and accrued interest receivable recognized by KPSI as of December 31, 2017 amounted to ₱0.5 million and ₱0.1 million, respectively (2016 - ₱0.3 million and ₱0.1 million, respectively).

Parent Company

The Parent Company started to grant short-term loans to KPMI in June 2015. As of 31 December 2016, KPMI has loan balance of ₱77.0 million. The loan granted has 45 to 90 days term with option to renew upon maturity with interest ranging from 2.8% to 3.4%. Of the ₱77.0 million loan balance as at 31 December 2016, ₱24.0 million and ₱28.0 million were fully paid in April 2017 and May 2017, respectively. The remaining ₱25.0 million was renewed upon its maturity and still outstanding as at 31 December 2017. In June 2017, an additional ₱52.0 million loan was granted with 90-day term at 3% interest and was renewed thereafter, upon its maturity. In November 2017, another ₱50.0 million loan was granted with 88-day term at 3% interest. Outstanding loan granted to KPMI as of 31 December 2017 amounted to ₱127.0 million. Interest income recognized by the Parent Company from these loans amounted to ₱2.4 million in 2017 (2016 - ₱2.5 million). Accrued interest receivable amounted to ₱0.3 million as at 31 December 2017 (2016 - ₱0.4 million).

Total interest income earned from these loans amounted to ₱11.5 million for the year ended December 31, 2017 (2016 - ₱10.0 million).

(c) Management Fees

On 1 February 2013, the Parent Company entered into a new management agreement with Kepventure, Inc., Kepwealth Inc., KIVI, and Kepwealth Property for a monthly management fee of ₱2,000, ₱8,000, ₱15,000, and ₱50,000, respectively. The monthly management fees are subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three (3) months prior to the expiration date. Subsequent increases in the management fee were made the following years and in 2017 the monthly management fees of Kepventure, Inc., Kepwealth, Inc. and Kepwealth Property increased to ₱2,500, ₱10,000, and ₱112,000, respectively. The management agreement with Kepwealth Property was terminated on 31 October 2017 due to the sale of Kepwealth Property to a third party.

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

Total management fees earned amounted to ₱1.8 million in 2017 (2016 – ₱1.4 million). As at 31 December 2017, there was no intention from any of the parties to terminate the management services.

(d) Advances for various expenses and charges

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

(e) Key management personnel

Outstanding balance related to salaries and other employees benefits of key management personnel amounting to ₱5.4 million as at December 31, 2017 is presented within accrued expenses under accounts payable and other current liabilities in the consolidated statement of financial position (2016 – ₱0.9 million).

PART IV - CORPORATE GOVERNANCE

13 – Corporate Governance

As per SEC Memo Circular No. 20, Series of 2016, publicly-listed companies such as KPH is required to attach the ‘Consolidated Change in the ACGR for 2016’ to their 2016 Annual Report (SEC Form 17-A): said changes, were submitted to the SEC on 30 May 2017.

As per SEC Memo Circular No. 19, Series of 2016, publicly-listed companies such as KPH is required to submit a New Manual on Corporate Governance for Publicly Listed Companies. The Board of Directors approved the New Manual on 16 June 2017. On 10 November 2017, the New Manual on Corporate Governance was submitted to SEC as revised and approved by the Board of Directors.

PART V - EXHIBITS AND SCHEDULES

14 - Exhibits and Reports on SEC Form 17-A

- (a) **Exhibits** – See accompanying Index to Exhibits
- (b) **Reports on SEC Form 17-C** – The Company has filed all reports on Form 17-C (Current Report) on matters needed in compliance with the SEC’s SRC during the fiscal year 2017 as follows:

25 January 2017	Board of Directors’ approval of KPH’s 2016 SEC Form 17-A (Annual Report and Audited Financial Statements (AFS) for the year ended 31 December 2016 and release of said AFS
25 January 2017	Acceptance of resignation of Enrico L. Cordoba effective 16 December 2017, disclosed 19 December 2016
13 March 2017	Announcement- Resignation of an independent director – Noel M. Mirasol
5 April 2017	Announcement – Resignation of Chairman and member of the Board of Directors – Chow Yew Yuen as of 31 March 2017
7 April 2017	Election of New Director and Chairman 5 April 2017
8 May 2017	Result of Board of Directors Meeting – 8 May 2017 <ul style="list-style-type: none">• Appointment of External Auditor• Acceptance of Resignation of a Director – Noel M. Mirasol• Election of Mr. Mayo B. Ongsingco & Atty. Ma. Melva E. Valdez as members of the Board.• Setting of the Annual Meeting of Stockholders and Record Date
8 May 2017	Notice of Annual Stockholders Meeting and Agenda

19 June 2017	<p>Result of Board of Directors Meeting - 16 June 2017</p> <ul style="list-style-type: none"> • Approval of Directors' Remuneration for 2016 • Declaration of Cash Dividend - declaration of 10% or ₱0.10 per share cash dividend to all stockholders of record of the Company as of 3 July 2017 to be paid on or before 27 July 2017 • Approval of the New Manual on Corporate Governance
19 June 2017	<p>Results of the Annual Stockholders Meeting Held on 16 June 2017</p> <ul style="list-style-type: none"> • Appointment of External Auditor, Isla Lipana & Co. (PwC) for the financial year 2017 • Election of Directors for year 2017-2016 • Approval of the Corporation's Audited Financial Statements for the year ended 31 December 2016 • Approval of Directors' Annual Remuneration of ₱60,000 for 2016
19 June 2017	<p>Results of Organizational Meeting – 16 June 2017</p> <ul style="list-style-type: none"> • Election of Officers for the ensuing year 2017-2018 • Appointment of chairman, members of the various committees and compliance officer/corporate information officer
29 June 2017	<p>Submission of the New Manual on Corporate Governance which the Board of Directors approved in 16 June 2017 pursuant to SEC Memorandum Circular No 19 Series of 2016, otherwise referred to as Code of Corporate Governance for Publicly Listed Companies.</p>
14 September 2017	<p>Result of Special Meeting of the Board of Directors – 14 September 2017</p> <ul style="list-style-type: none"> • Resignation of Ma. Melva E. Valdez and Edmund Mah Soot Khiang as Regular Directors • Election of Successors, Alan I. Claveria (Regular Director) and Ramon J. Abejuela (Independent Director) • Resignation of Stefan Tong Wai Mun as President and Election of Alan I Claveria as successor for the year 2017-2018. • Appointment of new Chairman and members of various Committees
24 October 2017	<p>Informed SEC re letter from Securities Transfer Services, Inc. (STSI), the Corporation's stock and transfer agent and dividend paying agent, advising the Corporation that STSI is concluding the Stock Transfer Agreement dated 28 October 2016 effective 30 November 2017.</p>
10 November 2017/ 19 November 2017 (amended)	<p>Result of the Regular Meeting held 10 November 2017</p> <ul style="list-style-type: none"> • Approval of the New Manual on Corporate Governance (MCG), as revised. • Amendment of By-Laws, particularly Article IV Committees, Section 3, 4, and 5, to be consistent with the revisions made to the New MCG. • Amendment/Change of Name of Committees & its Members
20 November 2017	<p>Submission of the New Manual on Corporate Governance, as Revised, approved on 10 November 2017</p>

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

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

Attn: The Corporate Secretary

SIGNATURES

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

KEPPEL PHILIPPINES HOLDINGS, INC.


Issuer

By:


Alan I. Claveria
President


Felicidad V. Razon
Vice President / Treasurer


Ma. Melva E. Valdez
Corporate Secretary


Lory Anne P. Manuel-McMullin
Assistant Corporate Secretary

APR 11 2018

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2018;
affiants exhibiting to me their Tax Identification Numbers (TIN), as follows:

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

Doc No. 284
Page No. 58
Book No. XVIII
Series of 2018.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Drgy. Pio Del Pilar, Makati City

**FINANCIAL STATEMENTS &
SUPPLEMENTARY SCHEDULES**

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

6	2	5	9	6					
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COMPANY NAME

K	E	P	P	E	L	P	H	I	L	I	P	P	I	N	E	H	O	L	D	I	N	G	S	,		
I	N	C	.	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S								

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

U	N	I	T	3	-	B	C	O	U	N	T	R	Y	S	P	A	C	E	1							
B	U	I	L	D	I	N	G	,	1	3	3	S	E	N	.	G	I	L	J	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	A	R	A	N	G	A	Y	B	E	L	-	A	I	R	.	M	A	K	A	T	I	C	I	T	Y	

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

info@keppelph.com

Company's Telephone Number/s

02-8921820

Mobile Number

-

No. of Stockholders

424 as of
December 31, 2017

Annual Meeting (Month/Day)

Any day in June

Fiscal Year (Month/Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person/s

Alan I. Claveria /
Felicidad V. Razon

Email Address

info@keppelph.com

Telephone Number/s

02-8921820

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Keppel PHILIPPINES

KEPPEL PHILIPPINES HOLDINGS, INC.

Unit 3-B Country Space I Building,
Sen. Gil Puyat Avenue,
Salcedo Village, Makati City,
Philippines.

Tel: (632) 8921816, 8921820 to 24

Fax: (632) 8928510, 8943684

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



PAUL TAN POH LEE
Chairman of the Board



ALAN I. CLAVERIA
President



FELICIDAD V. RAZON
Vice President/Treasurer


Signed this 26th day of January 2018.

ACKNOWLEDGEMENT

Republic of the Philippines)
City of Makati)

BEFORE ME, a Notary Public for and in the of Makati, Philippines, on this APR 12 2018 day of April 2018; affiants exhibiting to me their Tax Identification Numbers (TIN) as follows:

<u>Name</u>	<u>Tax Identification Numbers</u>
PAUL TAN POH LEE	438-159-145
ALAN I. CLAVERIA	127-165-720
FELICIDAD V. RAZON	112-942-756


ATTY. GERARDO M. MILLA JR.
Notary Public City of Makati
Until December 31, 2018
ISP No. 456155/Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 4407879 Jun. 3, 2018
Makati City Roll No. 40091
101 Urban Ave, Campas Koneki Bldg
Bigy, Pla Del Flor, Makati City

Doc No. 450 ;
Page No. 01 ;
Book No. XVW ;
Series of 2018.



Independent Auditor's Report

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

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Keppel Philippines Holdings, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2017 and 2016, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2017 and 2016;
- the consolidated statements of income for the years ended December 31, 2017 and 2016;
- the consolidated statements of total comprehensive income for the years ended December 31, 2017 and 2016;
- the consolidated statements of changes in equity for the years ended December 31, 2017 and 2016;
- the consolidated statements of cash flows for the years ended December 31, 2017 and 2016; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 3728, F: +63 (2) 845 2806, www.pwc.com/ph



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

Independence

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

Our Audit Approach

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

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

Key audit matters

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

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



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

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p data-bbox="277 568 788 636">Assessment of recoverability of investment properties</p> <p data-bbox="277 658 842 757">Refer to Note 7 for the details of the Group's investment properties and to Note 19.2 (c) for the discussion on critical accounting judgment.</p> <p data-bbox="277 779 842 936"><i>This is an area of focus mainly due to the number of investment properties held by the Group. The account, which represents 20% of total assets, is part of the Group's real estate business segment.</i></p>	<p data-bbox="895 613 1469 949">We addressed the matter through inspection of significant long and short-term lease contracts. The objective of this procedure is to obtain comfort over the sustainability of cash flows from leasing contracts. The inspection procedures included thorough understanding of the terms and conditions of the underlying lease contracts as well as the state of the individual assets. Our inspection did not note any cancellation or potential cancellation of existing lease agreements.</p> <p data-bbox="895 972 1485 1375">Additionally, we examined the latest appraisal report prepared by a third party appraiser and noted that the aggregate and individual fair values of the investment properties are higher than their respective carrying amounts. Comfort over the reliability of the appraisal report was obtained through independent verification of certain fair value assumptions (i.e. similar market listing in the area) over the Group's land properties, which comprised approximately 98% of the total carrying amount of the account. We also verified the independence and competency of the third-party appraiser.</p> <p data-bbox="895 1397 1469 1532">The results of procedures performed and discussions with management did not note any indicators of impairment as at December 31, 2017.</p>



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

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, 2017, but do not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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

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



Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Holdings, Inc. and Subsidiaries
Page 6

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

Other Matter

The consolidated financial statements as at and for the year ended December 31, 2015 were audited by another auditor whose report thereon dated January 28, 2016, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 10, 2018, Makati City

SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 152-015-078

BIR A.N. 08-000745-42-2015, issued on January 19, 2015; effective until January 28, 2018

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

Makati City

January 26, 2018




Isla Lipana & Co.

Statements Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

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

We have audited the consolidated financial statements of Keppel Philippines Holdings, Inc. and Subsidiaries as at and for the year ended December 31, 2017, on which we have rendered the attached report dated January 26, 2018. The supplementary information shown in the Schedule of Philippine Financial Reporting Standards and Interpretations effective as at December 31, 2017, Reconciliation of Retained Earnings for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, and Key Financial Ratios as 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 parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

Isla Lipana & Co.


Rodrick M. Danao
Partner

CPA Cert. No. 88453

P.T.N. No. 0011280, issued on January 10, 2018, Makati City

SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 07, 2019

SEC A.N. (firm) as general auditors-0009-FR-4; Category A; effective until July 15, 2018

TIN 152-015-078

BIR A.N. 08-000745-42-2015, issued on January 29, 2015; effective until January 28, 2018

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

Makati City
January 26, 2018

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 Holdings, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(All amounts in Philippine Peso)



	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	2	87,943,929	24,316,162
Receivables, net	3	209,279,624	232,306,644
Other current assets, net	4	742,995	111,025
Total current assets		297,966,548	256,733,831
Non-current assets			
Available-for-sale financial assets, net	5	20,000,001	19,500,001
Investment in associates	6	420,435,364	415,186,323
Loan receivables, net of current portion	3	37,500,000	87,500,000
Lease receivables, net of current portion	3	29,234,677	33,855,969
Investment properties, net	7	205,901,940	209,521,488
Property and equipment, net	8	134,600	33,515
Other non-current assets	17	4,140,710	4,140,710
Total non-current assets		717,347,362	769,736,026
Total assets		1,015,313,930	1,026,471,857
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	9	8,028,814	3,589,231
Refundable deposits	7	487,080	822,239
Income tax payable	14	1,093,310	494,962
Total current liabilities		9,609,204	4,916,432
Non-current liabilities			
Advance rentals	7	-	841,267
Refundable deposits	7	-	1,124,600
Deferred income tax liability	14	1,494,418	1,737,892
Total non-current liabilities		1,494,418	3,703,759
Total liabilities		11,103,622	8,620,191
Equity			
Share capital	11	73,173,500	73,173,500
Share premium	11	73,203,734	73,203,734
Retained earnings	12	477,219,523	438,203,772
Investment revaluation reserve	5	19,422,058	18,922,058
Treasury shares	12	(22,622,976)	(22,622,976)
		620,395,839	580,880,088
Non-controlling interests	20	383,814,469	436,971,578
Total equity		1,004,210,308	1,017,851,666
Total liabilities and equity		1,015,313,930	1,026,471,857

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statements of Income
 For the years ended December 31, 2017 and 2016
 (With comparative figures for the year ended December 31, 2015)
 (All amounts in Philippine Peso)

	Notes	2017	2016	2015
Revenue and income				
Gain on sale of investment properties	7	49,560,165	-	-
Rental income	7, 10	17,988,909	20,451,326	19,420,102
Interest income	2, 10	12,466,267	10,628,676	9,593,162
Equity in net earnings of associates	8	8,742,280	10,314,776	14,768,202
Management fees	10	1,780,200	1,394,400	1,200,000
Dividend income	6, 10	-	1,622,168	-
Others		893,704	257,219	1,287,567
		91,231,526	44,668,667	46,289,033
Operating expenses	13	(23,577,624)	(16,726,590)	(14,719,785)
Income before income tax		67,653,901	27,941,977	31,569,248
Income tax expense	14	(12,781,217)	(4,182,377)	(4,647,201)
Net income for the year		54,872,684	23,759,600	26,922,047
Attributable to:				
Equity holders of the parent	15	44,796,093	13,568,566	13,170,428
Non-controlling interests		10,076,591	10,191,034	13,751,619
		54,872,684	23,759,600	26,922,047
Earnings per share attributable to equity holders of the parent	15	0.775	0.235	0.218

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For the years ended December 31, 2017 and 2016
(With comparative figures for the year ended December 31, 2015)
(All amounts in Philippine Peso)

	Note	2017	2016	2015
Net income for the year		54,872,684	23,759,600	26,922,047
Other comprehensive income				
Item that may be subsequently reclassified to profit or loss				
Unrealized fair value gain on available-for-sale financial assets	5	500,000	3,700,000	800,000
Total comprehensive income for the year		55,372,684	27,459,600	27,722,047
Attributable to:				
Equity holders of the parent		45,296,093	17,268,566	13,970,428
Non-controlling interest		10,076,591	10,191,034	13,751,619
		55,372,684	27,459,600	27,722,047

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(With comparative figures for the year ended December 31, 2015)
(All amounts in Philippine Pesos)

	Attributable to equity holders of the parent.						
	Share capital (Note 11)	Share premium	Retained earnings (Note 12)	Investment revaluation reserve (Note 5)	Treasury shares (Note 12)	Non- controlling interests	Total equity
Balances at January 1, 2015	73,173,500	73,203,734	423,538,262	14,422,058	(9,898,178)	430,888,825	1,005,328,201
Comprehensive income							
Net income for the year			13,170,428			13,751,519	26,922,047
Other comprehensive income				800,000			800,000
Total comprehensive income for the year			13,170,428	800,000		13,751,519	27,722,047
Transaction with owners							
Cash dividends declared			(6,036,742)			(8,205,900)	(14,242,642)
Balances at December 31, 2015	73,173,500	73,203,734	430,671,948	15,222,058	(9,898,178)	436,434,544	1,018,807,605
Comprehensive income							
Net income for the year			13,568,566			10,191,034	23,759,600
Unrealized fair value gain on available-for-sale financial assets				3,700,000			3,700,000
Total comprehensive income for the year			13,568,566	3,700,000		10,191,034	27,459,600
Transaction with owners							
Cash dividends declared			(6,036,742)			(9,554,000)	(15,590,742)
Repurchase of shares					(12,724,796)		(12,724,796)
Total transactions with owners			(6,036,742)		(12,724,796)	(9,554,000)	(28,415,540)
Balances at December 31, 2016	73,173,500	73,203,734	438,205,772	18,922,058	(22,622,976)	436,971,578	1,017,851,666

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
 For the years ended December 31, 2017 and 2016
 (With comparative figures for the year ended December 31, 2015)
 (All amounts in Philippine Peso)

	Attributable to equity holders of the parent							Total equity	
	Note	Share capital (Note 11)	Share premium	Retained earnings (Note 12)	Investment revaluation reserve (Note 5)	Treasury shares (Note 12)	Total		Non-controlling interests
Balances at December 31, 2016		73,173,500	73,203,734	438,203,772	16,922,058	(22,622,976)	580,880,088	436,971,578	1,017,851,666
Comprehensive income									
Net income for the year		-	-	44,796,093	-	-	44,796,093	10,076,591	54,872,684
Unrealized fair value gain on available-for-sale financial assets		-	-	-	500,000	-	500,000	-	500,000
Total comprehensive income for the year		-	-	44,796,093	500,000	-	45,296,093	10,076,591	55,372,684
Transaction with owners									
Cash dividends declared	12	-	-	(5,780,342)	-	-	(5,780,342)	(83,233,700)	(69,014,042)
Balances at December 31, 2017		73,173,500	73,203,734	477,219,523	19,422,058	(22,622,976)	610,395,639	383,814,469	1,004,210,108

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(With comparative figures for the year ended December 31, 2015)
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Cash flows from operating activities				
Income before income tax		67,853,901	27,941,977	31,569,248
Adjustments for:				
Provision for (recovery of) impairment losses	4, 9, 13	600,748	136,663	(1,405,355)
Depreciation and amortization	7, 8, 13	310,552	412,651	443,991
Dividend income	5, 10	-	(1,822,168)	-
Equity in net earnings of associates	5, 10	(8,743,280)	(10,314,776)	(14,788,202)
Interest income	2, 3, 10	(12,466,267)	(10,628,678)	(9,593,162)
Gain on sale of investment properties	7	(49,660,165)	-	-
Operating income before working capital changes		(2,143,511)	5,924,669	6,146,520
Changes in working capital:				
Receivables		1,818,265	390,422	(284,280)
Other current assets		(2,970,034)	(2,021,650)	(2,245,905)
Accounts payable and other current liabilities		3,588,316	1,013,560	(699,078)
Refundable deposits		(1,459,759)	61,082	91,289
Net cash generated from operations		(1,166,703)	5,368,103	3,068,546
Income tax paid		(10,295,659)	(1,206,981)	(1,496,671)
Net cash provided by (used in) operating activities		(11,462,362)	4,161,122	1,511,875
Cash flows from investing activities				
Collection of loan receivable from a related party	3	207,500,000	147,346,000	43,500,000
Proceeds from sale of investment properties	7	52,894,755	-	-
Interest received		12,842,946	10,246,346	9,317,600
Cash dividends received	6, 10	3,493,239	12,725,680	19,161,907
Acquisition of property and equipment	8	(126,769)	(34,821)	-
Loans granted to a related party	3, 10	(132,500,000)	(178,846,000)	(131,000,000)
Net cash provided by (used in) investing activities		144,104,171	(6,562,795)	(60,020,493)
Cash flows from financing activities				
Cash dividends paid	12	(69,014,042)	(15,690,742)	(14,242,642)
Repurchase of shares	12	-	(12,724,798)	-
Net cash used in financing activities		(69,014,042)	(28,415,540)	(14,242,642)
Net increase (decrease) in cash and cash equivalents		63,627,767	(30,817,213)	(72,751,260)
Cash and cash equivalents at January 1		24,316,162	55,133,375	127,884,635
Cash and cash equivalents at December 31		87,943,929	24,316,162	55,133,375

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2017 and 2016

(With comparative figures for the year ended December 31, 2015)

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

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

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

	Percentage of ownership	
	2017	2016
Keppwealth, Inc.	52.8%	52.8%
Keppel Corporation Limited (KCL)	29.2%	29.2%
Public	18.0%	18.0%

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

	Percentage of ownership	
	2017	2016
KPSI	100%	100%
GRDC	51%	51%
GMRI	51%	51%

GRDC is 44% owned by Keppel Philippines Marine, Inc. Retirement Plan (KPMI Retirement Plan) and 5% by Keppel Philippines Marine, Inc. (KPMI) in 2017 and 2016. GRDC owns 93.7% of GMRI, thus, KPHI has 51% effective ownership on GMRI, including 3.2% separate interest in GMRI.

GMRI has 25% direct ownership in CLI, providing KPHI a 13% indirect ownership in CLI.

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

The Parent Company has 7 regular employees as at December 31, 2017 (2016 - 5 employees). The administrative functions of the subsidiaries are handled by the Parent Company's management.

As at December 31, 2017, the Parent Company has 242 shareholders (2016 - 247 shareholders), each owning at least 100 shares.

The accompanying consolidated financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on January 26, 2018.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2017	2016
Cash equivalents:	82,220,201	20,759,983
Cash in banks	5,718,728	3,551,179
Cash on hand	5,000	5,000
	87,943,929	24,316,162

Cash in banks earn interests at the prevailing bank deposit rates. Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earned interest at annual rates that ranged from 1.6% to 2.0% in 2017 (2016 - 1.4% to 1.6%).

Interest income on cash and cash equivalents amounted to P0.9 million in 2017 (2016 - P0.6 million; 2015 - P1.6 million). Accrued interest receivable from cash and cash equivalents amounted to P0.1 million as at December 31, 2017 (2016 - P0.02 million) (Note 3).

Note 3 - Receivables, net

Receivables, net as at December 31 consist of:

	Notes	2017	2016
Loans receivable from a related party	10	242,000,000	317,000,000
Lease receivables:			
Related parties	10	32,931,722	34,991,086
Others		707,493	408,355
		275,639,215	352,399,441
Non-trade		2,152,580	2,152,580
Interest receivable	2, 10	828,454	1,205,133
Due from related parties	10	-	58,059
		278,620,249	355,815,213
Less non-current portion:			
Loans receivable	10	37,500,000	87,500,000
Lease receivables		29,234,677	33,855,989
		66,734,677	121,355,989
		211,885,572	234,459,224
Less allowance for doubtful accounts		2,605,948	2,152,580
		209,279,624	232,306,644

Movements in the allowance for impairment related to lease receivables - others and non-trade receivables for the years ended December 31 follows:

	Note	2017			2016		
		Lease receivables - others	Non-trade	Total	Lease receivables - others	Non-trade	Total
January 1		-	2,152,580	2,152,580	-	2,152,580	2,152,580
Provision	13	453,368	-	453,368	-	-	-
December 31		453,368	2,152,580	2,605,948	-	2,152,580	2,152,580

The Parent Company recognized provision for doubtful accounts related to its third party receivables amounting to P=5 million for the year ended December 31, 2017 (2016 - nil). These accounts pertain to terminated lease contracts with third party customers that have history of defaults.

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

Current portion of the lease receivables and due from related parties are non-interest bearing and are generally with terms of 30-60 days. The non-current portion of the lease receivables pertains to the difference in the calculation of rent income using straight-line method. These amounts are expected to reverse more than one (1) year from the financial reporting date.

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

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

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

Note 4 - Other current assets, net

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

	2017	2016
Creditable withholding tax (CWT)	2,810,307	2,032,442
Input value-added tax (VAT)	777,498	1,268,275
Advances to employees	480,000	-
Deposits	55,645	60,845
Prepaid expenses	12,101	-
Others	60,738	7,180
	4,196,289	3,368,542
Less allowance for impairment losses	3,453,294	3,257,517
	742,995	111,025

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

	Note	2017			2016			2015		
		Input VAT	CWT	Total	Input VAT	CWT	Total	Input VAT	CWT	Total
January 1		1,225,075	3,032,442	3,257,517	1,840,054	1,281,800	3,121,854	1,918,031	3,014,048	4,932,079
Provision		288,964	1,067,113	1,356,077	140,063	885,037	1,025,060	167,023	272,373	439,396
Recovery of provision		(871,082)	(277,845)	(1,148,927)	(759,032)	(134,395)	(893,427)	(144,000)	(2,004,921)	(2,148,321)
Net provision (recovery)	13	(582,088)	789,268	207,180	(614,979)	750,642	136,633	29,023	(1,732,548)	(1,708,925)
Write-off		-	(11,603)	(11,603)	-	-	-	-	-	-
December 31		642,997	2,810,307	3,453,294	1,225,075	2,032,442	3,257,517	1,840,054	1,281,800	3,121,854

In 2017, the Group recovered input VAT and CWT amounting to P=9 million and P=3 million, respectively (2016 - P=8 million and P=1 million, respectively) and such were applied against output VAT and income tax due, respectively, during the year.

(3)

Note 5 - Available-for-sale financial assets, net

Available-for-sale financial assets, net as at December 31 consist of:

	2017	2016
Quoted share, at fair value		
Golf club share (with cost of P316,004)	20,000,001	19,500,001
Unquoted share, at cost		
Golf club share	880,000	880,000
	20,880,001	20,380,001
Less allowance for impairment loss	880,000	880,000
	20,000,001	19,500,001

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

The movement in the available-for-sale financial assets for the years ended December 31 is as follows:

	2017	2016
January 1	19,500,001	15,800,001
Fair value gain	500,000	3,700,000
December 31	20,000,001	19,500,001

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

	2017	2016
January 1	18,922,058	15,222,058
Fair value gain	500,000	3,700,000
December 31	19,422,058	18,922,058

The Group recognized fair value gain amounting to P0.8 million in 2015.

Note 6 - Investment in associates, at equity

Investment in associates as at December 31 consist of:

	2017	2016
Investment in associates	337,596,800	842,948,496
Impairment	-	(505,351,696)
	337,596,800	337,596,800
Accumulated share in net income:		
Balance at January 1	77,589,523	(426,973,437)
Equity in net earnings of associates:	8,742,280	10,314,776
Cash dividend received	(3,493,239)	(11,103,512)
Impairment	-	505,351,696
	82,838,564	77,589,523
	420,435,364	415,186,323

Details of the investment in associates accounted for under the equity method as at December 31 are shown below:

	KPCI		GVI		CLI		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Investments	-	273,518,182	-	231,833,514	337,596,800	337,596,800	337,596,800	842,948,496
Impairment	-	(273,518,182)	-	(231,833,514)	-	-	-	(505,351,696)
Accumulated share in net earnings (losses)								
Balance at January 1	-	(273,518,182)	-	(231,833,514)	77,589,523	78,378,289	77,589,523	(426,973,417)
Equity in net earnings (losses) of associates	-	-	-	-	8,742,280	10,314,776	8,742,280	10,314,776
Cash dividend received	-	-	-	-	(3,493,238)	(11,103,512)	(3,493,238)	(11,103,812)
Impairment	-	273,518,182	-	231,833,514	-	-	-	505,351,696
	-	-	-	-	82,838,564	77,589,523	82,838,564	77,886,323
	-	-	-	-	420,436,364	418,165,323	420,436,364	415,186,323

In 2016, the Group has written-off its investments in KPCI and GVI amounting to P505.4 million. The write-off did not impact the net assets, results of operations, and cash flows as these investments are fully provided for as at December 31, 2015.

6.1 Associates

(a) CLI

GMRI owns 24.95% investment or 17,466,196 shares out of 70,000,000 shares in Consort Land, Inc. (CLI), a company incorporated in the Philippines, as at December 31, 2017 and 2016.

KPMI has a Share Purchase Agreement with the Company for the transfer of 2,950,000 shares dated September 6, 2012. As at January 26, 2018, the agreement is still awaiting the issuance of Tax Clearance before the actual transfer of shares. However, the Company is already exercising 24.95% beneficial ownership to CLI.

GMRI received cash dividend from CLI in 2017 amounting to P3.5 million (2016 - P11.1 million; 2015 - P17.5 million).

(b) GVI

GVI, an entity involved in investment holding with the same principal place of business as KPHI, incurred continued losses. On June 19, 2013, GVI's BOD approved the dissolution and the amendment of the Articles of Incorporation to shorten GVI's corporate existence. GVI filed notices to the SEC and Bureau of Internal Revenue (BIR) on July 22, 2013 and July 31, 2013, respectively. The BIR issued tax clearance on May 27, 2015 and the SEC approved the shortening of corporate term on November 3, 2015. In 2015, the Group recognized provision for impairment on its investment in GVI amounting to P0.2 million since the management believes that the balance in the investment will not be recovered (Note 13).

On August 12, 2015, GVI declared dividends amounting to P0.8 million based on its retained earnings as at July 31, 2015 to its shareholders per record as at August 31, 2015. The Group received P0.7 million in September 2015. On December 5, 2016, in the joint meeting of GVI's shareholders and the BOD, the distribution of GVI's remaining investment in Keppel IVI Capital Inc. (KICI) and cash of P2.0 million were approved. The Group received P1.6 million from GVI as liquidating dividend.

(c) *KPCI*

KPCI, an entity involved in investment holding with the same principal place of business as KPHI, incurred continued losses and was in a liquidating position since 2005.

On June 22, 2011, KPCI's BOD approved the dissolution and the amendment of the Articles of Incorporation to shorten KPCI's corporate existence. KPCI filed notices to the SEC and BIR on July 25, 2011 and September 14, 2011, respectively. On March 8, 2016, KPCI obtained tax clearance from the BIR and on July 25, 2016, the SEC approved the amendment of the Articles of Incorporation to shorten KPCI's corporate existence and correspondingly issued a certificate of dissolution.

6.2 Financial information of associates

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

	2017	2016
Current assets	76,860,499	60,887,520
Non-current assets	256,491,424	259,100,163
Total assets	333,351,923	309,987,683
Current liabilities	25,647,295	23,252,178
Non-current liabilities	-	-
Total liabilities	25,647,295	23,252,178
Net assets	307,704,628	286,735,505
Revenue	162,707,201	148,209,191
Income before income tax	37,899,578	44,418,372
Other comprehensive income	-	-
Total comprehensive income	34,969,123	41,259,105

GVI and KPCI had no assets, liabilities, and equity as at and for the years ended December 31, 2017 and 2016 following their dissolution.

In 2017, the Group has 13% or P40.0 million share in net asset (stated at cost) of CLI (2016 - 13% or P37.3 million).

The difference between the share in net asset and carrying amount of the investment amounting to P420.4 million pertains to fair value adjustments on prime land holdings of CLI (2016 - carrying amount of P415.2 million).

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

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

Note 7 - Investment properties, net

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

	Note	Land	Building and improvements	Condominium units	Total
2017					
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 and amortization					
January 1		-	2,135,524	22,198,617	24,332,141
Depreciation and amortization	13	-	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 values		205,666,439	235,501	-	205,901,940
2016					
Cost					
January 1 and December 31		205,901,939	2,609,001	25,342,689	233,853,629
Accumulated depreciation and amortization					
January 1		-	2,025,491	21,913,448	23,938,939
Depreciation and amortization	13	-	110,033	283,169	393,202
December 31		-	2,135,524	22,198,617	24,332,141
Net book values		205,901,939	473,477	3,146,072	209,521,488

During 2017, the Group sold certain land, building and improvements, and condominium units with carrying values of P0.2 million, P0.2 million, and P2.9 million, respectively, for a total consideration of P52.9 million resulting in a gain on sale amounting to P49.6 million.

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

The investment properties have an aggregate fair value of P994.0 million based on an appraisal made by an accredited independent appraiser on November 17, 2017 (2016 - P924.4 million). The fair value of the investment properties was determined using Level 3 inputs such as discount rates, terminal yields, expected vacancy rates and rental growth rates as estimated by the independent appraiser or management based on comparable transactions and industry data.

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

	Note	2017	2016	2015
Related parties	10	13,652,062	13,677,005	13,572,529
Third parties		4,336,847	6,774,321	5,847,273
		17,988,909	20,451,326	19,420,102

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

	Note	2017			2016		
		Related parties (Note 10)	Third parties	Total	Related parties (Note 10)	Third parties	Total
Advance rentals							
Current		232,956	-	232,956	232,956	494,478	727,434
Non-current		-	-	-	-	841,267	841,267
	9	232,956	-	232,956	232,956	1,335,745	1,568,701
Refundable deposits							
Current		232,956	254,124	487,080	232,956	569,283	822,239
Non-current		-	-	-	-	1,124,600	1,124,600
		232,956	254,124	487,080	232,956	1,722,883	1,946,839

The operating expenses directly attributable to the investment properties pertaining to depreciation and amortization and real estate taxes amounted to P4.5 million in 2017 (2016 and 2015 - P4.7 million).

Note 8 - Property and equipment, net

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

	Note	Condominium units	Office machine, furniture and fixtures	Transportation equipment	Total
2017					
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	773,163	6,508,146
Depreciation	13	3	22,558	3,033	25,594
December 31		5,397,020	360,534	776,186	6,533,740
Net book values		-	134,690	-	134,690
2016					
Cost					
January 1		5,397,020	333,634	776,186	6,506,840
Acquisition		-	34,821	-	34,821
December 31		5,397,020	368,455	776,186	6,541,661
Accumulated depreciation					
January 1		5,397,017	330,767	760,913	6,488,697
Depreciation	13	-	7,209	12,240	19,449
December 31		5,397,017	337,976	773,163	6,508,146
Net book values		3	30,479	3,033	33,515

Fully depreciated assets amounting P6.5 million are still in use as at December 31, 2017 and 2016.

Based on the results of management assessment, the Company believes that there were no objective evidence and indicators of impairment exist as at December 31, 2017 and 2016.

Note 9 - Accounts payable and other current liabilities

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

	Note	2017	2016
Accrued expenses		7,116,555	2,195,063
Payable to government agencies		422,218	209,757
Advance rentals		232,956	727,434
Accounts payable		-	186,004
Unearned rent		-	78,788
Others	10	257,085	202,205
		8,028,814	3,599,231

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, fringe and other employee benefits, and others. These are non-interest bearing and generally with 30 to 60-day terms.

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

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

Accounts payable pertain to refundable deposit related to expired lease contracts. These are non-interest-bearing and are due and demandable.

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

Note 10 - Related party transactions

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

Related party	2017		2016		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Entities under common control					
Rental income (a)					
KPMI	12,855,185	32,033,722	12,951,015	34,061,088	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is full interest bearing and unsecured.
Kepelco Investment, Inc. (KIVI)	300,000	-	300,000	-	
Kepweath Property (Phils., Inc. (Kepweath Property))	271,817	-	297,900	-	
Kepel Energy and Consultancy, Inc. (KECI)	228,000	-	228,000	-	
	13,662,002	32,033,722	13,577,915	34,061,088	
Advance rentals and deposit - KPMI					
Advance rentals	-	(232,556)	3,600	(232,950)	The outstanding balance is unsecured and non-interest bearing.
Refundable deposits	-	(232,556)	-	(232,556)	
Various expenses and (Fees) (b):					
KPMI	203,023	-	88,956	20,351	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Kepel Subic Shipyard, Inc. (KSSO)	19,257	-	84,205	10,508	
Kepweath Property	998	-	7,126	-	
KECI	-	-	4,974	-	
Kepel Philippine Properties, Inc. (KPPH)	-	-	20,432	-	
	1,785,200	-	1,394,400	58,059	
Loans - KPMI (c)					
Interest income - KPMI (c)	132,500,882	242,300,000	176,846,000	317,000,000	These are interest bearing, unsecured, and not impaired.
Management fees (d)	11,542,752	743,804	10,042,311	1,188,188	
Kepweath Property	1,150,200	-	780,000	-	
KECI	300,000	-	300,000	-	
KPMI	180,000	-	180,000	-	
Kepweath, Inc.	120,000	-	100,000	-	
Kapventure, Inc.	30,000	-	20,400	-	
	1,785,200	-	1,394,400	-	
Director's fees					
apm	310,000	-	140,000	-	
KPMI	60,000	-	50,000	-	
	370,000	-	200,000	-	
Associates					
Equity interest earnings	6,742,280	-	10,314,778	-	
Cash dividends received	3,493,259	-	11,103,912	-	
Liquidating dividend	-	-	1,622,188	-	
	6,780,342	-	6,036,742	-	
Shareholders' Unclaimed monies or dividends		(357,096)		(322,205)	The outstanding balance is unsecured, non-interest bearing, and payable in cash as or before the due date as agreed by the BOD.
Key management personnel Salaries and other employee benefits					
	11,128,780	(5,430,957)	7,468,871	(863,600)	The outstanding balance is unsecured, non-interest bearing, and payable every designated period on employees' contracts.

For the three (3) years ended December 31, 2017, 2016 and 2015, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year through examination of the financial position of each related party and the market in which the related party operates.

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

Following are the Group's transactions with related parties:

(a) *Lease agreements*

(i) **GMRI**

- GMRI has a non-cancellable lease agreement with KPMI, for a parcel of land used as a shipyard site in Barrio San Miguel, Bauan, Batangas. The annual lease rate amounted to P10.4 million and is subject to an escalation clause of 2% after every five (5) years. The lease is for 50 years, renewable at the option of the lessee for another 25 years. Annual rental on the leased property is P6.0 million during the first five (5) years, subject to 10% escalation after every five (5) years. On May 2, 2007, the lease contract entered into by the Company and KPMI was amended, resulting in an increase in annual rental rate to P10.2 million, effective January 1, 2007, subject to 1.5% escalation after every five (5) years.

Rental income, based on the straight-line method, amounted to P9.6 million in 2017, 2016, and 2015. Total outstanding balance of lease receivables presented in the consolidated statement of financial position representing lease differential in the computation of rent income using straight line method amounted to P32.9 million and P34.8 million as at December 31, 2017 and 2016, respectively.

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

	2017	2016
Within one (1) year	10,087,953	10,508,295
After one (1) year but not more than five (5) years	42,811,136	42,033,180
More than five (5) years	225,424,298	236,090,217
	278,123,397	288,631,692

- In 2015, the GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on January 1, 2015 to December 31, 2015, subject to yearly renewal.

(ii) **GRDC**

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. The lease contracts were last renewed on January 1, 2017.

(iii) KPSI

KPSI leases certain properties to KPMI, KIVI, Kepwealth Property, and KECI for a period of one (1) year, renewable annually. The lease contracts with Kepwealth Property was terminated on October 31, 2017. Lease contracts with KIVI and KECI are for two (2) years and were last renewed on April 1, 2017 and June 1, 2017, respectively.

(iv) Parent Company

The Parent Company and KPMI has an existing land lease agreement on a piece of land which is the subject of complaint against the Philippine National Oil Company (PNOC) (Note 20). The monthly rent for the said piece of land is P6.2 million for a period of one (1) year, subject to yearly renewal. The lease contract was last renewed in July 2017.

Total rental income earned from these agreements amounted to P13.7 million for the year ended December 31, 2017 (2016 - P13.7 million; 2015 - P13.6 million).

Advance rentals and refundable deposits are both equivalent to one (1) month rental of the corresponding lease contract. Refundable deposits amounting to P6.2 million as at December 31, 2017 and 2016, is presented under accounts payable and other current liabilities account 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, KPPI, Kepwealth Property, and KECI pertain to reimbursement of various expenses such as legal, communication and business development expenses paid for by the Group.

(c) *Loan agreements with KPMI*

(i) GMRI

- GMRI granted a long-term interest-bearing loan to KPMI in September 2014 amounting to P200.0 million with an average interest rate per annum of 3.45%. The loan has a term of five (5) years on principal payment with grace period of 15 months and payable in sixteen (16) equal quarterly instalments. The quarterly interest, commencing on the date falling three (3) months from the date of the initial borrowing is based on the interest rate prevailing at the grant or repricing date. The loan is subject to interest re-pricing on semi-annual basis. The interest rate applied ranges from 3.6% to 4.6% in 2017 (2016 - 3.5% to 3.8%). KPMI made partial payment of the loan amounting to P50.0 million, both in 2017 and 2016. The current and non-current portion of the loan amounted to P50.0 million and P37.5 million, respectively (2016 - P50.0 million and P87.5 million, respectively.)
- In December 2015, GMRI granted 45-day short-term loan to KPMI amounting to P15.0 million with interest of 2.9%. In 2016, KPMI obtained additional short-term loan of P82.8 million for 45 to 90 days at interest rates ranging from 2.6% to 3.2%. In February 2017, the outstanding short-term loan as at December 31, 2016 amounting to P87.5 million was converted to five (5) year long-term loan, payable in 20 equal consecutive quarterly instalments, and interest of 4.7%, subject to semi-annual repricing. In November 2017, the said loan was pre-terminated and was fully paid.

In June and December 2017, GMRI granted KPMI additional loans of P18.0 million and P12.5 million, respectively, with terms of 45 to 90 days at 3% interest rate. Total collection from these loans amounted to P105.5 million in 2017 (2016 - P10.3 million).

(ii) KPSI

KPSI granted short-term loan to KPMI on February 23, 2016 amounting to P15.0 million with 90-day term and interest of 3.2%. Upon maturity, interest was paid and the principal loan was extended for another 90 days with interest of 2.9% until August 21, 2016 where the principal loan and interest were fully paid.

In October 2016, KPSI granted another short-term loan of P15.0 million with 90-day term and interest of 3.2%. Upon maturity, the loan was extended with 88 to 90-day term with interest ranging from 3.0% - 3.5%.

(iii) Parent Company

The Parent Company started to grant short-term loans to KPMI in June 2015 with loan balance of P127.0 million as at December 31, 2017 (2016 - P77.0 million). The loan granted has 45 to 90 days term with option to renew upon maturity. Interest rates range from 2.9% to 3.5% in 2017 (2016 - 2.8% to 3.2%; 2015 - 2.9% to 3.4%). As at December 31, 2015, the loan balance was at P85.0 million of which P57.0 million was paid in 2016. Of the P77.0 million loan balance as at December 31, 2016, P24.0 million and P28.0 million were fully paid in April 2017 and May 2017, respectively. The remaining P25.0 million was renewed upon its maturity with an 88-day term at 3% interest and is still outstanding as at December 31, 2017.

In June 2017, an additional P52.0 million loan was granted with 90-day term at 3% interest and was renewed thereafter, upon its maturity. In November 2017, another P50.0 million loan was granted with 88-day term at 3% interest.

Total interest income earned from these loan agreements amounted to P11.5 million for the year ended December 31, 2017 (2016 - P10.0 million; 2015 - P8.0 million). Accrued interest receivable amounted to P0.7 million as at December 31, 2017 (2016 - P1.2 million).

(d) Management fees

On February 1, 2013, the Parent Company entered into a new management agreement with Kepventure, Inc., Kepwealth Inc., KIVI, and Kepwealth Property for a monthly management fee of P2 thousand, P8 thousand, P15 thousand, and P50 thousand, respectively. The monthly management fees are subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written notice of termination at least three months prior to the expiration date. In January 2016, Kepventure, Inc., Kepwealth Inc., and Kepwealth Property increased its management fee to P2.2 thousand, P9 thousand, and P65 thousand, respectively. In January 2017, the management fee increased to P2.5 thousand, P10 thousand, and P112 thousand, respectively. The management agreement with Kepwealth Property was terminated last October 31, 2017 due to the sale of Kepwealth Property to a third party.

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

Management fees earned amounted to P1.8 million in 2017 (2016 - P1.4 million; 2015 - P1.2 million). As at December 31, 2017, there was no intention from any of the parties to terminate the management services.

(e) Key management personnel

Outstanding balance related to salaries and other employee benefits of key management personnel amounting to P5,410,567 as at December 31, 2017 is presented within accrued expenses under accounts payable and other current liabilities account in the consolidated statement of financial position (2016 - P883,660) (Note 9).

There were no long-term benefits provided to key management personnel in 2017 and 2016.

Note 11 - Share capital and share premium

The Class "A" and Class "B" shares of stock are identical in all respects and have P1 par value per share, except that Class "A" shares are restricted to ownership of Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as at December 31, 2017 and 2016. Each share has a right to one (1) vote.

Details of share capital and share premium as at December 31, 2017 and 2016 are as follows:

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

Details of the Parent Company's shares as at December 31, 2017 and 2016 are 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 December 31:

Common shares	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
2017				
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			
2016				
Class "A"	36,166,970	1.00	June 30, 2000	386
Class "B"	21,636,449	1.00	June 30, 2000	58
	57,803,419			

There are 424 total shareholders per record holding both Class A and B shares as at December 31, 2017 (2016 - 430 shareholders).

Note 12 - Retained earnings: treasury shares

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

Retained earnings are further restricted to the extent of treasury shares with the following details as at December 31, 2017 and 2016:

	Shares	Cost
Class "A"	3,674,000	13,408,963
Class "B"	11,696,081	9,214,013
	15,370,081	22,622,976

The Parent Company's BOD declared cash dividends of P0.10 per share or P5.8 million in 2017, P6.0 million in 2016 and 2015 as follows:

	2017	2016	2015
Date of declaration and approval	June 16	June 17	June 19
Date of shareholders' record	July 3	July 1	July 5
Date paid	July 27	July 27	July 30

In 2017, 2016, and 2015, GMRI declared cash dividend amounting to P131.0 million, P20.0 million and P17.0 million, respectively. Out of this amount, the Parent Company received P65.8 million, P10.0 million, and P8.5 million in 2017, 2016, and 2015, respectively. Dividend declared and paid attributable to NCI amounted to P63.2 million, P9.7 million, and P8.2 million in 2017, 2016, and 2015, respectively.

Total cash dividend paid by the Group amounted to P69.0 million, P15.7 million and P14.2 million in 2017, 2016 and 2015, respectively.

As at December 31, 2017, total unrestricted retained earnings of the Parent Company amounted to P157.6 million (2016 - P63.8 million). The amount of unrestricted retained earnings is in excess of 100% of its paid-up capital as at December 31, 2017 and 2016. The Parent Company declared and paid cash dividends on a regular basis to comply with Section 43, Power to Declare Dividends, of the Corporation Code of the Philippines. The Parent Company declares dividend based upon the favorable result of operations and the availability of unappropriated retained earnings.

Note 13 - Operating expenses

Operating expenses for the years ended December 31 consist of:

	Notes	2017	2016	2015
Salaries, wages, and employee benefits	10	11,128,786	7,469,971	6,956,757
Taxes and licenses		5,905,403	5,941,319	4,730,173
Professional fees		2,231,907	342,891	1,282,979
Provision for (recovery of) impairment losses	3, 4, 8	660,748	135,683	(1,485,355)
Utilities		574,654	545,499	506,410
Transportation and travel		572,446	607,792	499,017
Membership dues		456,000	410,184	449,608
Commission		409,846	-	92,821
Depreciation and amortization	7, 8	310,552	412,651	443,891
Office supplies		126,184	153,746	124,688
Postage		69,032	61,804	63,186
Insurance		47,259	52,460	60,993
Repairs and maintenance		39,783	44,201	45,391
Advertising		6,615	7,350	7,350
Others		1,038,409	541,039	941,776
		23,577,624	18,726,690	14,719,785

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

Note 14 - Income taxes

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

	2017	2016	2015
Current	12,839,988	4,059,757	4,368,083
Final tax on interest income	184,703	117,274	320,953
Deferred	(243,474)	5,346	(41,835)
	12,781,217	4,182,377	4,647,201

The Group's deferred income tax liability, net as at December 31 consists of the following:

	2017		2016	
	Tax base	Tax effect	Tax base	Tax effect
Deferred income tax assets to be recovered within 12 months:				
Accrued expenses	453,367	136,010	-	-
Allowance for doubtful accounts	53,850	16,158	-	-
	507,227	152,168	-	-
Deferred income tax liability to be settled after more than 12 months:				
Impact of lease straightlining	(5,488,620)	(1,646,586)	(5,792,973)	(1,737,892)
Deferred income tax liability, net	(4,981,393)	(1,494,418)	(5,792,973)	(1,737,892)

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

	2017		2016	
	Tax base	Tax effect	Tax base	Tax effect
Accrued expenses	7,514,107	2,254,232	2,879,923	883,977
Advance rentals	4,412,363	1,323,709	1,414,217	424,285
Allowance for doubtful accounts	1,807,940	542,382	1,883,823	565,147
Unearned rentals	262,560	78,768	78,770	23,631
NOLCO	11,196,327	3,358,898	11,820,320	3,546,096
	25,193,297	7,557,989	18,077,053	5,423,116
MCIT	372,199	372,199	322,307	322,307
		7,930,188		5,745,423

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

Year incurred	Expiry year	2017		2016	
		NOLCO	MCIT	NOLCO	MCIT
2017	2020	3,797,876	147,536	-	-
2016	2019	2,355,434	134,395	2,395,966	134,395
2015	2018	5,043,017	92,941	5,121,788	95,596
2014	2017	-	-	4,302,566	92,316
		11,196,327	372,199	11,820,320	322,307

The movements in NOLCO for the years ended December 31 are as follows:

	2017	2016
January 1	11,820,320	13,269,184
Addition	3,797,876	2,395,966
Application	(158,121)	-
Expired	(4,263,748)	(3,844,830)
December 31	11,196,327	11,820,320

The movements in MCIT for the years ended December 31 are as follows:

	2017	2016
January 1	322,307	281,984
Application	(7,169)	-
Addition	147,536	134,395
Expired	(90,475)	(94,072)
December 31	372,199	322,307

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

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

	2017	2016	2015
Income tax computed at statutory income tax rate of 30%	20,296,170	8,382,593	9,470,774
Additions (reductions) to income taxes resulting from:			
Non-deductible expense	125,709	104,173	107,599
Change in unrecognized deferred income tax assets	1,961,374	1,154,198	1,576,966
Interest income subjected to final tax	(34,774)	(26,860)	(82,738)
NOLCO applied	(47,437)	-	-
Non-taxable income	(1,749,375)	(5,345,806)	(973,537)
Income subjected to lower tax rate	(2,235,173)	372,289	(5,451,863)
Difference between OSD and itemized deductions	(5,535,277)	(468,390)	-
Income tax expense	12,781,217	4,182,377	4,647,201

Income tax payable as at December 31, 2017 and 2016 amounted to P1.1 million and P0.5 million, respectively.

Note 15 - Earnings per share

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

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

	Note	2017	2016	2015
Net income attributable to equity holders of the parent (a)		44,796,093	13,568,566	13,170,428
Weighted average number of shares outstanding (b)	11	57,803,419	57,803,419	60,367,419
Basic earnings per share (a, b)		0.775	0.235	0.218

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

Note 16 - Operating segments

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

	Investment Holding	Real estate	Combined	Eliminations	Consolidated
2017					
Revenue					
Third party	7,322,919	75,166,326	82,489,245	-	82,489,245
Inter-segment, including interest income	107,927,500	-	107,927,500	(107,927,500)	-
Equity in net earnings of an associate	-	8,742,280	8,742,280	-	8,742,280
Total revenue	115,250,419	83,908,606	199,159,025	(107,927,500)	91,231,525
Income before income tax	99,812,166	75,169,246	174,981,401	(107,327,500)	67,653,901
Income tax expense	(258,756)	(13,524,481)	(12,781,217)	-	(12,781,217)
Net income	99,555,403	62,644,764	162,200,184	(107,327,500)	54,872,684
Other information					
Segment assets	324,677,988	802,079,901	1,126,757,889	(111,443,959)	1,015,313,930
Segment liabilities	6,639,374	4,639,478	13,278,852	(2,175,230)	11,103,622
Depreciation and amortization	22,550	288,002	310,552	-	310,552
2016					
Revenue					
Third party	6,460,863	26,270,740	32,731,603	-	32,731,603
Inter-segment, including interest income	16,032,168	-	16,032,168	(14,410,000)	1,622,168
Equity in net earnings of an associate	-	10,314,778	10,314,778	-	10,314,778
Total revenue	22,493,031	38,585,518	61,078,567	(14,410,000)	44,668,567
Income before income tax	12,483,714	29,508,263	41,991,977	(14,050,000)	27,941,977
Income tax expense	(168,471)	(4,013,906)	(4,182,377)	-	(4,182,377)
Net income	12,315,243	25,494,357	37,809,600	(14,050,000)	23,759,600
Other information					
Segment assets	225,257,892	915,305,757	1,140,563,649	(114,019,792)	1,026,471,857
Segment liabilities	3,494,337	9,648,917	13,143,254	(4,623,062)	8,620,191
Depreciation and amortization	4,350	406,301	412,651	-	412,651
2015					
Revenue					
Third party	6,136,377	25,364,464	31,500,831	-	31,500,831
Inter-segment, including interest income	13,036,180	-	13,036,180	(13,036,180)	-
Equity in net earnings of an associate	(66,036)	14,854,238	14,788,202	-	14,788,202
Total revenue	19,106,521	40,218,692	59,325,213	(13,036,180)	46,289,033
Income before income tax	8,774,572	35,822,262	44,596,834	(13,027,586)	31,569,248
Income tax expense	(306,004)	(4,341,197)	(4,647,201)	-	(4,647,201)
Net income	8,468,568	31,481,065	39,949,633	(13,027,586)	26,922,047
Other information					
Segment assets	227,047,828	913,506,829	1,140,557,757	(114,391,791)	1,026,165,966
Segment liabilities	2,536,076	9,943,346	12,481,422	(8,123,062)	7,358,360
Depreciation and amortization	-	443,991	443,991	-	443,991

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

Rental income from KPMI amounting to P12.8 million in 2017 comprise 14.1% of the Group's revenue (2016 - P12.8 million and 28.9%; 2015 - P13.6 million and 30.0%).

Note 17 - Other matters

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

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Books of Entries of Judgments. As at January 26, 2018, the Parent Company is still awaiting on the final resolution of the RTC.

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

Note 18 - Financial risk management and capital management

18.1 Financial risk management

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

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

(a) Credit risk

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

The Group transacts mostly with related parties, thus, there is no requirement for collateral.

Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk in 2017 and 2016 pertains to the loans receivable from a related party amounting to P242.0 million and P317.0 million, respectively, which comprise 87% and 89% of the Group's loans and receivables in 2017 and 2016, respectively.

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

	2017	2016
Loans and receivables:		
Cash and cash equivalents*	87,938,929	24,311,162
Receivables:		
Loans receivable from a related party	242,000,000	317,000,000
Current portion of lease receivables**	4,404,538	1,543,451
Interest receivable	828,454	1,205,133
Due from related parties	-	58,059
	335,171,921	344,117,805

*Excluding cash on hand

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

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

	Gross maximum exposure	Net exposure
2017		
Financial assets:		
Loans and receivables:		
Cash and cash equivalents*	87,938,929	87,938,929
Receivables:		
Loans receivable from a related party	242,000,000	242,000,000
Current portion of lease receivables**	4,404,538	4,404,538
Interest receivable	828,454	828,454
	335,171,921	335,171,921
2016		
Financial assets:		
Loans and receivables:		
Cash and cash equivalents*	24,311,162	24,311,162
Receivables:		
Loans receivable from a related party	317,000,000	317,000,000
Current portion of lease receivables**	1,543,451	1,543,451
Interest receivable	1,205,133	1,205,133
Due from related parties	58,059	58,059
	344,117,805	344,117,805

*Excluding cash on hand

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

(j) Credit quality

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

	Neither past due nor impaired (High grade)	Past due but not impaired	Impaired	Total
2017				
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	87,938,929	-	-	87,938,929
Receivables:				
Loans receivable from a related party	242,000,000	-	-	242,000,000
Current portion of lease receivables	3,697,045	254,125	453,358	4,404,538
Non-trade	-	-	2,152,580	2,152,580
Interest receivable	828,454	-	-	828,454
	334,464,428	254,125	2,605,948	337,324,501
2016				
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	24,311,162	-	-	24,311,162
Receivables:				
Loans receivable from a related party	317,000,000	-	-	317,000,000
Current portion of lease receivables	1,543,451	-	-	1,543,451
Non-trade	-	-	2,152,580	2,152,580
Interest receivable	1,205,133	-	-	1,205,133
Due from related parties	58,059	-	-	58,059
	344,177,805	-	2,152,580	346,270,385

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

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

In 2017, past due but not impaired receivables are aged 90 to 120 days while impaired receivables are aged over 120 days (2016 - impaired receivables are aged over 120 days).

(i) 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 statement of financial position pertains to cash on hand which is not subject to credit risk.

(iii) Receivables

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

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

The maximum credit risk exposure is equal to the carrying amount as at December 31, 2017 and 2016 (Note 3).

Receivables from third parties

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

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

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

(b) Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan receivable with interest rate being repriced on a periodic basis. Since the Group's long-term loan was granted to a related party, there is no requirement for collateral or guaranty (Note 10).

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

	Change in interest rates	Increase (decrease) on income before income tax
Loans receivable		
2017	+21	1,055,540
	-21	(1,055,540)
2016	+5	250,691
	-5	(250,691)

The Group determined the reasonably possible change in interest rate using the percentage changes in floating rates for the past three (3) quarters for the years ended December 31, 2017 and 2016.

(c) Equity price risk

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

The Group's price risk exposure relates to its quoted available-for-sale financial asset where values will fluctuate as a result of changes in market prices.

Such quoted available-for-sale financial asset is subject to price risk due to changes in market values arising from factors specific to the instruments or its issuer or factors affecting all instruments traded in the market.

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

	Change in equity price	Increase (decrease) on other comprehensive income
Quoted club share		
2017	+3	512,821
	-3	(512,821)
2016	+15	555,000
	-15	(555,000)

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

(d) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and loans. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information. The table below summarizes the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as at December 31.

	On demand	Less than 3 months	3 to 12 months	More than one year	Total
2017					
Financial liabilities					
Accounts payable and other current liabilities*	257,086	7,116,554	-	-	7,373,640
Refundable deposits	-	-	487,080	-	487,080
	257,086	7,116,554	487,080	-	7,860,719
2016					
Financial liabilities					
Accounts payable and other current liabilities*	202,205	2,381,067	-	-	2,583,272
Refundable deposits	-	-	1,946,839	-	1,946,839
	202,205	2,381,067	1,946,839	-	4,530,111

*Excluding output VAT, advance rentals, provisions, other taxes, and payables

18.2 Capital management

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

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

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

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

	2017	2016
Total liabilities	11,103,622	8,620,191
Total equity	1,004,210,308	1,017,851,656
Debt to equity ratio	0.011:1	0.008:1

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

18.3 Fair value estimation of financial assets and liabilities

(a) Loans and receivables

Due to the short-term nature of the Group's financial instruments, the carrying amounts approximate their fair values as at December 31, 2017 and 2016. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

(b) Available-for-sale 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.

(c) Fair value hierarchy

As at December 31, 2017 and 2016, the Group classifies its quoted available-for-sale financial asset amounting to P20.0 million and P19.5 million, respectively, under Level 1 of the fair value hierarchy. During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Note 19 - Critical accounting estimates, assumptions, and judgments

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates, and assumptions that affect the amounts reported in the consolidated financial statements and the related notes. The estimates, assumptions, and judgments used are based upon management's evaluation of the relevant facts and circumstances as at the date of the consolidated financial statements. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

The estimates, assumptions, and judgments that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

19.1 Critical accounting estimates and assumptions

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to consolidated financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models such as discounted cash flow technique. The related balances are disclosed in Note 18.3.

(b) Estimated useful lives of condominium units

The Group's management determines the estimated useful lives and related depreciation and amortization charges for its condominium units. This estimate is based on the expected future economic benefit to the Group. Management will increase the depreciation and amortization charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold. Management believes that the current estimated useful lives of condominium units (Note 20.7) approximate the actual economic benefits of these assets to the Group. Further, management does not foresee any changes in terms of business operations that would warrant reassessment of estimated useful lives. The carrying values of the investment properties are disclosed in Note 7. If the estimated useful lives of condominium units differed by 10%, the Group's income before income tax would increase/decrease by P0.03 million for the years ended December 31, 2017 and 2016.

19.2 Critical accounting judgments

(a) Operating lease - Group as lessor

The Group has entered into various commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets, the present value of the minimum lease payments at inception of the lease does not substantially cover the fair value of the leased asset, absence of: i) ownership transfer at the end of the lease term; and ii) option to purchase the asset at a sufficiently lower amount than fair value. The leased assets are also not of a specialized nature. The Group's operating lease contracts are accounted for as non-cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including economic consequence to the lessee. Total rent income arising from operating leases amounted to P18.0 million for the year ended December 31, 2017 (2016 - P20.5 million; 2015 - P19.4 million).

(b) Contingencies

The Group is currently involved in a legal proceeding and claims by third parties. The estimate of the probable cost for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings and claims by third parties will have a material effect on the Group's consolidated financial statements (Note 17).

(c) Impairment of investment properties

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

As at December 31, 2017 and 2016, there are no noted indicators of impairment on the Group's investment properties. The carrying values of investment properties amounted to P205.9 million and P209.5 million as at December 31, 2017 and 2016, respectively.

(d) Determining impairment of receivables

The Group maintains an allowance for doubtful accounts on its receivables at a level considered adequate to provide for any potential uncollectible receivable. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective evidence of impairment exists for a receivable by considering the financial condition of the counterparty. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded expenses and decrease current assets. The carrying value of the Group's receivables amounted to P276.0 million and P353.7 million as at December 31, 2017 and 2016, respectively. Provision for doubtful accounts on the Group's receivables as at December 31, 2017 amounted to P2.6 million (2016 - P2.2 million). There were no past due accounts as at December 31, 2017 and 2016 that were not already provided with provision for doubtful accounts (Note 3).

(e) Determining impairment of other current assets

Management believes that the Group's input VAT and CWT may not be recoverable because of the expected future minimal transactions where the Group's input VAT and CWT will be utilized. Provision for impairment loss amounted to P3.5 million as at December 31, 2017 (2016 - P3.3 million) (Note 4).

The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. If assessment of recoverability of input VAT and CWT was favorable, the Group's recorded expense would decrease by P1.4 million in 2017 and 2016.

(f) Impairment of available-for-sale financial assets

The Group recognizes impairment losses on available-for-sale financial assets when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of market price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the market price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period). Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Group's consolidated financial statements. Allowance for impairment of available-for-sale financial assets amounted to P0.9 million as at December 31, 2017 and 2016. The carrying value of available-for-sale financial assets amounted to P20.0 million and P19.5 million as at December 31, 2017 and 2016, respectively (Note 5). Details of the sensitivity analysis performed on change in market price are shown in Note 18.1 (c).

(g) Impairment of investments in associates

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

To determine if its investment in CLI is impaired, the Group evaluates whether its ownership interest in the net assets of its associate after fair value adjustments on non-depreciable non-current assets of CLI amounting to P2,300,000,000 and P2,121,000,000 in 2017 and 2016, respectively, is less than its cost. Other factors considered are financial health, and short and long-term business outlook, including operational and financing cash flows. As at December 31, 2017, CLI's net assets after fair value adjustments amounted to P2,358,269,908 and hence, the investment is not deemed to be impaired (2016 - P2,156,890,659). The carrying value of investment in CLI amounted to P337,596,800 as at December 31, 2017 and 2016 (Note 6).

In 2016, the Group approved the write-off of KPCI and GVI, associates who were already issued with tax clearance and certificate of dissolution (Note 6).

(h) Recognition of deferred income tax assets

The Group's assessment on the recognition of certain deferred income tax assets on non-deductible temporary differences, and carryforward benefit of NOLCO and MCIT, is based on the forecasted taxable income of the following subsequent periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. Management believes that future taxable profit may not be available against which these temporary differences and carryforward benefit of NOLCO and excess MCIT can be applied, thus, no deferred income tax assets and MCIT were recognized as at December 31, 2017 and 2016 (Note 14).

Note 20 - Summary of significant accounting policies

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

20.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the consolidated financial statements are disclosed in Note 19.

Changes in accounting policies and disclosures

(a) New interpretation 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, 2017 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, 2017, 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), deals with the classification, measurement, and impairment of financial instruments, as well as hedge accounting. PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income. Currently, the Group recognizes the change in fair value of its available-for-sale financial asset in other comprehensive income. Upon adoption of PFRS 9, the Group may retain this classification. In addition, there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities designated at fair value through profit or loss and the Group does not have any such liabilities.

The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39. Given the nature of the Group's receivables and historical collection rate, the Group does not anticipate that PFRS 9 will have a material impact to the consolidated financial statements.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges. The Group has no hedging activities as at December 31, 2017 and 2016.

- PFRS 15, 'Revenue from contracts with customers'* (effective January 1, 2018), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and, thus has the ability to direct the use and obtain the benefits from the good or service. Under the new standard, the notion of control replaces the existing notion of risks and rewards. The standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, and related interpretations. A five-step process must be applied before revenue can be recognized which include: (i) identification of contracts with customers; (ii) identification of the separate performance obligation; (iii) determination of the transaction price of the contract; (iv) allocation of the transaction price to each of the separate performance obligations; and (v) recognition of revenue as each performance obligation is satisfied. Revenue may also be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) - minimum amounts must be recognized if these are not at significant risk of reversal. Further, the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa. 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, interest, and rental income, which are all fixed in amount and the period covered is defined. Additionally, leases are outside the scope of PFRS 15, and therefore, there will be no impact on the Group's consolidated financial statements upon adoption in January 2018.
- PFRS 16, 'Leases'* (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Earlier application is permitted, but only in conjunction with PFRS 15, Revenue from Contracts with Customers. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group has initially assessed that the adoption of the new standard will not have an impact on the consolidated financial statements as it is mainly the lessor in the existing lease agreements. While some differences may arise as a result of the new guidance on the definition of the lease, the Group has opted to apply such guidance only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not be reassessed and such expedient will be consistently applied to all contracts.

20.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017. The Group uses uniform accounting policies; any difference between the subsidiaries and Parent Company are adjusted properly.

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

Assessment of control

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

As at December 31, 2017 and 2016, NCI pertains to 44% and 5% ownership of KPMI Retirement Plan and KPMI, respectively in GRDC.

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

	2017			2016		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	424,916	88,728,757	90,153,672	181,153	151,482,138	151,663,291
Noncurrent assets	3,943,282	606,640,134	610,483,416	4,316,762	661,261,446	665,578,208
Total assets	4,268,197	896,368,891	700,637,088	4,497,915	812,743,584	817,241,499
Current liabilities	1,252,389	367,072	1,619,461	4,010,328	421,560	4,431,888
Noncurrent liabilities	-	1,646,566	1,646,566	-	1,692,800	1,692,800
Total liabilities	1,252,389	2,013,638	3,266,047	4,010,328	2,114,360	6,124,688
Revenue	2,915,445	10,144,493	13,059,937	548,857	10,177,820	10,724,477
Other income	-	12,396,585	12,396,585	-	18,698,008	18,698,008
Net income	2,526,221	14,728,009	17,254,230	237,923	21,644,841	21,882,764
Total comprehensive income	2,526,221	14,728,009	17,254,230	237,923	21,644,841	21,882,764
Cash flows from:						
Operating activities	(2,824,159)	4,239,095	1,414,936	(270,597)	5,065,719	4,795,122
Investing activities	3,088,800	137,915,918	140,804,718	296,000	(4,388,274)	(4,102,274)
Financing activities	-	(131,000,000)	(131,000,000)	-	(20,000,000)	(20,000,000)
Net increase (decrease) in cash and cash equivalents	264,641	10,755,013	11,019,654	26,403	(19,332,555)	(19,307,152)
Accumulated balance of material NCI	-	-	383,814,459	-	-	438,971,678
Net income attributable to material NCI	-	-	10,076,591	-	-	10,191,034

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

20.3 Cash and cash equivalents

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

20.4 Receivables

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

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

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income within operating expenses. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the consolidated statement of income.

20.5 Financial instruments

(a) Classification

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets at fair value through profit or loss. As at December 31, 2017 and 2016, the Group only has financial assets classified as loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, in which case, these are classified as non-current assets. As at December 31, 2017 and 2016, the Group's loans and receivables include cash and cash equivalents, loan receivables, current portion of lease receivables, interest receivables, and due from related parties.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the three (3) other categories. The Group designates financial instruments in this category if these are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions (Note 5).

Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value); and financial liabilities at amortized cost. The Group's financial liabilities are of the nature of 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 12 months after the reporting period which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost include accounts payable and other current liabilities (except payable to government agencies) and refundable deposits.

(b) Recognition and measurement

(i) Initial recognition and measurement

Regular purchases and sales of investments are recognized on trade date (the date on which the Group commits to purchase or sell the asset) at invoice amount. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets and liabilities are initially recognized at fair value plus transaction costs.

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Financial liabilities at amortized cost are initially recognized at fair value.

(ii) Subsequent measurement

Loans and receivables are subsequently carried at amortized cost using the effective interest method, less provision for impairment.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

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

(c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Loans and receivables

For loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in profit or loss. If loans and receivables have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period.

Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit or loss.

Impairment testing of receivables is described in Note 20.4.

(ii) Available-for-sale financial assets

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

For equity investments, a significant or prolonged decline in the fair value of security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in 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 assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e. when the obligation is discharged or is cancelled or has expired.

(e) Offsetting of financial assets and liabilities

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

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. As at December 31, 2017 and 2016, there were no offsetting arrangements.

20.6 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any dividends declared and impairment in value. If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the Group's share in the results of operations of the associates. This is included in the "Equity in net earnings of associates" account in the consolidated statement of income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.

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

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

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

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

20.7 Investment properties

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

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

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

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

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

Building and improvements	7 to 25
Condominium units	25

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

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

20.8 Property and equipment

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

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

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

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

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

20.9 Impairment of non-financial assets

Assets that have an indefinite useful life, including land held for development, investment property (carried at fair value), and investment in subsidiaries, are not subject to depreciation and amortization and are tested annually for impairment.

Assets that have definite useful life are subject to depreciation and amortization and 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 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 that are impaired are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in profit or loss.

20.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

(a) Financial instruments

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

The fair value of financial instruments 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. There are no financial instruments that fall under the Level 2 category.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. There are no financial instruments that fall under the Level 3 category. There were no transfers from one category to another in 2017 and 2016.

(b) Non-financial assets or liabilities

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Level 1 fair values of investment properties have been derived using the sales comparison approach. This comparison approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

The Group has no non-financial assets or liabilities classified under Level 2 and 3 category.

20.11 Equity

(a) Share capital and share premium

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

(b) Treasury shares

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

(c) Retained earnings

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

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

20.12 Revenue, income, and expense recognition

(a) Revenue and income

Revenue or income is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue or income can be reliably measured. In arrangements where the Group is acting as principal to its customers, revenue or income is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue or income.

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

(i) Rental income

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

(ii) Interest income

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

(iii) Management fees

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

(iv) Directors' fees

Directors' fees are recognized as the services are rendered.

(v) Dividend income

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

(b) Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

20.13 Employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and non-monetary benefits, if expected to be settled wholly within 12 months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value, if material.

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

20.14 Leases - Group as lessor

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

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

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

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from these operating leases is recognized on a straight-line basis over the lease term.

Refundable deposits

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

Advance rentals

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

20.15 Income taxes

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

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

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

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

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates, and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

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

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

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

20.16 Other assets

Revenue, expenses, and assets are recognized net of the amount of sales tax except:

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

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

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

20.17 Accounts payable and other current liabilities

Accounts payable and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. Accounts payable and other current liabilities are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payables and other current liabilities are measured at the original invoice amount (as the effect of discounting is immaterial). The relevant policies on classification, recognition, measurement and derecognition are described in Note 20.5. Payables to government agencies and advance rentals are not considered financial liabilities but are derecognized similarly.

20.18 Earnings per share

(a) Basic

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

(b) Diluted

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

20.19 Operating segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 16.

20.20 Provisions

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

20.21 Contingencies

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

20.22 Events after the financial reporting date

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

20.23 Reclassification

Certain accounts in 2016 and 2015 have been reclassified on the consolidated financial statements to conform to the current year presentation. Other income, which consists of director's fees and others amounting to P200,000 and P6,163, respectively, in 2016 and P246,000 and P317,567, respectively, in 2015, has been presented as part of revenue and income in consolidated statement of total comprehensive income. The reclassification did not have any impact on previously reported financial position, retained earnings, and net income.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as at December 31, 2017

The following table summarizes the effective standards and interpretations as at December 31, 2017:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Measurement of Cash-settled Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Implementation of			✓

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		Adopted	Not Adopted	Not Applicable
	PFRS 9*			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Transition Disclosures*	✓		
	Amendments to PFRS 7: Disclosures - Hedge Accounting*	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		Not early adopted	
	Amendments to PFRS 9: Transition Disclosures*		Not early adopted	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓

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		Adopted	Not Adopted	Not Applicable
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		
	Amendment to PFRS 15: Identifying Performance Obligations, Licenses of Intellectual Property, and Principal versus Agent Assessment*	Not early adopted		
PFRS 16	Leases*	Not early adopted		
PFRS 17	Insurance contracts*			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties	✓		

		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 38: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓

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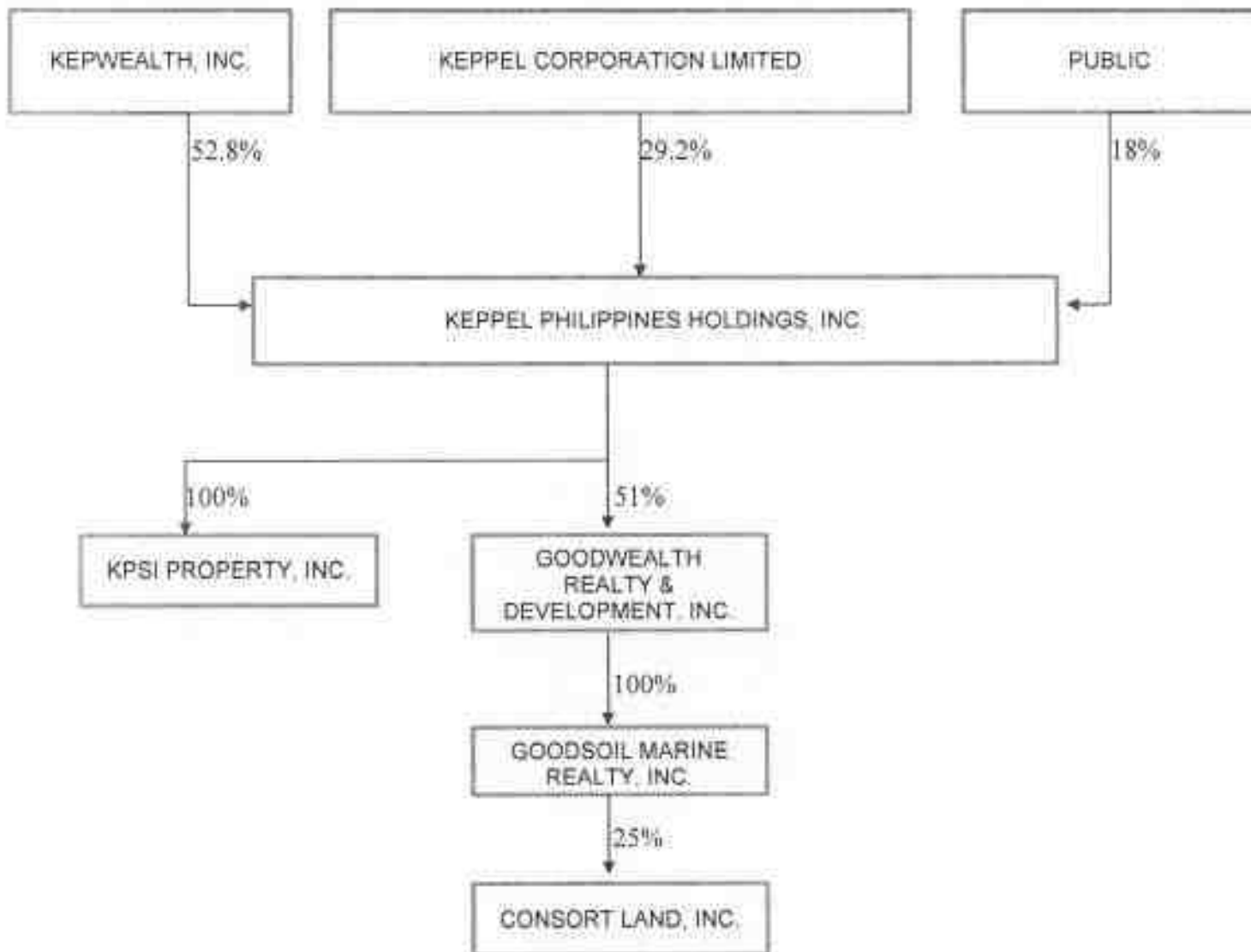
		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*			✓
IFRIC 23	Uncertainty over Income Tax Treatments*			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards, amendments and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2017 financial statements.

The standards, amendments and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2017 but will never be relevant/applicable to the Group or are currently not relevant to the Group because it has currently no related transactions.

Keppel Philippines Holdings, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
As at December 31, 2017



Keppel Philippines Holdings, Inc. and Subsidiaries

Key Financial Ratios
As at December 31, 2017 and 2016
(With comparative figures as at December 31, 2015)

	2017	2016	2015
A. Current and Liquidity Ratios			
1. Current ratio (Current assets/Current liabilities)	31.01	52.22	37.01
2. Acid test ratio or Quick ratio (Monetary current assets/Current liabilities)	30.93	52.20	36.52
B. Solvency ratio (Net income + depreciation)/Total liabilities	4.97	2.80	3.75
C. Debt to equity ratio (Total liabilities/Shareholders' equity)	0.01	0.01	0.01
D. Asset to equity ratio	1.01	1.01	1.01
E. Debt ratio (Total liabilities/Total assets)	0.01	0.01	0.01
F. Interest coverage ratio (EBIT/Interest expense)	-	-	-
G. Profitability ratios			
1. Return on assets (%) (Net income/Total assets)	5.40	2.31	2.52
2. Return on equity (%) (Net income/Shareholders' equity)	5.46	2.33	2.54
H. Earnings per share attributable to equity holders of parent (P)			
2017 and 2016 - 57,803,419 shares:	0.78	0.24	-
2015 - 60,367,419 shares:	-	-	0.22

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2017
(All amounts in Philippine Peso)

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income received and accrued
Available for sale financial assets*				
Wack-Wack Golf and Country Club, Inc.	1	20,000,000	20,000,000	-
Universal Rightfield Property Holdings, Inc.	4,400,000	1	1	-
		20,000,001	20,000,001	-
Cash and cash equivalents**	-	87,493,929	87,493,929	923,515
Receivables***	-	247,232,992	247,232,992	11,542,752
		354,726,922	354,726,922	12,466,267

* See Note 5 to the Consolidated Financial Statements.

** See Note 2 to the Consolidated Financial Statements.

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

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

As at December 31, 2017
(All amounts in Philippine Peso)

Name and designation of debtor	Beginning balance	Additions	Deduction		Current	Non-current	Ending balance
			Amount collected	Amount written-off			
Accounts receivable							
Keppel Philippines Marine, Inc.	35,030,537	13,105,812	(15,204,727)	-	3,697,045	29,334,677	32,931,722
Keppel Properties Philippines, Inc.	-	1,151,198	(1,151,198)	-	-	-	-
Keppel Energy Consultancy, Inc.	-	300,000	(300,000)	-	-	-	-
Keppel (VI) Investments, Inc.	-	180,000	(180,000)	-	-	-	-
Keppelath, Inc.	-	120,000	(120,000)	-	-	-	-
Keppelventure, Inc.	-	30,000	(30,000)	-	-	-	-
Keppel Subic Bayward, Inc.	19,506	17,833	(36,341)	-	-	-	-
	35,049,145	14,904,843	(17,022,266)	-	3,697,045	29,334,677	32,931,722
Loans receivable							
Keppel Philippines Marine, Inc.	318,188,186	144,042,752	(219,487,034)	-	205,243,904	37,500,000	242,743,904
	353,237,331	158,947,595	(235,508,300)	-	208,940,949	66,734,677	275,675,626

* Including interest receivable amounting to P=43,004 and P=185,186 as at December 31, 2017 and 2016, respectively. Information such as due dates, interest rates, terms of repayments and collateral, if any, are provided in Note 10 to the Consolidated Financial Statements.

See Notes 3 and 10 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties
 which are eliminated during the Consolidation of Financial Statements
 As at December 31, 2017
 (All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Goodweath Realty and Development Corporation	3,926,722	-	(2,800,000)	-	1,126,722	-	1,126,722
Total	3,926,722	-	(2,800,000)	-	1,126,722	-	1,126,722

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule D - Intangible Assets - Other Assets

December 31, 2017

(All amounts in Philippine Peso)

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

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule E - Long-Term Debt
As at December 31, 2017
(All amounts in Philippine Peso)

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

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule F - Indebtedness to Related Parties

As at December 31, 2017

(All amounts in Philippine Peso)

Name of affiliate	Beginning balance	Ending balance
Keppel Philippines Marine, Inc. (advance rentals)	232,956	232,956
Keppel Philippines Marine, Inc. (security deposit)	232,956	232,956
	465,912	465,912

See Notes 7 and 10 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule G - Guarantees of Securities of Other Issuers

As at December 31, 2017

(All amounts in Philippine Peso)

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

Keppel Philippines Holdings, Inc. and Subsidiaries

Schedule H - Share Capital
As at December 31, 2017
(All amounts in Philippine Peso)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by		
				Affiliates	Directors, officers, and employees	Others
Issued shares:						
Common class "A"	90,000,000	39,840,970	-	-	-	-
Common class "B"	200,000,000	33,332,530	-	-	-	-
Total	290,000,000	73,173,500	-	-	-	-
Less treasury shares:						
Common class "A"	-	3,874,000	-	-	-	-
Common class "B"	-	11,698,081	-	-	-	-
Total	-	15,370,081	-	-	-	-
Outstanding shares:						
Common class "A"	-	36,166,970	-	28,817,182	41	7,349,747
Common class "B"	-	21,636,449	-	18,609,835	3	3,026,611
Total	-	57,803,419	-	47,427,017	44	10,376,358

See Notes 11 and 12 to the Consolidated Financial Statements.

Keppel Philippines Holdings, Inc.

Reconciliation of Retained Earnings for Dividend Declaration
As at December 31, 2017
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, based on audited financial statements, beginning		86,447,999
Less: Cumulative fair value adjustment		
Unappropriated Retained Earnings, adjusted		86,447,999
Add: Net income actually earned/realized during the period	99,555,399	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)		
Unrealized actuarial gain		
Fair value adjustment		
Fair value adjustment of investment property resulting to gain		
Adjustment due to deviation from PFRS/GAAP - gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Sub-total	99,555,399	186,003,398
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)		
Net income actually earned during the period		186,003,398
Add (Less):		
Dividend declarations during the year	(5,780,342)	
Appropriations of retained earnings during the year		
Reversals of appropriations		
Effects of prior period adjustments		
Treasury shares	(22,622,976)	
Accumulated share in income of an associate		
	(28,403,318)	157,600,080