

COVER SHEET

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S.E.C Registration Number

K E P P E L P H I L I P P I N E S 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

(Company's Full Name)

U N I T 3 B C O U N T R Y S P A C E I B L D G .

1 3 3 S E N G I L P U Y A T A V E . S A L C E D O

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

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

Stefan Tong Wai Mun/
Felicidad V. Razon

Contact Person

892 1816

Company Telephone Number

1 2

Month

3 1

Day

SEC Form 17Q-June 2017

FORM TYPE

0 6

Month

1 6

Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

429 as of June 2017

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

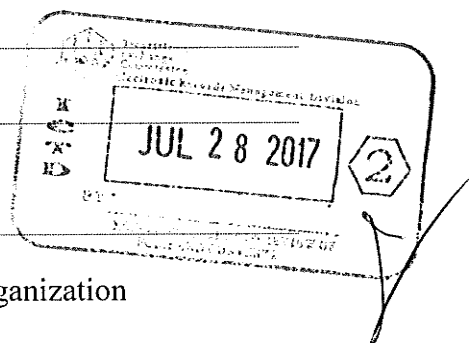
**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER**

1. For the quarterly period ended 30 June 2017

2. Commission identification number 62596

3. BIR Tax Identification No. 000-163-715-000

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



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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
Unit 3B, Country Space I Bldg., Sen. Gil Puyat Avenue 1200
Salcedo Village, Barangay Bel-Air, Makati City

8. Issuer's telephone number, including area code
(632) 892-18-16

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

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

Title of each Class	Number of shares of common stock outstanding
Common 'A'	36,166,970
Common 'B'	21,636,449
Total	57,803,419 (Net of Treasury Shares of 15,370,081)

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

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No []

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/] No []

DOCUMENTS INCORPORATED BY REFERENCE

**PART I
FINANCIAL INFORMATION**

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

**PART II
OTHER INFORMATION**

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

NONE

EXHIBIT I

JUNE 2017 QUARTERLY REPORT

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2017 & DECEMBER 31, 2016
(IN PHILIPPINE PESOS)**

	Unaudited June 30 2017	Audited December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	₱48,476,074	₱24,316,162
Receivables – net (Notes 7, 14 and 19)	180,584,286	232,306,644
Other current assets - net (Note 8)	790,407	111,025
Total Current Assets	229,850,767	256,733,831
Noncurrent Assets		
Available-for-sale financial assets (Notes 9 and 19)	19,500,001	19,500,001
Investments in associates (Note 10)	420,185,563	415,186,323
Loan receivable – net of current portion (Notes 7, 14, and 19)	128,125,000	87,500,000
Lease receivables – net of current portion (Notes 7 and 14)	33,393,855	33,855,989
Investment properties – net (Note 11)	209,340,146	209,521,488
Property and equipment - net (Note 12)	21,785	33,515
Other noncurrent assets (Note 21)	4,140,710	4,140,710
Total Noncurrent Assets	814,707,060	769,738,026
TOTAL ASSETS	₱1,044,557,827	₱1,026,471,857
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	₱5,182,095	₱3,599,231
Refundable deposits	570,805	822,239
Income tax payable	2,671,926	494,962
Total Current Liabilities	8,424,826	4,916,432
Noncurrent Liability		
Advance rentals	514,972	841,267
Refundable deposits	801,112	1,124,600
Deferred tax liability	1,716,949	1,737,892
Total Liabilities	₱11,457,859	₱8,620,191

(Forward)

	Unaudited June 30 2017	Audited December 31 2016
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	₱73,173,500	₱73,173,500
Additional paid-in capital	73,203,734	73,203,734
Retained earnings (Note 16)	458,320,071	438,203,772
Unrealized gains on available-for-sale financial assets (Note 9)	18,922,058	18,922,058
Treasury shares (Note 16)	(22,622,976)	(22,622,976)
Total Equity Attributable to Equity Holders of the Parent	600,996,387	580,880,088
Noncontrolling Interests	432,103,581	436,971,578
Total Equity	1,033,099,968	1,017,851,666
TOTAL LIABILITIES AND EQUITY	₱1,044,557,827	₱1,026,471,857

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(IN PHILIPPINE PESOS)
(UNAUDITED)**

	<u>April to June</u>		<u>January to June</u>	
	2017	2016	2017	2016
REVENUES				
Gain on sale of investment properties (Note 11)	₱18,999,996	₱ -	₱18,999,996	₱ -
Rental income (Notes 11 and 14)	4,797,292	5,070,605	9,931,325	10,119,721
Interest income (Notes 6 and 7)	3,295,976	2,741,644	6,127,251	5,423,918
Equity in net earnings of associates (Note 10)	2,901,981	2,073,343	4,999,240	5,153,823
Management fees (Note 14)	493,500	348,600	1,017,200	697,200
Total Revenues	30,488,745	10,234,192	41,075,012	21,394,662
OPERATING EXPENSES (Note 17)	(5,536,715)	(4,385,486)	(10,254,275)	(8,823,213)
OTHER INCOME				
Director's fee	20,000	90,000	40,000	110,000
Others	91,847	4,092	98,537	14,029
Total Other Income	111,847	129,322	138,537	159,259
INCOME BEFORE INCOME TAX	25,063,877	5,978,028	30,959,274	12,730,708
PROVISION FOR INCOME TAX	(4,466,559)	(970,629)	(5,574,272)	(2,078,676)
NET INCOME	₱20,597,318	₱5,007,399	₱25,385,002	₱10,652,032
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	₱17,658,203	₱2,710,715	₱20,116,299	₱5,566,669
Noncontrolling interests	2,939,115	2,296,684	5,268,703	5,085,363
	₱20,597,318	₱5,007,399	₱25,385,002	₱10,652,032
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
	₱0.305	₱0.045	₱0.348	₱0.092

No. of outstanding shares as of December 31, 2016 to date – 57,803,419; as of June 30, 2016 – 60,367,419

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(IN PHILIPPINE PESOS)
(UNAUDITED)**

	Second Quarter		To - Date	
	April to June	April to June	January to June	January to June
	2017	2016	2017	2016
NET INCOME	₱20,597,318	₱5,007,399	₱25,385,002	₱10,652,032
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Unrealized gain (loss) in AFS financial assets (Note 9)	-	2,000,000	-	1,200,000
TOTAL COMPREHENSIVE INCOME	₱20,597,318	₱7,007,399	₱25,385,002	₱11,852,032
ATTRIBUTABLE TO:				
Equity holders of the parent	₱17,658,203	₱4,710,715	₱20,116,299	₱6,766,669
Noncontrolling interest	2,939,115	2,296,684	5,268,703	5,085,353
NET INCOME	₱20,597,318	₱7,007,399	₱25,385,002	₱11,852,032

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED)
IN PHILIPPINE PESOS

	Attributable to Equity Holders of the Parent							Total	Noncontrolling Interests	Total Equity
	Unrealized									
	Capital Stock (Note 15)	Additional Paid in Capital	Retained Earnings (Note 16)	Sale Financial Assets (Note 9)	Treasury Shares (Note 15 and 16)	Gain on Available-for- Sale				
Balance as of January 1, 2017	₱73,173,500	₱73,203,734	₱438,203,772	₱18,922,058	(₱22,622,976)	₱580,880,088	₱436,971,578	₱1,017,851,666		
Net income	-	-	20,116,299	-	-	20,116,299	5,268,703	25,385,002		
Net gain on available-for-sale financial assets	-	-	-	-	-	-	(10,136,700)	(10,136,700)		
Total comprehensive income	-	-	20,116,299	-	-	20,116,299	5,268,703	25,385,002		
Cash dividend declared	-	-	-	-	-	-	(10,136,700)	(10,136,700)		
Balance as of June 30, 2017	₱73,173,500	₱73,203,734	₱458,320,071	₱18,922,058	(₱22,622,976)	₱600,996,387	₱432,103,581	₱1,033,099,968		
Balance as of January 1, 2016	₱73,173,500	₱73,203,734	₱430,671,948	₱15,222,058	(₱9,898,178)	₱582,373,062	₱436,434,544	₱1,018,807,606		
Net income	-	-	5,566,669	-	-	5,566,669	5,085,363	10,652,032		
Net (loss) on available-for- sale financial assets	-	-	-	1,200,000	-	1,200,000	-	1,200,000		
Total comprehensive income	-	-	5,566,669	1,200,000	-	6,766,669	5,085,363	11,852,032		
Cash dividend declared	-	-	-	-	-	-	(9,654,000)	(9,654,000)		
Balance as of June 30, 2016	₱73,173,500	₱73,203,734	₱436,238,617	₱16,422,058	(₱9,898,178)	₱589,139,731	₱431,865,907	₱1,021,005,638		

See Accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(IN PHILIPPINE PESOS)
(UNAUDITED)

	JUNE 30 2017	JUNE 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱30,959,274	₱12,730,708
Adjustments for:		
Depreciation (Notes 11, 12, and 17)	193,068	205,578
Provision for impairment losses (Note 8)	111,070	400,220
Equity in net earnings of associates (Note 10)	(4,999,240)	(5,153,823)
Interest income (Notes 6, 7 and 14)	(6,127,251)	(5,423,918)
Gain on sale of investment properties (Note 11)	(18,999,996)	-
Operating income before working capital changes	1,136,925	2,758,765
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	(20,280)	286,640
Other assets (Note 8)	(790,452)	(320,030)
Increase (decrease) in:		
Accounts payable and other current liabilities	1,256,569	993,562
Refundable deposits	(574,922)	16,514
Net cash generated from operations	1,007,840	3,735,451
Income tax paid	(3,418,251)	(2,136,348)
Net cash provided by (used in) operating activities	(2,410,411)	1,599,103
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of loan receivable from related party	81,375,000	32,000,000
Proceeds from sale of investment properties	19,000,000	-
Interest received	6,332,023	5,346,266
Cash dividends received (Note 10)	-	6,113,169
Loans granted to a related party	(70,000,000)	(53,346,000)
Net cash provided by (used in) investing activities	36,707,023	(9,886,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid to noncontrolling interest (Note 16)	(10,136,700)	(9,654,000)
Net cash provided by (used in) financing activities	(10,136,700)	(9,654,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,159,912	(17,941,462)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,316,162	55,133,375
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	₱48,476,074	₱37,191,913

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in Philippine Pesos)

1. Corporate Information

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

KPHI shares are publicly traded in the Philippine Stock Exchange (PSE). As of June 30, 2017, the top three shareholders are the following:

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

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

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

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The unaudited consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

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

Assessment of Control

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

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

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

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

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

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

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

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

As of June 30, 2017 and December 31, 2016, NCI pertains to 49% and 5% ownership of KPMIRP and KPMI, respectively in GRDC.

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

	June 30, 2017			December 31, 2016		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	₱241,818	₱96,087,600	₱96,329,418	₱181,153	₱151,482,138	₱151,663,291
Noncurrent assets	4,277,008	701,424,312	705,701,320	4,316,762	661,261,446	665,578,208
Total assets	4,518,826	797,511,912	802,030,738	4,497,915	812,743,584	817,241,499
Current liabilities	3,704,378	475,840	4,180,218	4,010,328	421,560	4,431,888
Noncurrent liabilities	-	1,669,693	1,669,693	-	1,692,800	1,692,800
Total liabilities	3,704,378	2,145,533	5,849,911	4,010,328	2,114,360	6,124,688
Revenue	436,315	5,100,736	5,537,051	546,857	10,177,620	10,724,477
Other income	-	4,529,687	4,529,687	-	18,656,006	18,656,006
Net income	326,860	5,737,156	6,064,016	237,923	21,644,841	21,882,764
Total comprehensive income	326,860	5,737,156	6,064,016	237,923	21,644,841	21,882,764
Cash flows from:						
Operating activities	(265,440)	6,059,158	5,793,718	(270,597)	5,065,719	4,795,122
Investing activities	310,800	11,375,000	11,685,800	296,000	(4,398,274)	(4,102,274)
Financing activities	-	(21,000,000)	(21,000,000)	-	(20,000,000)	(20,000,000)
Net increase (decrease) in cash and cash equivalents	45,360	(3,565,842)	(3,520,482)	25,403	(19,332,555)	(19,307,152)
Accumulated balance of material NCI	-	-	432,103,581	-	-	436,971,578
Net income attributable to material NCI	-	-	5,268,703	-	-	10,191,034

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

3. Summary of Changes in Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

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

There are no new standards, amendments to existing standards, and interpretations which are effective for the financial year beginning on January 1, 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). The Group intends to adopt the standard when becomes effective but the Group has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its financial instruments are limited to loans and receivables, and financial liabilities at amortized cost.
- PFRS 15, '*Revenue from contracts with customers*' (effective January 1, 2018). The Group has yet to assess the full impact of the standard, but initially does not expect to have material changes on its current accounting treatment of existing lease agreements.
- PFRS 16, '*Leases*' (effective January 1, 2019). The Group does not foresee any significant effect on the consolidated financial statements as it is mainly the lessor in the existing lease agreements. However, it will continue its assessment and finalize the same upon effective date of the new standard.

4. Significant Accounting Policies

The Group's disclosures on significant accounting principles and policies and practices are substantially the same with the disclosures made in December 31, 2016 audited financial statements and for the period ended June 30, 2017. Any additional disclosures on the significant changes of accounts and subsequent events are disclosed in the succeeding notes and presented in the Management Discussion and Analysis.

5. Significant Accounting Judgment, Estimates and Assumptions

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

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

As of June 30, 2017, there were no judgment, seasonal or cyclical aspects that materially affect the operation of the Group, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in the estimates of amounts reported in December 31, 2016 audited financial statements, and no unusual items that materially affect the Group's assets, liabilities, equity, net income or cash flows.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited June 30 2017	Audited December 31 2016
Cash on hand	P5,000	P5,000
Cash on in banks	2,008,740	3,551,179
Cash equivalents	46,462,334	20,759,983
	P48,476,074	P24,316,162

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at annual interest that ranged from 1.75% and 1.375% during the first half of 2017 and from 1.0% to 1.5% in 2016, respectively,

Interest income on cash and cash equivalents amounted to ₱0.3 million and ₱0.2 million for the periods ended June 30, 2017 and 2016, respectively. Accrued interest receivable from cash and cash equivalents amounted to ₱0.04 million as of June 30, 2017 and ₱0.02 million in December 31, 2016.

7. Receivables

This account consists of:

	Unaudited June 30 2017	Audited December 31 2016
Loan receivable from a related party (Note 14)	₱305,625,000	₱317,000,000
Lease receivables:		
Related parties	34,562,936	34,991,086
Others	683,981	408,355
	340,871,917	352,399,441
Nontrade	2,152,580	2,152,580
Interest receivable (Note 14)	1,000,361	1,205,133
Due from related parties (Note 14)	230,863	58,059
	344,255,721	355,815,213
Less noncurrent portion:		
Loan receivables (Note 14)	128,125,000	87,500,000
Lease receivables	33,393,855	33,855,989
	161,518,855	121,355,989
	182,736,866	234,459,224
Less provision for doubtful accounts	2,152,580	2,152,580
	₱180,584,286	₱232,306,644

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

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

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

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

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

8. Other Current Assets - net

This account consists of:

	Unaudited June 30 2017	Audited December 31 2016
Creditable withholding taxes (CWT)	₱2,471,848	₱2,032,442
Input VAT	975,939	1,268,275
Prepaid expenses	311,355	-
Deposits	55,645	60,645
Others	344,207	7,180
	4,158,994	3,368,542
Less allowance for impairment loss	3,368,587	3,257,517
	₱790,407	₱111,025

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

Unaudited June 30, 2017	Input VAT	CWT	Total
Balance at the beginning of the period	₱1,225,075	₱2,032,442	₱3,257,517
Provision for the period	119,785	512,945	632,730
Recovery of provision	(448,121)	(73,539)	(521,660)
Net provision (recovery)	(328,336)	439,406	111,070
Balance at the end of the period	₱896,739	₱2,471,848	₱3,368,587
Audited December 31, 2016	Input VAT	CWT	Total
Balance at the beginning of the period	₱1,840,054	₱1,281,800	₱3,121,854
Provision for the year	140,053	885,037	1,025,090
Recovery of provision	(755,032)	(134,395)	(889,427)
Net provision (recovery)	(614,979)	750,642	135,663
Balance at the end of the period	₱1,225,075	₱2,032,442	₱3,257,517

The Group recovered input VAT and CWT amounting to ₱0.4 million and ₱0.07 million, respectively as of June 30, 2017 (2016 - ₱0.03 million and nil, respectively) and such were applied against output VAT and income tax due, respectively.

9. Available-for-Sale Financial Assets

This account consists of investments in golf club shares:

	Unaudited June 30 2017	Audited December 31 2016
Quoted share—at fair value (cost ₱577,943)	₱19,500,001	₱19,500,001
Unquoted share - at cost	880,000	880,000
	20,380,001	20,380,001
Less allowance for impairment	880,000	880,000
	₱19,500,001	₱19,500,001

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

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

	Unaudited June 30 2017	Audited December 31 2016
Balance at the beginning of the period	₱19,500,001	₱15,800,001
Fair value gain	-	3,700,000
Balance at the end of the period	₱19,500,001	₱19,500,001

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

	Unaudited June 30 2017	Audited December 31 2016
Balance at the beginning of the period	₱18,922,058	₱15,222,058
Fair value gain	-	3,700,000
Balance at the end of the period	₱18,922,058	₱18,922,058

10. Investments in Associates – at equity

This account consists of:

	Unaudited June 30 2017	Audited December 31 2016
Investments in associates	₱337,596,800	₱842,948,496
Investment write-off	-	(505,351,696)
	337,596,800	337,596,800
Accumulated shares in net income (losses):		
Balance at beginning of the period	77,589,523	(426,973,437)
Equity in net earnings of associates	4,999,240	10,314,776
Cash dividend received	-	(11,103,512)
Write-off	-	505,351,696
Balance at end of the period	82,588,763	77,589,523
	₱420,185,563	₱415,186,323

The details of investments and advances accounted for under the equity method as of June 30, 2017 and December 31, 2016 follows:

	KPCI		GVI		CLI		Total	
	June 30 2016	December 31 2016	June 30 2016	December 31 2016	June 30 2016	December 31 2016	June 30 2016	December 31 2016
Investments	₱-	₱273,518,182	₱-	₱231,833,514	₱337,596,800	₱337,596,800	₱337,596,800	₱842,948,496
Investments write-off	-	(273,518,182)	-	(231,833,514)	-	-	-	(505,351,696)
	-	-	-	-	337,596,800	337,596,800	337,596,800	337,596,800
Accumulated share in net earnings (losses):								
Balance at beginning of the period	-	(273,518,182)	-	(231,833,514)	77,589,523	78,378,259	77,589,523	(426,973,437)
Equity in net earnings	-	-	-	-	4,999,240	10,314,776	4,999,240	10,314,776
Cash dividend received	-	-	-	-	-	(11,103,512)	-	(11,103,512)
Write-off	-	273,518,182	-	231,833,514	-	-	-	505,351,696
	-	-	-	-	82,588,763	77,589,523	82,588,763	77,589,523
Balance at the end of the period	₱-	₱-	₱-	₱-	₱420,185,563	₱415,186,323	₱420,185,563	₱415,186,323

The Group has written-off its investments in KP Capital, Inc. (KPCI) and Goodwealth Ventures, Inc. (GVI) amounting to ₱505.4 million in 2016. The write-off did not impact the net assets, results of operations, and cash flows as these investments were fully provided for in 2015.

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 amendment of the Articles of Incorporation to shorten KPCI's corporate existence. KPCI filed notices to the SEC and Bureau of Internal Revenue (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, SEC approved the amendment of the Articles of Incorporation to shorten KPCI's existence and correspondingly issued a certificate of dissolution. KPCI has no assets, liabilities and equity as at and for the year ended December 31, 2016.

GVI, an entity involved in investment holding with the same principal 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 BIR on July 22, 2013 and July 31, 2013, respectively. The BIR issued tax clearance on May 25, 2015 and SEC approved the shortening of corporate term on November 3, 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. and cash of ₱2.0 million were approved. The Group received ₱1.6 million from GVI as liquidating dividend.

CLI

CLI is involved in property leasing and power sales with the same principal place of business as KPHI. GMRI has 25% ownership in CLI, thus has a significant influence in CLI. KPHI has 13% effective ownership in CLI.

For the period ended June 30, 2017 and 2016, the Group's equity in net earnings of CLI amounted to ₱5.0 million and ₱5.2 million, respectively. In June 2016, CLI declared cash dividend and GMRI received ₱6.1 million. CLI has not declared dividend as of June 30, 2017.

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

CLI's financial information as of and for the periods ended June 30, 2017 and December 31, 2016 follows:

	Unaudited June 30 2017	Audited December 31 2016
Current assets	₱75,867,023	₱50,887,520
Noncurrent assets	255,140,306	259,100,163
Total assets	331,007,329	309,987,683
Current liabilities	24,274,864	23,252,178
Total liabilities	24,274,864	23,252,178
Revenue	82,799,752	148,209,191
Income before income tax	21,730,610	44,416,372
Total comprehensive income	19,996,960	41,259,105
Net assets	306,732,465	286,735,505
Share in net assets at 13% effective ownership	39,875,221	37,275,616
Acquisitions at fair value and other adjustments	380,310,342	377,910,707
Carrying value of investment	₱420,185,563	₱415,186,323

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

11. Investment Properties

This account consists of:

	Unaudited June 30, 2017			
	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the period	₱205,901,939	₱2,609,001	₱25,342,689	₱233,853,629
Disposal	-	-	(7,952,909)	(7,952,909)
	₱205,901,939	₱2,609,001	₱17,389,780	₱225,900,720
Accumulated depreciation:				
Balance at beginning	-	2,135,524	22,196,617	24,332,141
Depreciation	-	39,753	141,585	181,338
Disposal	-	-	(7,952,905)	(7,952,905)
Balance at end of the period	-	2,175,277	14,385,297	16,560,574
Net book value	₱205,901,939	₱433,724	₱3,004,483	₱209,340,146

Audited December 31, 2016

	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the year	P205,901,939	P2,609,001	P25,342,689	P233,853,629
Accumulated depreciation:				
Balance at beginning of year	-	2,025,491	21,913,448	23,938,939
Depreciation	-	110,033	283,169	393,202
Balance at end of year	-	2,135,524	22,196,617	24,332,141
Net book value	P205,901,939	P473,477	P3,146,072	P209,521,488

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

The investment properties have an aggregate fair value of P919.6 million based on an appraisal by an independent appraiser in November 2016. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison.

Rental income attributable to the investment properties amounted to P9.9 million and P10.1 million for the periods ended June 30, 2017 and 2016, respectively.

In May 2017, condominium units with original costs of P8.0 million and P4 book value was sold for P19.0 million.

12. Property and Equipment

This account consists of:

	Unaudited June 30, 2017			
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
Balance at beginning and end of the period	P5,397,020	P368,455	P776,186	P6,541,661
Accumulated depreciation:				
Balance at beginning	5,397,017	337,976	773,153	6,508,146
Depreciation	-	8,700	3,030	11,730
Balance at end of the period	5,397,017	346,676	776,183	6,519,876
Net Book Value	P3	P21,779	P3	P21,785

	Audited December 31, 2016			
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	P5,397,020	P333,634	P776,186	P6,506,840
Acquisition	-	34,821	-	34,821
	P5,397,020	P368,455	P776,186	P6,541,661
Accumulated depreciation:				
Balance at beginning of the period	5,397,017	330,767	760,913	6,488,697
Depreciation	-	7,209	12,240	19,449
Balance at end of the period	5,397,017	337,976	773,153	6,508,146
Net Book Value	P3	P30,479	P3,033	P33,515

Fully depreciated assets amounting to P6.3 million are still in use as of June 30, 2017 and December 31, 2016.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited June 30 2017	Audited December 31 2016
Accrued expenses	₱3,776,759	₱2,195,063
Advance Rentals:		
Related parties (Note 14)	232,956	232,956
Third parties	337,851	494,478
Payable to government agencies	369,503	209,757
Accounts payable	186,004	186,004
Others	279,022	280,974
	₱5,182,095	₱3,599,231

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

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

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

Accounts payable pertains to security deposit arising from expired lease contracts. These are noninterest-bearing and are due and demandable.

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

14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) parties owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; and (b) associates.

Terms and Conditions of Transactions with Related Parties

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

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

- a. GMRI has lease agreement with KPMI, an affiliate, covering the properties in the site of KPMI's shipyard for a period of 50 years beginning 1993. Rent income based on straight-line method amounted to ₱4.8 million as of June 30, 2017 and 2016. Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱34.3 million and ₱34.7 million as of June 30, 2017 and December 31, 2016, respectively.

GMRI also leases a parcel of land to KPMI for one year from January 1, 2017 to December 31, 2017. Rental income derived from these transactions amounted to ₱0.2 million as of June 30, 2017 and 2016. Advance rentals and deposits of KPMI amounted to ₱0.2 million as at June 30, 2017 and December 31, 2016 which will be applied against the rent due at the end of the contract. Outstanding lease receivable as of June 30, 2017 and December 31, 2016 amounted to ₱0.04 million.

- b. GRDC leased its properties to KPMI for one year and renewable annually. Rental income amounted to ₱0.1 million both for the periods ended June 30, 2017 and 2016. The outstanding lease receivables amounted to

₱0.02 million as of June 30, 2017 and December 31, 2016. Advance rentals and deposits from KPMI amounted to ₱0.04 million as of June 30, 2017 and December 31, 2016.

- c. KPSI leases certain properties to KPMI, Keppel IVI Investment, Inc., Keppel Philippine Properties, Inc., and Keppel Energy Consultancy, Inc., its affiliates, for a period of one year, renewable annually. Rental income amounted to ₱0.7 million and ₱0.6 million for the periods ended June 30, 2017 and 2016, respectively. Outstanding receivables with KPMI amounted to ₱0.04 million as of June 30, 2017 and December 31, 2016.
- d. In 2008, the Parent Company and KPMI entered into a lease agreement, whereby the Parent Company leased to KPMI a piece of land which is the subject of complaint against Philippine National Oil Company (PNOC). The lease is for a period of one year subject to renewal. Rental income derived from the land amounted to ₱1.1 million both during the periods ending June 30, 2017 and 2016. Outstanding receivables with KPMI as of June 30, 2017 and December 31, 2016 both amounted to ₱0.2 million.
- e. The Parent Company provides accounting services to its affiliates and related parties. Management fees earned ₱1.3 million and ₱0.9 million as of June 30, 2017 and 2016, respectively.
- f. GMRI granted short-term and long-term loan to KPMI as follows:

	Release Date	Principal Amount	Balance as of December 31, 2016	Transactions as of June 30, 2017		Balance as of June 30, 2017	Terms and Conditions
				Availment	Payment		
Long-term	September 5, 2014	₱200,000,000	₱137,500,000	₱-	₱25,000,000	₱112,500,000	5-year, 4 equal quarterly installment, interest subject to repricing semi-annual, option for repayment, interest rates - 3.5% to 4.6%
	February 24, 2017	87,500,000	-	87,500,000	4,375,000	83,125,000	
			137,500,000	87,500,000	29,375,000	195,625,000	5-year, 4.7%
Short-term	October to December 2016	87,500,000	87,500,000	-	87,500,000	-	45-90 days, 2.8% to 3.2%, converted to long-term loan
	June 16, 2017	18,000,000	-	18,000,000	-	-	90 days, 3%
			87,500,000	18,000,000	₱87,500,000	₱18,000,000	
			₱225,000,000	₱105,500,000	₱116,875,000	₱213,625,000	

The ₱87.5 million short-term loan of KPMI as of December 31, 2016 was converted to long-term loan in February 2017. It has five-year term, quarterly payment of principal and interest at 4.7% subject to repricing on a semi-annual basis and rate is based on market.

Of the total outstanding long-term loan of KPMI as of June 30, 2017 amounted to ₱195.6 million (₱67.5 million, current; ₱128.1 million, non-current). Interest income recognized from both the short-term and long-term loans to KPMI amounted to ₱4.4 million and ₱3.6 million for the six-month ended June 30, 2017 and 2016, respectively. Accrued interest receivable amounted to ₱0.7 million both as of June 30, 2017 and December 31, 2016.

- g. The Parent Company granted short-term loans to KPMI as follows:

Release Date	Principal Amount	Balance as of December 31, 2016	Transactions as of June 30, 2017		Balance as of June 30, 2017	Terms and Conditions
			Availment	Payment		
October 7, 2016	₱25,000,000	₱25,000,000	₱-	₱-	₱25,000,000	45-90 days, extended, interest at 2.9% to 3.5%
October 19, 2016	24,000,000	24,000,000	-	24,000,000	-	90 days, 2.8%
November 29, 2016	28,000,000	28,000,000	-	28,000,000	-	90 days, 3.25%
June 16, 2017	52,000,000	-	52,000,000	-	52,000,000	45-90 days, subject to extension, interest at 3%
			₱77,000,000	₱52,000,000	₱52,000,000	₱77,000,000

Interest income recognized from these loans by the Parent Company amounted to ₱1.1 million as of June 30, 2017 and ₱1.4 million as of June 30, 2016. Accrued interest receivable amounted to ₱0.1 million as of June 30, 2017 and ₱0.4 million as of December 31, 2016.

- h. KPSI has outstanding short-term loan to KPMI as of December 31, 2016 amounting to ₱15.0 million with 90-day term at 3.2%. This was extended for another 90-day term upon its maturity and interest ranged from 3.2%

to 3.5%. As of June 30, 2017, the current short-term loan of P15.0 million loan will mature on July 13, 2017. Interest income recognized from the short-term loans amounted to P0.2 million in both periods ending June 30, 2017 and 2016. Accrued interest receivable amounted to P0.1 million as of June 30, 2017 and December 31, 2016.

- i. In 2014, the Parent Company entered into a Memorandum of Undertaking (MOU) with KPMI to assist the latter in providing the relevant documents required to qualify to bid for projects for a 1% share in revenue. The Parent Company received no commission as of June 30, 2017 and for the year ended 2016.
- j. Other transactions with related parties consist of reimbursement or sharing of common expenses such as legal, communication and business development expenses.

15. Capital Stock

The Class "A" and Class "B" shares of stock are identical in all respects and have P1 par value, except that Class "A" shares are restricted in ownership to Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as of June 30, 2017. Authorized and issued shares as of June 30, 2017 and December 31, 2016 as follows:

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

Details of the Parent Company's shares as at June 30, 2017 and June 30, 2016 as follows:

	June 30 2017	June 30 2016
Treasury shares		
Class " A "	3,674,000	1,110,000
Class " B "	11,696,081	11,696,081
	15,370,081	12,806,081
Weighted average number of shares		
Class " A "	36,166,970	38,730,970
Class " B "	21,636,449	21,636,449
	57,803,419	60,367,419

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as at June 30, 2017 and 2016:

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders of Securities
June 30, 2017				
Class " A "	36,166,970	1.00	June 30, 2000	386
Class " B "	21,636,449	1.00	June 30, 2000	57
	57,803,419			
June 30, 2016				
Class " A "	38,730,970	1.00	June 30, 2000	387
Class " B "	21,636,449	1.00	June 30, 2000	60
	60,367,419			

There are 429 and 432 total shareholders per record holding both Class "A" and "B" shares as of June 30, 2017 and 2016, respectively.

16. Retained Earnings and Treasury Shares

The portion of retained earnings corresponding to the undistributed equity in net earnings of the associates is not available for distribution as dividends until declared by the associates. Retained earnings are further restricted to the extent of with the following details as of June 30, 2017 and June 30, 2016.

	Shares		Cost	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
Class " A "	3,674,000	1,110,000	₱13,408,963	₱684,165
Class " B "	11,696,081	11,696,081	9,214,013	9,214,013
	15,370,081	12,806,081	₱ 22,622,976	₱ 9,898,178

In March 2017 and February 2016, GMRI declared cash dividend amounting to ₱21.0 million and ₱20.0 million, respectively. Out of this amount, the Parent Company received ₱10.6 million and ₱10.0 million while dividend attributable to NCI amounted to ₱10.1 million and ₱9.7 million in March 2017 and February 2016, respectively.

17. Operating Expenses

This account consists of:

	Unaudited June 30 2017	Unaudited June 30 2016
Salaries, wages, and employees' benefits	₱5,071,121	₱3,747,971
Taxes and licenses	2,941,201	2,611,142
Professional fees	546,624	699,660
Utilities	278,751	239,634
Transportation and travel	236,595	242,480
Membership dues and subscriptions	206,720	211,838
Depreciation and amortization	193,068	205,578
Provision for impairment losses	111,070	435,228
Office supplies	98,548	106,763
Rental expense	48,000	48,000
Insurance	34,025	39,737
Repairs and maintenance	21,221	32,906
Postages	20,323	21,189
Others	447,008	180,865
	₱10,254,275	₱8,822,991

Other expenses consist of annual stockholders meeting expenses, out-of-pocket charges, bank charges, business development expenses and various items that are individually immaterial.

18. Segment Information

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

	Unaudited June 30, 2017				
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱2,337,082	₱32,721,490	₱35,058,572	₱	₱35,058,572
Inter-segment	13,369,700	-	13,369,700	(12,352,500)	1,017,200
Equity in net earnings of an associate	-	4,999,240	4,999,240	-	4,999,240
Total Revenue	15,706,782	37,720,730	53,427,512	(12,352,500)	41,075,012
Income before tax	9,335,394	33,676,380	43,011,774	(12,052,500)	30,959,274
Provision for income tax	(110,553)	(5,463,719)	(5,574,272)	-	(5,574,272)
Net Income	9,224,841	28,212,661	37,437,502	(12,052,500)	25,385,002

<i>Other Information</i>					
Segment assets	236,223,880	922,125,738	1,158,349,618	(113,791,791)	1,044,557,827
Segment liabilities	5,235,484	10,745,437	15,980,921	(4,523,062)	11,457,859
Depreciation & amortization	8,700	184,368	193,068	-	193,068

Audited December 31, 2016

	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱6,203,664	₱26,270,740	₱32,474,404	₱	₱32,474,404
Inter-segment	16,032,168	-	16,032,168	(14,410,000)	1,622,168
Equity in net earnings of an associate	-	10,314,776	10,314,776	-	10,314,776
Total revenue	22,235,832	36,585,516	58,821,348	(14,410,000)	44,411,348
Income before tax	12,483,714	29,508,263	41,991,977	(14,050,000)	27,941,977
Provision for income tax	(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

<i>Other Information</i>					
Segment assets	225,257,892	915,305,757	1,140,563,649	(114,091,792)	1,026,471,857
Segment liabilities	3,494,337	9,948,917	13,443,254	(4,823,063)	8,620,191
Depreciation & amortization	4,350	408,301	412,651	-	412,651

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

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

Rental income from KPMI amounted to ₱6.8 million both for the periods ended June 30, 2017 and 2016. Rental from KPMI comprises more than 17% of the Group's revenue for the period.

19. Financial Risk Management Objectives and Policies

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

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

Credit risk

Credit risk pertains to the risk that a party to financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group transacts mostly with related parties, thus, there is no requirement for collateral. Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk as of June 30, 2017 pertains to loan receivable from a related company amounting to ₱305.6 million, which comprise 89% of the Group's loan and receivables.

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

	Unaudited June 30 2017	Audited December 31 2016
<i>Loans and receivables</i>		
Cash and cash equivalents *	P48,471,074	P24,311,162
Receivables		
Loan receivable from related party	305,625,000	317,000,000
Current portion of lease receivables**	1,853,062	1,543,451
Interest receivable	1,000,361	1,205,133
Due from related party	230,863	58,059
	P357,180,360	P344,117,805

*Excluding cash on hand

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

Credit quality

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

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

Cash in bank

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

Receivables

Loan, lease, interest and other receivables from related parties

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

Receivables from third parties

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

Interest rate risk

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

Equity Price Risk

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

Liquidity Risk

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

Capital Management

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

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

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

The debt to equity ratios as of June 30, 2017 and December 31, 2016 are as follows:

	Unaudited June 30 2017	Audited December 31 2016
Total liabilities	₱11,457,859	₱8,620,191
Total equity	1,033,099,968	1,017,851,666
Debt to equity ratio	0.011:1	0.008:1

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

Fair Values

Due to the short-term nature of the Group's financial instruments, the fair values approximate their carrying amounts as of June 30, 2017 and December 31, 2016. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

AFS Financial Assets

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

Fair Value Hierarchy

As of June 30, 2017 and December 31, 2016, the Group classifies its quoted available-for-sale financial asset amounting to ₱19.5 million in both periods, under Level 1 of the fair value hierarchy. During the reporting periods ending June 30, 2017 and December 31, 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.

20. Financial Soundness (Key Performance) Indicators

	Unaudited June 30 2017	Audited December 31 2016
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	27.28	52.22
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	27.19	52.20
B. Solvency Ratio (annualized) (Net Income + Depreciation)/Total Liabilities	4.46	2.80
C. Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	0.01	0.01
D. Asset to Equity Ratio	1.01	1.01
E. Debt Ratio (Total Liabilities/Total Assets)	0.01	0.01
F. Interest Rate Coverage Ratio (EBIT/Interest Expense)	Nil	Nil
G. Profitability % (annualized)		
1. Return on Assets (Net Income/Total Assets)	4.86	2.31
2. Return on Equity (Net Income/Stockholders Equity)	4.91	2.33
H. Earnings per Share Attributable to Equity Holders of Parent (₱) (Annualized)	0.70	0.24
I. Book Value per Share Attributable to Equity Holders of the Parent (₱)	10.40	10.05

21. Other Matters

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

In July 2012, PNOC filed with the Supreme Court (SC) a petition for review on certiorari of the decision of the CA. In July 2016, 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 for the determination of whether the Parent Company meets the required Filipino ownership to allow it to acquire full title to the land. On December 2016, SC decision became final and executory and was recorded in the Book of Entries of Judgments.

The Parent Company deposited ₱4.1 million with the Court which is presented under "Other noncurrent assets" account in the consolidated statements of financial position. The said piece of land is the subject of a lease agreement between the Parent Company and KPML (see Note 14)

Aging of Receivable as at June 30, 2017:

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Long-term loan receivable - current	₱177,500,000	₱177,500,000				
Lease receivables - current	1,853,062	1,853,062		-	-	-
Interest receivable	1,000,361	1,000,361	-	-	-	-
Due from related parties	230,863	230,863				
Nontrade - receivables	2,152,580	-	-	-	-	₱2,152,580
Total	182,736,866	180,584,286	-	-	-	2,152,580
Less Allowance for doubtful accounts	2,152,580	-	-	-	-	2,152,580
Net Receivables	₱180,584,286	180,584,286	-	-	-	-

EXHIBIT II

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

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

Results of Operations

The Group recorded a net income of ₱25.4 million for the six-month ended June 30, 2017 as against ₱10.7 million in same period last year. The 138% increase was mainly due to sale of investment properties partially offset by higher operating expenses and provision for income tax.

Revenue for the six-months ended June 30, 2017 amounted to ₱41.1 million, 92% higher than ₱21.4 million earned in same period last year. This was due to the following: a) ₱19.0 million gain on sale of investment properties; b) interest income from loan receivables and from banks amounting to ₱6.1 million which was higher than ₱5.4 million as of June 2016; and, c) management fee increased from ₱1.0 million as against previous period of ₱0.7 million. The increase was slightly offset by lower rental income this period of ₱9.9 million as against ₱10.1 million in June 2016 and lower equity in net earnings of associates of ₱5.0 million as against last year of ₱5.2 million.

Operating expenses of ₱10.3 million for the six-month period was higher by 16% as against ₱8.8 million last June 30, 2016. This was brought mainly by higher salaries and benefits of ₱5.1 million as compared with ₱3.7 million as of June 2016. This was due to transfer of a staff from related party to KPH and accrual of retirement benefits of staff. The increase was also due to higher taxes and licenses, utilities and others. This was partially offset by lower professional fees, travel and transportation, provision for doubtful accounts, membership dues and subscriptions.

The Group did not have any fair value gain or loss on AFS financial assets this period as against last year of ₱1.2 million.

Financial Condition

The cash position of the Group as of June 30, 2017 amounted ₱48.5 million higher by ₱24.2 million as against ₱24.3 million as of December 31, 2016. The increase was mainly due to receipt of ₱29.4 million as payment from long-term loan receivable, proceed from sale of investment properties of ₱19.0 million and ₱6.3 million interests received from loan receivable and short-term deposits. This was partially offset by payment of dividends to noncontrolling interest of ₱10.1 million and granting of new loans of ₱18.0 million.

Total receivables net of allowance amounted to ₱342.1 million and ₱353.7 million in June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, current receivable amounted to ₱180.6 million while long-term receivable amounted to ₱161.5 million. As against December 31, 2016, current receivable amounted to ₱232.3 million and long-term receivable amounted to ₱121.4 million. Major transactions during the period came from a) the conversion of short-term loan of ₱87.5 million to long-term loan; b) ₱29.4 million of the long-term loan and ₱52.0 million of the short-term loan were paid; and c) new short-term loans of ₱70.0 million were granted at 3.0% interest.

Other current assets as of this period increased to ₱0.8 million as against ₱0.1 million as of December 2016 due to prepaid expenses.

Available-for-sale financial assets as of June 30, 2017 amounted to ₱19.5 million same as of December 31, 2016. Investments in associates increased from ₱415.2 million as of December 2016 to ₱420.2 million as of June 30, 2017. The increase of ₱5.0 million was due mainly to the recognition of equity in net earnings of associate. Investment properties decreased from ₱209.6 million as of December 31, 2016 to ₱209.4 million this period due to depreciation. Investment properties with ₱4.00 book value was disposed at a price of ₱19.0 million. There was no acquisition made during the period.

Total liabilities increased from ₱8.6 million as of December 31, 2016 to ₱11.5 million as of June 30, 2017 mainly due to higher income tax payable and accruals of retirement and other benefits.

The equity attributable to equity holders of the Parent Company as of June 30, 2017 amounted to ₱601.0 million as against last December 31, 2016 of ₱580.9 million. This was due to net income attributable to Parent Company of ₱20.1 million for the six-month ended June 30, 2017.

Noncontrolling interests as of June 30, 2017 amounted to ₱432.1 million as against last December 31, 2016 of ₱437.0 million. The decrease was due to the net effect of net income attributable to the noncontrolling interests of ₱5.3 million for the period ending June 30, 2017 offset by the ₱10.1 million dividend payment.

The book value per share attributable to equity holders of the parent (equity attributable to equity holders of the parent divided by common shares outstanding) at ₱10.40 as of June 30, 2017 higher than in December 31, 2016 at ₱10.05 per share.

Earnings per share attributable to the equity holders of the Parent (net earnings for the period divided by common shares outstanding) as shown in the consolidated statement of income for the period ending June 30, 2017 was ₱0.35 higher than as of June 30, 2016 of ₱0.09 per share.

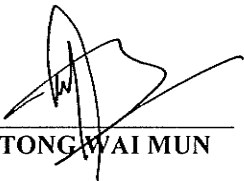
Material Events and Uncertainties


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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **KEPPEL PHILIPPINES HOLDINGS, INC.**

Signature and Title : 
STEFAN TONG WAI MUN
President


FELICIDAD V. RAZON
VP/Treasurer

Date : 28 July 2017