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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000062596
Company Name	KEPPEL PHILS. HOLDINGS INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

6	2	5	9	6						

S.E.C Registration Number

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

UNIT 3B COUNTRY SPACE I BLDG. 133 SEN GIL PUYAT AVE. SALCEDO VIL. BRGY BELAIR MAKATI CITY

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

Alan I. Claveria/
Felicidad V. Razon

Contact Person

8892 1816

Company Telephone Number

1	2		3	1
Month			*Day*	

SEC Form 17Q-September 2019

FORM TYPE

0	6		2	1
Month			*Day*	

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

421 as of 31 October 2019

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 September 2019**

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
Unit 3B, Country Space I Bldg., Sen. Gil Puyat Avenue Salcedo Village, Barangay Bel-Air, Makati City
Postal Code **1200**

8. Issuer's telephone number, including area code
(632) 8892-18-16

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 1
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

SEPTEMBER 2019
QUARTERLY REPORT

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019 & DECEMBER 31, 2018
(IN PHILIPPINE PESOS)

	Unaudited September 30 2019	Audited December 31 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	**₱56,283,639**	₱39,482,151
Receivables – net (Notes 7, 14 and 19)	**278,709,142**	277,255,220
Other current assets - net (Note 8)	**2,089,663**	1,014,501
Total Current Assets	**337,082,444**	317,751,872
Noncurrent Assets		
Financial assets at fair value through other comprehensive income, net	**36,000,001**	35,000,001
Investment in associates (Note 10)	**417,757,188**	421,739,664
Lease receivables – net of current portion (Notes 7 and 14)	**27,617,211**	28,310,410
Investment properties – net (Note 11)	**205,288,439**	205,288,439
Property and equipment - net (Note 12)	**255,678**	98,896
Other noncurrent assets (Note 21)	**4,140,710**	4,140,710
Total Noncurrent Assets	**691,059,227**	694,578,120
TOTAL ASSETS	**₱1,028,141,671**	₱1,012,329,992
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	**₱14,679,897**	₱14,547,091
Refundable deposits	**762,630**	2,409,883
Income tax payable	**297,052**	677,714
Total Current Liabilities	**15,739,579**	17,634,688
Noncurrent Liability		
Deferred tax liability	**1,565,713**	1,600,372
	1,565,713	1,600,372
Total Liabilities	**17,305,292**	19,235,060

(Forward)

	Unaudited September 30 2019	Audited December 31 2018
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)	**487,266,698**	476,686,367
Investment revaluation reserve (Note 9)	**35,422,058**	34,422,058
Treasury shares (Note 16)	**(22,622,976)**	(22,622,976)
Total Equity Attributable to Equity Holders of the Parent	**646,443,014**	634,862,683
Noncontrolling Interests	**364,393,365**	358,232,249
Total Equity	**1,010,836,379**	993,094,932
TOTAL LIABILITIES AND EQUITY	**₱1,028,141,671**	₱1,012,329,992

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(IN PHILIPPINE PESOS)
(UNAUDITED)

	Second Quarter July to September		To – Date January to September	
	2019	2018	**2019**	2018
REVENUES				
Rental income (Notes 11 and 14)	**₱4,396,618**	₱6,878,054	**₱23,037,783**	₱13,920,390
Interest income (Notes 6 and 7)	**4,746,663**	2,975,167	**14,469,284**	8,429,006
Equity in net earnings of associates (Note 10)	**2,304,930**	2,340,754	**6,497,243**	7,727,637
Management fees (Note 14)	**189,000**	189,000	**567,000**	567,000
Total Revenues	**11,637,211**	12,382,975	**44,571,310**	30,644,033
OPERATING EXPENSES (Note 17)	**(6,526,988)**	(8,247,832)	**(20,332,568)**	(18,969,271)
OTHER INCOME	**274,491**	305,214	**328,358**	848,079
INCOME BEFORE INCOME TAX	**5,384,714**	4,440,357	**24,567,100**	12,522,841
PROVISION FOR INCOME TAX	**(630,622)**	(486,202)	**(2,045,311)**	(1,583,331)
NET INCOME	**₱4,754,092**	₱3,954,155	**₱22,521,789**	₱10,939,510
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	**₱2,615,631**	₱1,890,680	**₱16,360,673**	₱4,239,973
Noncontrolling interests	**2,138,461**	2,063,475	**6,161,116**	6,699,537
	₱4,754,092	₱3,954,155	**₱22,521,789**	₱6,985,355
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**₱0.045**	₱0.033	**₱0.283**	₱0.073

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(IN PHILIPPINE PESOS)
(UNAUDITED)

	Second Quarter		To - Date	
	July to September		January to September	
	2019	2018	**2019**	2018
NET INCOME	**₱4,754,092**	₱3,954,155	**₱22,521,789**	₱10,939,510
OTHER COMPREHENSIVE INCOME				
Item that may be subsequently reclassified to profit and loss:				
Unrealized fair value gain on available-for-sale financial assets (Note 9)	**1,000,000**	-	**1,000,000**	15,000,000
TOTAL COMPREHENSIVE INCOME	**₱5,754,092**	₱3,954,155	**₱23,521,789**	₱25,939,510
ATTRIBUTABLE TO:				
Equityholders of the parent	**₱3,615,631**	₱1,890,680	**₱17,360,673**	₱19,239,973
Noncontrolling interest	**2,138,461**	2,063,475	**6,161,116**	6,699,537
NET INCOME	**₱5,754,092**	₱3,954,155	**₱23,521,789**	₱25,939,510

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)
IN PHILIPPINE PESOS

	Attributable to Equity Holders of the Parent							
	Capital Stock (Note 15)	Additional Paid in Capital	Retained Earnings (Note 16)	Investment Revaluation Reserve (Note 9)	Treasury Shares (Note 15 and 16)	Total	Noncontrolling Interests	Total Equity
Balance as of January 1, 2019	**₱73,173,500**	**₱73,203,734**	**₱476,686,367**	**₱34,422,058**	**(₱22,622,976)**	**₱634,862,683**	**₱358,232,249**	**₱993,094,932**
Net income	-	-	**16,360,673**	-	-	**16,360,673**	**6,161,116**	**22,521,789**
Unrealized fair value gain on financial assets through other comprehensive income	-	-	-	**1,000,000**	-	**1,000,000**	-	**1,000,000**
Total comprehensive income	-	-	**16,360,673**	**1,000,000**	-	**17,360,673**	**6,161,116**	**23,521,789**
Cash dividend declared	-	-	**(5,780,342)**	-	-	**(5,780,342)**	-	**(5,780,342)**
Balance as of September 30, 2019	**₱73,173,500**	**₱73,203,734**	**₱487,266,698**	**₱35,422,058**	**(₱22,622,976)**	**₱646,443,014**	**₱364,393,365**	**₱1,010,836,379**
Balance as of January 1, 2018	₱73,173,500	₱73,203,734	₱477,219,523	₱19,422,058	(₱22,622,976)	₱620,395,839	₱383,814,469	₱1,004,210,308
Net income	-	-	4,239,973	-	-	4,239,973	6,699,537	10,939,510
Unrealized fair value gain on available-for-sale financial assets	-	-	-	15,000,000	-	15,000,000	-	15,000,000
Total comprehensive income	-	-	4,239,973	15,000,000	-	17,349,293	6,699,537	25,939.510
Cash dividend declared	-	-	(5,780,342)	-	-	-	(9,654,000)	(15,434,342)
Balance as of September 30, 2018	₱73,173,500	₱73,203,734	₱476,679,154	₱34,422,058	(₱22,622,976)	₱633,855,470	₱380,860,006	₱1,014,715,476

See Accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(IN PHILIPPINE PESOS)
(UNAUDITED)

	September 30 2019	September 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱24,567,100**	₱12,522,841
Adjustments for:		
Provision for impairment losses – net (Note 8)	**2,033,321**	344,371
Depreciation (Notes 11, 12, and 17)	**78,629**	238,581
Provision for (recovery of) uncollectible accounts (Note 7)	-	(453,368)
Equity in net earnings of associates (Note 10)	**(6,497,243)**	(7,727,637)
Interest income (Notes 6, 7 and 14)	**(14,469,284)**	(8,429,006)
Operating income (loss) before working capital changes	**5,712,523**	(3,504,218)
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	**(916,785)**	(256,500)
Other assets (Note 8)	**(3,108,483)**	(1,822,934)
Increase (decrease) in:		
Accounts payable and other current liabilities	**132,806**	4,815,740
Refundable deposits	**(1,647,253)**	1,229,303
Net cash generated from operations	**172,808**	461,391
Income tax paid	**(2,460,632)**	(2,537,053)
Net cash provided by (used in) operating activities	**(2,287,824)**	(2,075,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**14,625,346**	7,927,161
Cash dividends received	**10,479,719**	8,733,099
Acquisition of property and equipment	**(235,411)**	(44,357)
Collection of loan receivable from related party	-	87,500,000
Loans granted to a related party	-	(120,000,000)
Net cash provided by (used in) investing activities	**24,869,654**	(15,884,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend paid to stockholders	**(5,780,342)**	(5,780,342)
Cash dividends paid to noncontrolling interest (Note16)	-	(9,654,000)
Net cash provided by (used in) financing activities	**(5,780,342)**	(15,434,342)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,801,488**	(33,394,101)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**39,482,151**	87,943,929
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**₱56,283,639**	₱54,549,828

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

Keppel Philippines Holdings, Inc. (KPHI or the Parent Company) and its subsidiaries, KPSI Property, Inc. (KPSI) and Goodwealth Realty 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 with registered office address is Unit 3-B Country Space 1 Building, 133 Sen. Gil Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City. The Parent Company is involved in investment holding while the subsidiaries are in the real estate industry.

In 1987, the Parent Company became a publicly listed entity through initial public offering (IPO) of its shares. There was no follow on offering after the IPO.

KPHI's shares are publicly traded in the Philippine Stock Exchange (PSE). As of September 30, 2019 and December 31, 2018, the top three (3) shareholders are the following:

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

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

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

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

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

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

The Parent Company has 5 regular employees as at September 30, 2019 (2018 – 7 employees). The administrative functions of the subsidiaries are handled by the Parent Company's management.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The unaudited 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 interpretation 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 unaudited consolidated financial statements have been prepared on a historical cost convention, as modified by the revaluation of financial asset at FVOCI/available-for-sale financial assets. 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.

The preparation of the unaudited 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 complexity, or areas where estimates and assumptions are significant to the consolidated financial statements.

Basis of Consolidation

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

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

Assessment of Control

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

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

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

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 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 of loss or retained earnings, an appropriate as would be required if the Group had directly disposed of the related assets and liabilities

As of September 30, 2019 and December 31, 2018, NCI pertains to 44% and 5% ownership of KPMIRP and KPMI, respectively in GRDC.

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

	Unaudited September 30, 2019			Audited December 31, 2018		
	GRDC	**GMRI**	**Total**	GRDC	GMRI	Total
Current assets	**₱645,287**	**₱87,864,186**	**₱88,509,473**	₱2,665,879	₱70,606,483	₱73,272,362
Noncurrent assets	**3,229,783**	**571,219,712**	**574,449,495**	3,229,782	571,912,912	575,142,694
Total assets	**3,875,070**	**659,083,898**	**662,958,968**	5,895,661	642,519,395	648,415,056
Current liabilities	**248,087**	**737,716**	**985,803**	2,316,473	646,939	2,963,412
Noncurrent liabilities	**-**	**1,565,713**	**1,565,713**	-	1,600,373	1,600,373
Total liabilities	**248,087**	**2,303,429**	**2,551,516**	2,316,473	2,247,312	4,563,785
Revenue	**189,542**	**21,324,365**	**21,513,907**	2,173,373	10,024,592	12,197,965
Other income	**-**	**9,000**	**9,000**	1,036,000	13,206,327	14,242,327
Net income (loss)	**47,795**	**16,508,387**	**16,556,182**	2,063,381	15,916,850	17,980,231
Total comprehensive income (loss)	**47,795**	**16,508,387**	**16,556,182**	2,063,381	15,916,850	17,980,231

Cash flows from:						
Operating activities	**(2,051,272)**	**1,753,583**	**(297,689)**	(1,095,036)	4,479,768	3,384,732
Investing activities	**-**	**13,524,074**	**13,524,074**	3,336,000	50,547,602	53,883,602
Financing activities	**-**	**-**	**-**	-	(70,000,000)	(70,000,000)
Net increase (decrease) in cash and cash equivalents	**(2,051,272)**	**15,277,657**	**13,226,385**	2,240,964	(14,972,630)	(12,730,666)
Accumulated balance of material NCI	**-**	**-**	**364,393,365**	-	-	358,232,249
Net income attributable to material NCI	**-**	**-**	**6,161,116**	-	-	8,941,780

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

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2018:

- PFRS 9, *'Financial instruments* (effective January 1, 2018). Upon adoption of PFRS 9, the Group retained its recognition policy for change in fair value of available-for-sale financial asset in other comprehensive income. In addition, the adoption did not impact 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 did not recognize additional provision for impairment for losses.

  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 and changed, making hedge accounting easier and less costly to achieve for many hedges. The Group has no hedging activities as at September 30, 2019 and December 31, 2018.

- PFRS 15, '*Revenue from contracts with customers*' (effective January 1, 2018). The Group adopted the standard on January 1, 2018 but did not impact its consolidated financial statements as its revenues are mainly derived from management and director's fees, dividends, interests, and rental income, which are all fixed in amount and the period covered is defined. Additionally, the leases are outside the scope of PFRS 15 and therefore, there will be no significant impact on the Group's financial statements upon January 1, 2018.

(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, 2019 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 16, *'Leases'* (effective January 1, 2019). The Group will continue to assess the impact of PFRS 16 closer to the date of mandatory adoption (Group as lessor) but has initially assessed it to not have significant impact on the consolidated financial statements since lease term is only for 12 months agreements. However, it will continue its assessment and finalize the same upon effective date with annual renewal.

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, 2018 audited financial statements and for the period ended September 30, 2019. 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 September 30, 2019, 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, 2018 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 September 30 2019	**Audited December 31 2018**
Cash equivalents	**₱49,987,793**	₱28,396,321
Cash in banks	**6,295,846**	11,080,830
Cash on hand	-	5,000
	₱56,283,639	₱39,482,151

Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earned interest at annual interest that ranged from 3.25% to 5.25% during the nine-months period ending September 30, 2019 and 2.0% to 5.0% in 2018. Cash in banks earn interest at the prevailing bank deposit rates.

Interest income on cash and cash equivalents amounted to ₱1.4 million and ₱1.1 million for the periods ended September 30, 2019 and 2018, respectively. Accrued interest receivable from cash and cash equivalents amounted to ₱0.1 million both for the periods ended September 30, 2019 and December 31, 2018.

7. Receivables

This account consists of:

	Unaudited September 30 2019	Audited December 31 2018
Loan receivable from a related party (Note 14)	**₱272,000,000**	₱272,000,000
Lease receivables:		
Related parties	**32,489,293**	32,007,455
External party	**345,000**	-
	304,834,293	304,007,455
Nontrade	**2,152,580**	2,152,580
Interest receivable (Note 14)	**1,402,113**	1,558,175
Due from related parties (Note 14)	**74,028**	-
Others	**15,919**	-
	308,478,933	307,718,210
Less noncurrent portion:		
Lease receivables (Note 14)	**27,617,211**	28,310,410
	280,861,722	279,407,800
Less allowance for doubtful accounts	**2,152,580**	2,152,580
	₱278,709,142	₱277,255,220

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

Current portion of lease receivables and due from related parties are non-interest bearing and are generally 30 to 60-day terms. The noncurrent portion of lease receivables pertains to the difference between straight line method and contractual annual rents. These amounts are expected to reverse more than one (1) 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 two (2) years and has been fully provided for.

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

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

The Parent Company recognized provision for doubtful accounts related to its third-party receivables amounting to ₱0.5 million for the year ended December 31, 2017 which was recovered in June 30, 2018. These accounts pertain to terminated lease contracts with third-party customers that have history of defaults.

8. Other Current Assets - net

This account consists of:

	Unaudited September 30 2019	Audited December 31 2018
Creditable withholding taxes (CWT)	**₱6,652,400**	₱4,562,235
Prepaid expenses	**1,097,371**	5,929
Advances to employees	**468,360**	395,135
Input VAT	**279,000**	344,334
Deposits	**29,630**	55,645
Others	**-**	55,000
	8,526,761	5,418,278
Less allowance for impairment loss	**6,437,098**	4,403,777
	₱2,089,663	₱1,014,501

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

Unaudited September 30, 2019	**Input VAT**	**CWT**	**Total**
Balance at the beginning of the period	-	**₱4,403,777**	**₱4,403,777**
Provision for the period	-	**2,033,321**	**2,033,321**
Recovery of provision	-	**-**	**-**
Net provision (recovery)	-	**2,033,321**	**2,033,321**
Balance at the end of the period	-	**₱6,437,098**	**₱6,437,098**

Audited December 31, 2018	Input VAT	CWT	Total
Balance at the beginning of the period	₱642,987	₱2,810,307	₱3,453,294
Provision for the year	-	1,636,660	1,636,660
Recovery of provision	(642,987)	(43,190)	(686,177)
Net provision (recovery)	(642,987)	1,593,470	950,483
Balance at the end of the period	-	₱4,403,777	₱4,403,777

In December 31, 2018, the Group recovered input VAT and CWT amounting to ₱0.6 million and ₱0.04 million, respectively, and such were applied against output VAT and income tax due, respectively. There is no recovery of provision as of September 30, 2019.

9. Financial assets through other comprehensive income

This account consists of investments in golf club shares:

	Unaudited September 30 2019	Audited December 31 2018
Quoted share–at fair value (cost ₱577,943)	**₱36,000,001**	₱35,000,001
Unquoted share - at cost	**880,000**	880,000
	36,880,001	35,880,001
Less allowance for impairment	**880,000**	880,000
	₱36,000,001	₱35,000,001

Financial assets at fair value through other comprehensive income (FVOCI), net as at December 31, 2018 were previously classified as available-for-sale financial assets, net.

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 equity investments is as follows:

	Unaudited September 30 2019	Audited December 31 2018
Balance at the beginning of the period	**₱35,000,001**	₱20,000,001
Fair value gain	**1,000,000**	15,000,000
Balance at the end of the period	**₱36,000,001**	₱35,000,001

The movement of investment revaluation reserve for the period is as follows:

	Unaudited September 30 2019	Audited December 31 2018
Balance at the beginning of the period	**₱34,422,058**	₱19,422,058
Fair value gain	**1,000,000**	15,000,000
Balance at the end of the period	**₱35,422,058**	₱34,422,058

10. Investment in Associates – at equity

This account consists of:

	Unaudited September 30 2019	Audited December 31 2018
Investment in associate - CLI	**₱337,596,800**	₱337,596,800
Accumulated share in net income:		
Balance at beginning of the period	**84,142,864**	82,838,564
Equity in net earnings of associate	**6,497,243**	10,037,399
Cash dividend received	**(10,479,719)**	(8,733,099)
Balance at end of the period	**80,160,388**	84,142,864
	₱417,757,188	₱421,739,664

CLI

GMRI owns 25% investment or 17,466,196 shares out of 70,000,000 shares in CLI, a company incorporated in the Philippines, as at September 30, 2019 and December 31, 2018. CLI is involved in property leasing and power distribution with the same principal place of business as KPHI.

KPMI has a Share Purchase Agreement with GMRI for the transfer of 2,950,000 shares dated September 6, 2012. As at this period, the agreement is still awaiting the issuance of tax clearance before the actual transfer of shares. However, GMRI is already exercising 25% beneficial ownership to CLI.

CLI's financial information for the periods ended September 30, 2019 and December 31, 2018 follows:

	Unaudited September 30 2019	Audited December 31 2018
Current assets	**₱67,891,916**	₱80,008,907
Noncurrent assets	**253,349,898**	254,610,779
Total assets	**321,241,814**	334,619,686
Current liabilities	**24,398,617**	21,765,461
Total liabilities	**24,398,617**	21,765,461
Net assets	**296,843,197**	312,854,225
Revenue	**117,025,123**	164,591,451
Income before income tax	**28,214,888**	43,247,488
Other comprehensive income	**-**	-
Total comprehensive income	**25,988,973**	40,149,597

The Group has 13% effective ownership in net assets of CLI or ₱38.6 million share in net asset (stated at cost) as at September 30, 2019 (December 31, 2018 – ₱ 40.7 million). The non-current assets of CLI represent prime lots held for appreciation, which are carried at cost. The fair value of the property is ₱2.3 billion as at December 31, 2018 based on the latest valuation report of an independent appraiser.

For the nine-month period ended September 30, 2019 and 2018, the Group's equity in net earnings of CLI amounted to ₱6.5 million and ₱7.7 million, respectively. The Group received dividend from CLI the amount ₱10.5 million and ₱8.7 million for the nine-month period ended September 30, 2019 and 2018, respectively.

The difference between the share in net asset and carrying amount of the investment amounting to ₱417.8 million as of September 30, 2019 pertains to fair value adjustments on prime land holdings of CLI (December 31, 2018 - ₱421.7 million).

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 any loans and advances made by the Group. There are no contingent liabilities relating to the Group's investment in associate.

11. Investment Properties - net

This account consists of:

	Unaudited September 30, 2019			
	Land	**Building**	**Condominium Units**	**Total**
Cost:				
Balance at beginning and end of the period	**₱205,288,439**	**₱-**	**₱3,689,178**	**₱208,977,617**
Accumulated depreciation:				
Balance at beginning	–	-	**3,689,178**	**3,689,178**
Depreciation	–	-	-	-
Balance at end of the period	–	-	**3,689,178**	**3,689,178**
Net book value	**₱205,288,439**	**₱-**	**₱-**	**₱205,288,439**

	Audited December 31, 2018			
	Land	Building	Condominium Units	Total
Cost:				
January 1	₱205,666,439	₱854,751	₱3,689,178	₱210,210,368
Disposal	(378,000)	(854,751)	-	(1,232,751)
December 31	205,288,439	-	3,689,178	208,977,617
Accumulated depreciation:				
January 1	–	619,250	3,689,178	4,308,428
Depreciation	–	235,501	-	235,501
Disposal	–	(854,751)	-	(854,751)
December 31	–	-	3,689,178	3,689,178
Net book value	₱205,288,439	-	-	₱205,288,439

In 2018, the Group sold a certain land, building and improvements with carrying value of P0.4 million, for a total consideration of ₱2.3 million resulting in a gain on sale amounting to ₱1.9 million.

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

The investment properties have an aggregate fair value of ₱1,022.0 million based on an appraisal by an independent appraiser in December 2018. The fair value of the investment properties was determined using inputs such as discount rates, terminal yields, expected vacancy rates as estimated by the independent appraiser or management based on comparable transactions and industry data.

Rental income attributable to the investment properties for the periods ended September 30, 2019 and 2018 consists of the following:

	Unaudited September 30, 2019	Unaudited September 30, 2018
Third parties	**₱13,110,649**	₱3,984,255
Related parties	**9,927,134**	9,936,135
	₱23,037,783	₱13,920,390

Details of the advance rentals and refundable deposits received from third party and related customers as at September 30, 2019 and December 31, 2018 are as follows:

	Unaudited September 30, 2019			Audited December 31, 2018		
	Third parties	**Related**	**Total**	Third parties	Related	Total
Advance rentals - Current	**₱392,174**	**₱232,956**	**₱625,130**	₱-	₱232,956	₱232,956
Refundable deposits - Current	**529,674**	**232,956**	**762,630**	2,176,927	232,956	2,409,883

12. Property and Equipment

This account consists of:

	Unaudited September 30, 2019			
	Commercial Building	**Office machine, furniture and fixtures**	**Transportation Equipment**	**Total**
Cost:				
January 1	**₱5,397,020**	**₱456,715**	**₱776,186**	**₱6,629,921**
Additions	**-**	**235,411**	**-**	**235,411**
September 30	**5,397,020**	**692,126**	**776,186**	**6,865,332**
Accumulated depreciation:				
January 1	**5,397,020**	**357,819**	**776,186**	**6,531,025**
Depreciation	**-**	**78,629**	**-**	**78,629**
September 30	**5,397,020**	**436,448**	**776,186**	**6,609,654**
Net Book Value	**-**	**₱255,678**	**-**	**₱255,678**

	Audited December 31, 2018			
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	₱5,397,020	₱495,224	₱776,186	₱668,430
Additions	-	44,357	-	44,357
Write-off	-	(82,866)	-	(82,866)
December 31	₱5,397,020	₱456,715	₱776,186	₱6,629,921
Accumulated depreciation:				
January 1	5,397,020	360,534	776,186	6,533,740
Depreciation	-	80,151	-	80,151
Write-off	-	(82,866)	-	(82,866)
December 31	5,397,020	357,819	776,186	6,531,025
Net Book Value	-	₱98,896	-	₱98,896

The assets written off in 2018 pertain to fully depreciated and obsolete office furniture and fixtures.

Fully depreciated assets amounting to ₱6.5 million are still in use as of September 30, 2019 and December 31, 2018.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited September 30 2019	**Audited December 31 2018**
Accrued expenses	**₱13,363,146**	₱12,131,413
Advance rentals	**625,130**	232,956
Payable to government agencies	**258,955**	515,943
Unearned rent	**57,500**	613,581
Others	**375,166**	1,053,198
	₱14,679,897	₱14,547,091

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, fringe and other employee benefits. 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 and withholding taxes, which are normally settled within one (1) month after the reporting period.

Unearned rent pertains to rental income received in advance.

Other accounts payable pertains to unclaimed monies or dividends by stockholders & others which are noninterest-bearing and due and demandable at balance sheet date.

14. Related Party Transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Significant related transactions and balances as of September 30, 2019 and December 31, 2018 follow:

		As of September 30, 2019		As of December 31, 2018		
Related Party	**Notes**	**Transactions Jan to September**	**Outstanding receivable (payable)**	Transactions (annual)	Outstanding receivable (payable)	**Terms and conditions**
Entities under common control						
Rental Income (a)						
KPMI		**₱9,612,134**	**₱32,459,293**	₱12,825,179	₱32,007,455	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is non-interest bearing and unsecured.
Keppel IVI Investments, Inc. (KIVI)		**225,000**	-	300,000	-	
Keppel Energy and Consultancy Inc. (KECI)		**90,000**	**30,000**	120,000	-	
	7	**9,927,134**	**32,489,293**	13,245,179	32,007,455	
Advance rental and deposit – KPMI (a)						
Advance rentals	13	-	**(232,956)**	-	(232,956)	The outstanding balance is unsecured and non-interest bearing.
Refundable deposits		-	**(232,956)**	-	(232,956)	
Various expenses and charges (b)						
KPMI		**119,522**	**1,790**	1,332,982	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Kepwealth		**23,250**	-	-	-	
KECI		**18,540**	**3,238**	-	-	
Kepventure, Inc.		**11,624**				
KIVI		**11,187**				
KCL		**9,000**	**9,000**	-	-	
Keppel Subic Shipyard, Inc. (KSSI)		**977**	-	18,621	-	
	7	**194,100**	**14,028**	1,351,603	-	
Loans – KPMI (c)	7	-	**272,000,000**	150,000,000	272,000,000	These are interest bearing and unsecured.
Collection of loan receivables		-	-	120,000,000	-	
Interest income - KPMI		**13,067,680**	**1,341,944**	10,720,062	1,479,386	
Management fees (d)						
Kepwealth, Inc.		**207,000**	-	276,000	-	
KECI		**180,000**	**60,000**	240,000	-	
KIVI		**135,000**	-	180,000	-	
Kepventure, Inc.		**45,000**	-	60,000	-	
		567,000	**60,000**	756,000	-	
Other Income (e)						
Commission – KPMI		-		412,611	-	
Director's Fees						
KPPI		**200,000**		270,000		
KPMI		**60,000**	-	60,000	-	
		260,000	-	742,611	-	
Associates						
Cash dividend received	10	**10,479,719**	-	8,733,099	-	
Shareholders – Unclaimed dividends or monies						The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as agreed by the BOD.
KPHI	13	-	**(364,321)**	5,780,432	(318,198)	
KPMI Retirement Plan	13	-	-	660,000	(660,000)	
KPMI	13	-	-	75,000	(75,000)	
		-	**(364,321)**	6,515,432	(1,053,198)	
Key management personnel (f)						
Salaries and other employee benefits	13,17	**8,144,473**	**(11,158,951)**	14,791,536	(9,852,839)	The outstanding payable is unsecured, non-interest bearing, payable every designated period on employee contracts.

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

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

(a) Lease agreements

(i) GMRI has lease agreement with KPMI, an affiliate, covering the properties in the site of KPMI's shipyard for a period of 50 years beginning 1993. Rent income based on straight-line method amounted to ₱7.2 million as of September 30, 2019 and 2018. Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱32.2 million as of September 30, 2019 (December 31, 2018 - ₱32.0 million).

In 2015, GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on January 1, 2015, subject to yearly renewal. Rental income derived from these transactions amounted to ₱0.3 million as of September 30, 2019 and 2018. Advance rentals and deposits of KPMI amounted to ₱0.1 million as at September 30, 2019 and December 31, 2018 which will be applied against the rent due at the end of the contract. Outstanding receivable as of September 30, 2019 amounted to ₱0.04 million (December 31, 2018 – nil).

(ii) GRDC leases its properties to KPMI, for a period of one (1) year commencing on January 1, 2015, subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. Rental income amounted to ₱0.2 million as of September 30, 2019 and 2018. Outstanding receivable as of September 30, 2019 amounted to ₱0.02 million (December 31, 2018 – nil).

(iii) KPSI leases certain properties to KPMI, KIVI, and KECI for a period of one (1) year, renewable annually. Rental income amounted to ₱0.6 million both for the periods as of September 30, 2019 and 2018. Outstanding receivable as of September 30, 2019 amounted to ₱0.07 million (December 31, 2018 – nil).

(iv) Parent Company and KPMI have an existing land lease agreement on a piece of land which is the subject of complaint against Philippine National Oil Company (PNOC). The monthly rent for the said piece of land is ₱0.2 million for a period of one (1) year, subject to yearly renewal. Rental income amounted to ₱1.6 million both for the periods ended September 30, 2019 and 2018. Outstanding receivable as of September 30, 2019 amounted to ₱0.2 million (December 31, 2018 – nil).

Total rental income derived from these agreements amounted to ₱9.9 million as of September 30, 2019 and 2018.

Advance rentals and refundable deposits are both equivalent to one (1) month rental of the corresponding lease contract. Refundable deposits amounting to ₱0.2 million as at September 30, 2019 and December 31, 2018 is presented under accounts payable and other current liabilities in the consolidated statement of financial position. The refundable deposit is to be returned at the end of the lease term, net of any expenses that will be incurred in the process of restoring the leased premises.

(b) Advances for various expenses and charges

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

(c) Loan agreements

(i) GMRI

GMRI granted unsecured short-term and long-term loan to KPMI. As of December 31, 2018, KPMI's total outstanding short-term loan amounted to ₱62.0 million with 90 days term and 6.3% interest per annum. This ₱62.0 million was renewed upon its maturity and still outstanding as of September 30, 2019, with 90 days term and interest rate ranging from 5.0% to 6.9%. Interest income recognized as of September 30, 2019 amounted to ₱3.0 million as against same period last year of ₱2.9 million with ₱89.5 million loan balance as of September 30, 2018 and interest rates ranging from 3.0% to 3.5%. Accrued interest receivable as of September 30, 2019 amounted to ₱0.2 million (December 31, 2019 - ₱0.3 million).

(ii) KPSI

KPSI granted short-term loan to KPMI since February 2016. Total outstanding loan of KPMI as at December 31, 2018 amounted to ₱10.0 million with 88 days term and 6.3% interest per annum. This was renewed upon its maturity and still outstanding as of September 30, 2019, with 90 days term and interest rate ranging from 5.0% to 7.0%. Interest income recognized as of September 30, 2019 amounted to ₱0.5 million as against same period last year of ₱0.4 million with ₱15.0 million loan balance and interest rate of 3.0% to 6.3%. Accrued interest receivable as of September 30, 2019 amounted to ₱0.04 million (December 31, 2018 - ₱0.05 million).

(iii) Parent Company

In 2015, the Parent Company granted unsecured short-term loans to KPMI. Outstanding loan balance amounted to ₱200.0 million both for the periods September 30, 2019 and December 31, 2018. This has with option for renewal upon maturity with 88 to 90 days term.

As at September 30, 2019, KPMI's outstanding short-term loans are as follows:

Release Date	Principal Amount	Balance as of Dec 31 2018	Transactions as of September 30 2019 Availment	Transactions as of September 30 2019 Payment	Balance as of September 30 2019	Terms and Conditions
September 16, 2017	₱52,000,000	₱52,000,000	₱ -	₱ -	₱52,000,000	Unsecured, 88-90 days with renewal,
Nov 27, 2017	50,000,000	50,000,000	-	-	50,000,000	interest rates –
Dec 4, 2017	25,000,000	25,000,000	-	-	25,000,000	September 2018 -
Mar 12, 2018	18,000,000	18,000,000	-	-	18,000,000	3.0% to 4.2%;
Apr 7, 2018	25,000,000	25,000,000	-	-	25,000,000	September 2019 -
Dec 14, 2018	30,000,000	30,000,000	-	-	30,000,000	5.0% to 7.0%
	₱200,000,000	₱200,000,000	₱ -	₱ -	₱200,000,000	

Interest income recognized from these loans by the Parent Company amounted to ₱9.6 million and ₱4.1million as of September 30, 2019 and 2018, respectively. Accrued interest receivable amounted to ₱1.1 million and ₱1.2 million for the periods ending September 30, 2019 and December 31, 2018, respectively.

Total interest income earned from these loan agreements amounted to ₱13.1 million as of September 30, 2019 (September 30, 2018 - ₱7.3 million). Accrued interest receivable as of September 30, 2019 amounted to ₱1.3 million (December 31, 2018 - ₱1.5 million).

(d) Management fees

Since 2013, the Parent Company had management agreement with its related companies for a monthly fee. The management fee is subject to change depending upon the extent and volume of services provided by the Parent Company. This covers regular consultancy, financial reporting, personnel and administration services. The agreement is considered renewed every year thereafter, unless one party gives the other a written termination at least three (3) months prior to the date of expiration. In January 2018, the monthly management fee being charged to Kepwealth, Inc., KECI, KIVI, and Kepventure is ₱23,000, ₱20,000, ₱15,000 and ₱5,000, respectively. As of January 31, 2019, the management fee remains the same.

Management fees earned amounted to ₱0.6 million both for the periods ending September 30, 2019 and 2018.

(e) Other income

In 2014, the Parent Company entered in to a Memorandum of Understanding (MOU) with KPMI to assist the latter in its bidding activities for projects for a 1% share in revenue. The Parent Company received P0.4 million in December 31, 2018 and nil as of September 30, 2019. This is recognized under "other income" in the consolidated statement of income.

(f) Key management personnel

Outstanding balance related to salaries and other employee benefits of key management personnel amounting to ₱11.2 million and ₱9.9 million as of September 30, 2019 and December 31, 2018, respectively is presented within accrued expenses under accounts payable and other current liabilities in the consolidated statement of financial position.

15. Capital Stock

The Class "A" and Class "B" shares of stock are identical in all respects and have ₱1 par value, except that Class "A" shares are restricted in ownership to Philippine nationals. Class "B" shares are 18% and 82% owned by Philippine nationals and foreign nationals, respectively, as of September 30, 2019. Authorized and issued shares as of September 30, 2019 and December 31, 2018 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 September 30, 2019 and 2018 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 September 30, 2019 and 2018:

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders of Securities
September 30, 2019				
Class " A "	36,166,970	1.00	June 30, 2000	379
Class " B "	21,636,449	1.00	June 30, 2000	55
	57,803,419			
September 30, 2018				
Class " A "	36,166,970	1.00	June 30, 2000	380
Class " B "	21,636,449	1.00	June 30, 2000	55
	57,803,419			

There are 421 and 422 total shareholders per record holding both Class "A" and "B" shares as of September 30, 2019 and 2018, 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 September 30, 2019 and 2018.

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

The Parent Company's BOD declared cash dividend of ₱0.10 per share or ₱5.8 million both in June 2019 and 2018 as follows:

	2019	2018
Date of declaration and approval	June 21	June 22
Date of shareholders' record	July 5	July 6
Date paid	July 31	July 31

17. Operating Expenses

This account consists of:

	Unaudited September 30 2019	Unaudited September 30 2018
Salaries, wages, and employee benefits	**₱8,144,473**	₱8,440,953
Taxes and licenses	**3,330,676**	3,821,782
Professional fees	**2,889,194**	1,948,703
Provision for impairment losses	**2,033,321**	344,371
Rental	**1,518,000**	1,698,949
Utilities	**570,794**	472,672
Transportation and travel	**482,371**	674,440
Membership dues and subscriptions	**375,944**	393,452
Office supplies	**153,586**	169,357
Repairs and maintenance	**92,682**	92,947
Depreciation and amortization	**78,629**	238,581
Postages	**46,751**	66,771
Insurance	**(14,275)**	24,861
Others	**630,422**	581,432
	₱20,332,568	₱18,969,271

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

18. Segment Information

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

Unaudited September 30, 2019					
	Investment Holdings	**Real Estate**	**Combined**	**Eliminations**	**Consolidated**
Revenue & Other Income					
KPMI & Third party	**₱25,374,975**	**₱13,027,450**	**₱38,402,425**	**₱-**	**₱38,402,425**
Inter-segment, including interest income	**585,000**	**-**	**585,000**	**(585,000)**	**-**
Equity in net earnings of an associate	**-**	**6,497,243**	**6,497,243**	**-**	**6,497,243**
Total Revenue	**25,959,975**	**19,524,693**	**45,484,668**	**(585,000)**	**44,899,688**
Income before tax	**10,006,233**	**14,560,867**	**24,567,100**	**-**	**24,567,100**
Income tax expense	**(598,650)**	**(1,446,661)**	**(2,045,311)**	**-**	**(2,045,311)**
Net Income	**9,407,583**	**13,114,206**	**22,521,789**	**-**	**22,521,789**
Other Information					
Segment assets	**376,999,270**	**761,307,469**	**1,138,306,739**	**(110,165,068)**	**1,028,141,671**
Segment liabilities	**14,778,455**	**3,423,184**	**18,201,639**	**(896,347)**	**17,305,292**
Depreciation & amortization	**54,926**	**23,703**	**78,629**	**-**	**78,629**

Audited December 31, 2018					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue & other income					
KPMI & Third party	₱19,516,577	₱18,910,268	₱38,426,845	₱-	₱38,426,845
Inter-segment, including interest income	37,720,000	-	37,720,000	(37,720,000)	-
Equity in net earnings of an associate	-	10,037,399	10,037,399	-	10,037,399
Total revenue	57,236,577	28,947,667	86,184,244	(37,720,000)	48,464,244
Income before tax	32,817,910	21,186,955	54,004,865	(36,940,000)	17,064,865
Income tax expense	(482,603)	(2,393,296)	(2,875,899)	-	(2,875,899)
Net Income	32,335,307	18,793,659	51,128,966	(36,940,000)	14,188,966
Other Information					
Segment assets	373,636,030	749,624,030	1,123,260,060	(110,930,068)	1,012,329,992
Segment liabilities	16,042,453	4,853,949	20,896,402	(1,661,342)	19,235,060
Depreciation & amortization	76,455	239,197	315,652	-	315,652

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 ₱9.6 million both for the periods ended September 30, 2019 and 2018. Rental from KPMI comprises more than 20% and 30% of the Group's revenue for the periods ended September 30, 2019 and 2018.

19. Financial Risk Management Objectives and Capital Management

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:

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:

(a) Credit risk
The Group has adopted stringent procedures in extending credit terms to customers and in monitoring its credit risk. Majority of the lease transactions are with related parties with reliable credit history. The loss allowance for other financial assets at amortized cost as at December 31, 2018 reconciles to the opening loss allowance on January 1, 2019. 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 September 30, 2019 and December 31, 2018 pertains to loan receivables from a related company both amounting to ₱272.0 million which comprise more or less 80% of the Group's loan and receivables in both periods, respectively.

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

	Unaudited September 30 2019	Audited December 31 2018
Loans and receivables		
Cash and cash equivalents *	**₱58,283,639**	₱39,477,151
Receivables		
Loan receivable from related party	**272,000,000**	272,000,000
Current portion of lease receivables**	**5,217,083**	3,697,045
Interest receivable	**1,402,113**	1,558,175
Due from related party & others	**89,947**	-
	₱336,992,782	₱316,732,371

**Excluding cash on hand*
***Noncurrent portion of lease receivables arises from the straight-line recognition of rental income*

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

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

(ii) *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.

(iii) 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 standing of concerned related parties. Credit risk is negligible since the related parties are faithfully paying on normal credit terms based on contracts.

The maximum credit exposure is equal to the carrying amount as at September 30, 2019 and December 31, 2018.

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 have been renegotiated in the last year or period.

(b) 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. The Group has no long-term loan receivable in 2018.

(c) 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 equity investments where values will fluctuate as a result of changes in market prices. Such quoted equity investments are subject to price risk due to changes in market values arising from factors specific to the instruments or its issuer or factors specific to the instruments traded in the market.

(d) 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 adjustments 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 that will require increased capitalization.

The debt to equity ratios as of September 30, 2019 and December 31, 2018 are as follows:

	Unaudited September 30 2019	Audited December 31 2018
Total liabilities	**₱17,305,292**	₱19,235,060
Total equity	**1,010,836,379**	993,094,932
Debt to equity ratio	**0.017:1**	0.019:1

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

Fair Value Estimation of Financial Assets

(a) Receivables
Due to the short-term nature of the Group's financial instruments, the carrying amounts approximate their fair values as at September 30, 2019 and December 31, 2018. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets

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

(c) Fair value hierarchy
As of September 30, 2019 and December 31, 2018, the Group classifies its quoted financial assets at fair value thorough other comprehensive income/available-for-sale financial asset amounting to ₱35.0 million in both periods under Level 1 of the fair value hierarchy. During the reporting periods ending September 30, 2019 and December 31, 2018, 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 September 30 2019	Audited December 31 2018
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	**21.42**	18.02
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	**21.28**	17.96
B. Solvency Ratio		
1. Net Income + Depreciation/Total Liabilities (annualized)	**1.74**	0.75
2. Total Assets/Total Liabilities	**59.41**	52.63
C. Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	**0.02**	0.02
D. Asset to Equity Ratio	**1.02**	1.02
E. Debt Ratio (Total Liabilities/Total Assets)	**0.02**	0.02
F. Interest Rate Coverage Ratio (EBIT/Interest Expense)	**Nil**	Nil
G. Profitability % (annualized)		
1. Return on Assets (Net Income/Total Assets)	**2.92**	1.40
2. Return on Equity (Net Income/Stockholders Equity)	**2.97**	1.43
H. Earnings per Share Attributable to Equity Holders of Parent (₱) (Annualized)	**0.38**	0.09
I. Book Value per Share Attributable to Equity Holders of the Parent (₱)	**11.18**	10.98

21. Other Matters

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

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated May 14, 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent's Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Book of Entries of Judgments. On September 24, 2018, the RTC issued a resolution against the Parent Company. The Parent Company filed a motion for reconsideration on October 12, 2018 with RTC to argue the merits. As of September 30, 2019, the Parent Company is still awaiting on the final resolution of the RTC.

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

Aging of Receivable as at September 30, 2019:

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Loan receivable - current	₱272,000,000	₱272,000,000	₱-	₱-	₱-	₱-
Lease receivables - current	5,217,082	5,000,322	216,760	-	-	-
Interest receivable	1,402,113	1,402,113	-	-	-	-
Due from related parties & others	89,947	89,947		-	-	-
Nontrade - receivables	2,152,580	-	-	-	-	2,152,580
Total	**280,861,722**	**278,492,382**	**216,760**	-	-	**2,152,580**
Less Allowance for doubtful accounts	2,152,580	-	-	-	-	2,152,580
Net Receivables	**₱278,709,142**	**₱278,492,382**	**₱216,760**	₱-	₱-	₱-

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 ₱22.5 million for the nine-month period ended September 30, 2019 as against ₱10.9 million during the same period last year. The ₱11.6 million or 106% increase was due to higher rental and interest income. This was partially offset by the lower equity in net earnings of associate, higher operating and income tax expenses.

Rental revenue for the period ending September 30, 2019 amounted to ₱23.0 million, ₱9.1 million or 65% higher than the same period last year of ₱13.9 million. The increase was due to the full year lease on properties in Batangas City to a third party that commenced in July 2018.

The Group earned interest income of ₱14.5 million as of September 30, 2019, ₱6.1million or 72% higher than the same period last year of ₱8.4 million. The increase in net income was due to the higher interest rates ranging from 5% to 7.0% per annum as of September 30, 2019 with ₱272.0 million loan balance as against the 3% to 5.4% per annum in September 30, 2018 with ₱274.5 million loan balance.

During the nine-month period ended September 30, 2019, the Group recognized lower equity in net earnings of associate of ₱6.5 million, ₱1.2 million or 16% lower than the same period last year of ₱7.7 million. The decline in equity share was due to lower net income recognized by the associate brought by the decline in the power sales distribution by 4% and higher facility rental expense by 20%.

Management fees charged to related parties amounted to ₱0.6 million both for the periods ended September 30, 2019 and 2018.

Operating expenses for the nine-month period amounted to ₱20.3 million, higher by ₱1.3 million or 7% as against ₱19.0 million as of September 30, 2018. The increase in expenses was brought by higher provision for impairment losses on creditable withholding tax, professional and legal fees, and utilities. This was partially offset by lower taxes and licenses, transportation charges, rental expense and depreciation. (Note 17)

The Group had unrealized fair value gain on AFS financial assets through other comprehensive income this period of ₱1.0 million as against ₱15.0 million during the nine-month period ending September 30, 2018.

Financial Condition

The cash position of the Group as of September 30, 2019 amounted to ₱56.3 million, ₱16.8 million or 43% higher than the ₱39.5 million recorded as of December 31, 2018. The increase was due to the ₱14.6 million interest received from short-term loans and dividend from CLI of ₱10.5 million in July 2019. This was partially offset by net cash used in operating activities of ₱2.3 million, mainly due to the prepayments of real property and business taxes, lower collections from lease rentals, refund of security deposits, and payment of income tax. The Parent Company also paid cash dividends in July 2019 to its shareholders as of July 5, 2019 amounting to ₱5.8 million and purchased new computers and related equipment amounting to ₱0.2 million. (Note 6)

Total receivables, both current and non-current, net of allowance amounted to ₱306.3 million and ₱305.6 million in September 30, 2019 and December 31, 2018, respectively, or an increase of ₱0.7 million. This increase was due to the net effect of lower collection from lease rentals & others by ₱0.9 million and decrease in interest receivables by ₱0.2 million. (Note 7)

Other current assets as of this period increased to ₱2.1 million as against ₱1.0 million as of December 31, 2018. This was mainly due to the prepayments for real property and business taxes of ₱1.1 million. (Note 8)

Financial assets at fair value through other comprehensive income increased from ₱35.0 million as of December 31, 2018 to ₱36.0 million as of September 30, 2019. (Note 9)

Investments in associates decreased from ₱421.7 million as of December 31, 2018 to ₱417.8 million as of September 30, 2019. The decrease of about ₱4.0 million was due to the net effect of recognition of equity in net earnings of associate amounting to ₱6.5 million and dividend received amounting to ₱10.5 million. (Note 10)

Investment properties and Property and equipment as of September 30, 2019 amounted to ₱205.5 million slightly higher by ₱0.1 million as against ₱205.4 million as of December 31, 2018 mainly due to the net effect of purchase of office equipment amounting to ₱0.2 million and accumulated depreciation of ₱.1 million. (Note 11 and 12)

Total liabilities as of September 30, 2019 and December 31, 2018 amounted ₱17.3 million and ₱19.2 million, respectively. The decrease of ₱1.9 million was due to return of security deposits of an external party, payment of income tax payable and minimal increase in accrual. (Note 13)

The equity attributable to equity holders of the Parent Company as of September 30, 2019 amounted to ₱646.4 million as against last December 31, 2018 of ₱634.9 million or ₱11.6 million increase. The increase was due to the net income attributable to Parent Company of ₱16.4 million for the nine-month period ended September 30, 2019 and unrealized gain on fair value of financial assets of ₱1.0 million. This was offset by cash dividend paid to the shareholders of P5.8 million in July 2019.

Noncontrolling interests as of September 30, 2019 amounted to ₱364.4 million as against last December 31, 2018 of ₱358.2 million. The increase was due to net income attributable to the noncontrolling interests of ₱6.2 million for the nine-month period ended September 30, 2019.

The book value per share attributable to equity holders of the parent (equity attributable to equity holders of the parent divided by common shares outstanding) at ₱11.18 as of September 30, 2019, higher by ₱0.20 than the ₱10.98 per share recorded in December 31, 2018.

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 was at ₱0.28 per share for the period ending September 30, 2019, ₱0.21 higher than the ₱0.07 per share recorded as of September 30, 2018.

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 nine-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	:	**ALAN I. CLAVERIA** President
		FELICIDAD V. RAZON VP/Treasurer
Date	:	11 November 2019