COVER SHEET

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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. BEL AIR MAKATI CITY

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

Stefan Tong Wai Mun/ Felicidad V. Razon	892 1816
Contact Person	Company Telephone Number

1 2	3 1	**SEC Form 17Q-March 2017**	0 6 / 1 7
Month	*Day*	FORM TYPE	*Month* / *Day* Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

428 as of April 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 **31 March 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
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) 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 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

MARCH 2017
QUARTERLY REPORT

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

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

	Unaudited March 31 2017	Audited December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	**₱30,757,586**	₱24,316,162
Receivables – net (Notes 7, 14 and 19)	**158,081,537**	232,306,644
Other current assets - net (Note 8)	**804,422**	111,025
Total Current Assets	**189,643,545**	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)	**417,283,582**	415,186,323
Loan receivable – net of current portion (Notes 7, 14, and 19)	**149,375,000**	87,500,000
Lease receivables – net of current portion (Notes 7 and 14)	**33,624,922**	33,855,989
Investment properties – net (Note 11)	**209,423,188**	209,521,488
Property and equipment - net (Note 12)	**26,135**	33,515
Other noncurrent assets (Note 21)	**4,140,710**	4,140,710
Total Noncurrent Assets	**833,373,538**	769,738,026
TOTAL ASSETS	**₱1,023,017,083**	₱1,026,471,857
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	**₱4,888,237**	₱3,599,231
Refundable deposits	**850,085**	822,239
Income tax payable	**1,038,430**	494,962
Total Current Liabilities	**6,776,752**	4,916,432
Noncurrent Liability		
Advance rentals	**869,115**	841,267
Refundable deposits	**1,137,164**	1,124,600
Deferred tax liability	**1,731,402**	1,737,892
	3,737,681	3,703,759
Total Liabilities	**₱10,514,433**	₱8,620,191

(Forward)

	Unaudited March 31 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)	**440,661,868**	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	**583,338,184**	580,880,088
Noncontrolling Interests	**429,164,466**	436,971,578
Total Equity	**1,012,502,650**	1,017,851,666
TOTAL LIABILITIES AND EQUITY	**₱1,023,017,083**	₱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 MARCH 31, 2017 AND 2016
(IN PHILIPPINE PESOS)
(UNAUDITED)

	March 31 2017	March 31 2016
REVENUES		
Rental income (Notes 11 and 14)	**₱ 5,134,033**	₱ 5,049,116
Interest income (Notes 6 and 7)	**2,831,275**	2,682,274
Equity in net earnings of associates (Note 10)	**2,097,259**	3,080,480
Management fees (Note 14)	**523,700**	348,600
Total Revenues	**10,586,267**	11,160,470
OPERATING EXPENSES (Note 17)	**(4,717,560)**	(4,437,727)
OTHER INCOME		
Director's fee	**20,000**	20,000
Others	**6,690**	9,937
Total Other Income	**26,690**	29,937
INCOME BEFORE INCOME TAX	**5,895,397**	6,752,680
PROVISION FOR INCOME TAX	**(1,107,713)**	(1,108,047)
NET INCOME	**₱4,787,684**	₱5,644,633
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱2,458,096**	₱2,855,954
Noncontrolling interests	**2,329,588**	2,788,679
	₱4,787,684	₱5,644,633
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**₱0.043**	₱0.047

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2017 AND 2016
(IN PHILIPPINE PESOS)
(UNAUDITED)

	March 31 2017	March 31 2016
NET INCOME	**₱4,787,684**	₱5,644,633
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)	-	(800,000)
TOTAL COMPREHENSIVE INCOME	**₱4,787,684**	₱4,844,633

ATTRIBUTABLE TO:

Equity holders of the parent	**₱2,458,096**	₱2,055,954
Noncontrolling interest	**2,329,588**	2,788,679
	₱4,787,684	₱4,844,633

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2017 AND 2016
(UNAUDITED)
IN PHILIPPINE PESOS

	Attributable to Equity Holders of the Parent							
	Capital Stock *(Note 15)*	Additional Paid in Capital	Retained Earnings *(Note 16)*	Unrealized Gain on Available-for-Sale Financial Assets *(Note 9)*	Treasury Shares *(Note 15 and 16)*	Total	Noncontrolling Interests	Total Equity
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	-	-	**2,458,096**	-	-	**2,458,096**	**2,329,588**	**4,787,684**
Net gain on available-for-sale financial assets	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	**2,458,096**	-	-	**2,458,096**	**2,329,588**	**4,787,684**
Cash dividend declared	-	-	-	-	-	-	**(10,136,700)**	**(10,136,700)**
Balance as of March 31, 2017	**₱73,173,500**	**₱73,203,734**	**₱440,661,868**	**₱18,922,058**	**(₱22,622,976)**	**₱583,338,184**	**₱429,164,466**	**₱1,012,502,650**
Balance as of January 1, 2016	₱73,173,500	₱73,203,734	₱430,671,948	₱15,922,058	(₱9,898,178)	₱582,373,062	₱436,434,544	₱1,018,807,606
Net income	-	-	2,855,954	-	-	2,855,954	2,788,679	5,644,633
Net (loss) on available-for-sale financial assets	-	-	-	(800,000)	-	(800,000)	-	(800,000)
Total comprehensive income	-	-	2,855,954	(800,000)	-	2,055,954	2,788,679	4,844,633
Cash dividend declared	-	-	-	-	-	-	(9,654,000)	(9,654,000)
Balance as of March 31, 2016	₱73,173,500	₱73,203,734	₱433,527,902	₱14,622,058	(₱9,898,178)	₱584,429,016	₱429,569,223	₱1,013,998,239

See Accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2017AND 2016
(IN PHILIPPINE PESOS)
(UNAUDITED)

	March 31 2017	March 31 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,895,397**	₱6,752,680
Adjustments for:		
Depreciation (Notes 11, 12, and 17)	**105,680**	102,788
Provision for impairment losses (Note 8)	**31,692**	228,608
Interest income (Notes 6, 7 and 14)	**(2,831,275)**	(2,682,274)
Equity in net earnings of associates (Note 10)	**(2,097,259)**	(3,080,480)
Operating income before working capital changes	**1,104,235**	1,321,322
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	**138,997**	18,214
Other assets (Note 8)	**(725,089)**	(527,173)
Increase (decrease) in:		
Accounts payable and other current liabilities	**1,316,854**	456,219
Refundable deposits	**40,410**	-
Net cash generated from operations	**1,875,407**	1,268,582
Income tax paid	**(570,735)**	(743,881)
Net cash provided by (used in) operating activities	**1,304,672**	524,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of loan receivable from related party	**12,500,000**	12,500,000
Interest received	**2,773,452**	2,584,585
Cash dividends received (Note 10)	**-**	-
Loans granted to a related party	**-**	(40,346,000)
Net cash provided by (used in) investing activities	**15,273,452**	(25,261,415)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid to noncontrolling interest (Note16)	**(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	**6,441,424**	(34,390,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**24,316,162**	55,133,375
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**₱30,757,586**	₱20,742,661

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 Company"), 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 March 31, 2017, the top three shareholders are the following:

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

Kepwealth Inc. and KCL are affiliates of the Company.

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

All of the Company's associates were incorporated in the Philippines.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The unaudited consolidated financial statements of the Company 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 Company'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 Company controls an investee if and only if the Company 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company'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 Company 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 Company 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 Company 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 Company had directly disposed of the related assets and liabilities

As of March 31, 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.

	March 31, 2017			December 31, 2016		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	₱198,189	₱71,738,429	₱71,936,618	₱181,153	₱151,482,138	₱151,663,291
Noncurrent assets	4,289,253	722,905,379	727,194,632	4,316,762	661,261,446	665,578,208
Total assets	4,487,442	794,643,808	799,131,250	4,497,915	812,743,584	817,241,499
Current liabilities	3,690,755	674,635	4,355,390	4,010,328	421,560	4,431,888
Noncurrent liabilities	-	1,681,246	1,681,246	-	1,692,800	1,692,800
Total liabilities	3,690,755	2,355,881	6,046,636	4,010,328	2,114,360	6,124,688
Revenue	373,573	2,506,148	2,879,721	546,857	10,177,620	10,724,477
Other income	-	2,037,352	2,037,352		18,656,006	18,656,006
Net income	309,100	2,658,703	2,967,803	237,923	21,644,841	21,882,764
Total comprehensive income	309,100	2,658,703	2,967,803	237,923	21,644,841	21,882,764
Cash flows from:						
Operating activities	(304,878)	1,019,689	714,811	(270,597)	5,065,719	4,795,122
Investing activities	310,800	14,481,482	14,792,282	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	5,922	(5,498,829)	(5,492,907)	25,403	(19,332,555)	(19,307,152)

Accumulated balance of material NCI	-	-	429,164,466	-	-	436,971,578
Net income attributable to material NCI	-	-	2,329,588	-	-	10,191,034

There are no significant restrictions on the Company's ability to use assets or settle liabilities within the Company. 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 Company

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 Company'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 Company's consolidated financial statements, except as set out below:

- PFRS 9, *'Financial instruments* (effective January 1, 2018). The Company intends to adopt the standard when becomes effective but the Company 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 Company 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 Company 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 Company'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 March 31, 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 Company'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 March 31, 2017, there were no judgment, seasonal or cyclical aspects that materially affect the operation of the Company, 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 Company's assets, liabilities, equity, net income or cash flows.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 31 2017	Audited December 31 2016
Cash on hand	**₱5,000**	₱5,000
Cash on in banks	**3,164,882**	3,351,179
Cash equivalents	**27,587,704**	20,759,983
	₱30,757,586	₱24,316,162

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 Company, and earn interest at annual interest that ranged from 1.75% and 1.375% during the first quarter of 2017 and from 1.0% to 1.5% in 2016, respectively,

Interest income on cash and cash equivalents amounted to ₱0.1 million both for the same periods ended as of March 31, 2017 and 2016. Accrued interest receivable from cash and cash equivalents amounted to ₱0.01 million in March 31, 2017 and ₱0.02 million December 31, 2016.

7. Receivables

This account consists of:

	Unaudited March31 2017	Audited December 31 2016
Loan receivable from a related party (Note 14)	**₱304,500,000**	₱317,000,000
Lease receivables:		
Related parties	**34,884,003**	34,991,086
Others	**434,500**	408,355
	339,818,503	352,399,441
Nontrade	**2,152,580**	2,152,580
Interest receivable (Note 14)	**1,262,956**	1,205,133
Due from related parties (Note 14)	**-**	58,059
	343,234,039	355,815,213
Less noncurrent portion:		
Loan receivables (Note 14)	**149,375,000**	87,500,000
Lease receivables	**33,624,922**	33,855,989
	182,999,922	121,355,989
	160,234,117	234,459,224
Less provision for doubtful accounts	**2,152,580**	2,152,580
	₱158,081,537	₱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 Company's claim against a seller of a parcel of land, the title of which has not been transferred to the Company. The nontrade receivable has been outstanding for more than one year and has been provided with allowance.

Interest receivable represents the Company'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 March 31 2017	Audited December 31 2016
Creditable withholding taxes (CWT)	**₱2,237,284**	₱2,032,442
Input VAT	**1,118,252**	1,268,275
Prepaid expenses	**502,500**	-
Deposits	**55,645**	60,645
Others	**179,950**	7,180
	4,093,631	3,368,542
Less allowance for impairment loss	**3,289,209**	3,257,517
	₱804,422	₱111,025

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

Unaudited March 31, 2017	**Input VAT**	**CWT**	**Total**
Balance at the beginning of the period	**₱1,225,075**	**₱2,032,442**	**₱3,257,517**
Provision for the period	**45,072**	**237,441**	**282,513**
Recovery of provision	**(213,095)**	**(37,726)**	**(250,821)**
Net provision (recovery)	**(168,023)**	**199,715**	**31,692**
Balance at the end of the period	**₱1,057,052**	**₱2,232,157**	**₱3,289,209**

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 Company recovered input VAT and CWT amounting to ₱0.2 million and ₱0.04 million, respectively as of March 31, 2017 (2016 - ₱0.8 million and ₱0.1 million, 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 March 31 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 Company 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 March 31 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 March 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 March 31 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	**2,097,259**	10,314,776
Cash dividend received	**-**	(11,103,512)
Write-off	**-**	505,351,696
Balance at end of the period	**79,686,782**	77,589,523
	₱417,283,582	₱415,186,323

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

	KPCI		GVI		CLI		TOTAL	
	March 31 2017	December 31 2016	**March 31 2017**	December 31 2016	**March 31 2017**	December 31 2016	**March 31 2017**	December 31 2016
Investments	**₱-**	₱273,518,182	**₱-**	₱231,833,514	**₱337,596,800**	₱337,596,800	**₱337,596,800**	₱842,948,496
Investment 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	-	-	-	-	**2,097,259**	10,314,776	**2,097,259**	10,314,776
Cash dividend received	-	-	-	-	-	(11,103,512)	-	(11,103,512)
Write-off	-	273,518,182	-	231,833,514	-	-	-	505,351,696
Total	-	-	-	-	**79,686,782**	77,589,523	**79,686,782**	77,589,523
Balance at the end of the period	**₱-**	₱-	**₱-**	₱-	**₱417,283,582**	₱415,186,323	**₱417,283,582**	₱415,186,323

The Company 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 Company received ₱1.6 million from GVI as liquidating dividend.

<u>CLI</u>

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. The Company has 13% effective ownership in CLI.

For the quarters ended March 31, 2017 and 2016, the Company's equity in net earnings of CLI amounted to ₱2.1 million and ₱3.1 million, respectively.

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

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

	Unaudited March 31 2017	Audited December 31 2016
Current assets	**₱67,945,308**	₱50,887,520
Noncurrent assets	**255,572,548**	259,100,163
Total assets	**323,517,856**	309,987,683
Current liabilities	**28,393,314**	23,252,178
Total liabilities	**28,393,314**	23,252,178
Revenue	**40,804,318**	148,209,191
Income before income tax	**9,406,755**	44,416,372
Total comprehensive income	**8,389,036**	41,259,105
Net assets	**295,124,542**	286,735,505
Share in net assets at 13% effective ownership	**38,366,190**	37,275,616
Acquisitions at fair value and other adjustments	**378,917,392**	377,910,707
Carrying value of investment	**₱417,283,582**	₱415,186,323

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

11. Investment Properties

This account consists of:

Unaudited March 31, 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**
Accumulated depreciation:				
Balance at beginning	–	**2,135,524**	**22,196,617**	**24,332,141**
Depreciation	–	**27,508**	**70,792**	**98,300**
Balance at end of the period	–	**2,163,032**	**22,267,409**	**24,430,441**
Net book value	**₱205,901,939**	**₱445,969**	**₱3,075,280**	**₱209,423,188**

Audited December 31, 2016	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the year	₱205,901,939	₱2,609,001	₱25,342,689	₱233,853,629
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	₱205,901,939	₱473,477	₱3,146,072	₱209,521,488

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 ₱919.6 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 ₱5.1 million and ₱5.0 million for the periods ended March 31, 2017 and 2016, respectively.

12. Property and Equipment

This account consists of:

Unaudited March 31, 2017	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
Balance at beginning and end of the period	**₱5,397,020**	**₱368,455**	**₱776,186**	**₱6,541,661**
Accumulated depreciation:				
Balance at beginning	**5,397,017**	**337,976**	**773,153**	**6,508,146**
Depreciation	**-**	**4,350**	**3,030**	**7,380**
Balance at end of the period	**5,397,017**	**342,326**	**776,183**	**6,515,526**
Net Book Value	**₱3**	**₱26,129**	**₱3**	**₱26,135**

Audited December 31, 2016				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	₱5,397,020	₱333,634	₱776,186	₱6,506,840
Acquisition	-	34,821	-	34,821
	₱5,397,020	₱368,455	₱776,186	₱6,541,661
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	₱3	₱30,479	₱3,033	₱33,515

Fully depreciated assets amounting to ₱6.3 million are still in use as of March 31, 2017 and December 31, 2016.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited March 31 2017	Audited December 31 2016
Accrued expenses	**₱3,391,251**	₱2,195,063
Advance Rentals:		
Related parties (Note 14)	**232,956**	232,956
Third parties	**494,478**	494,478
Payable to government agencies	**304,526**	209,757
Accounts payable	**186,004**	186,004
Others	**279,022**	280,974
	₱4,888,237	₱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 Company; 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 Company 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 Company'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 ₱2.4 million as of March 31, 2017 and 2016. Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱33.6 million and ₱33.9 million as of March 31, 2017 and December 31, 2016, respectively.

   GMRI also leases a parcel of land to KPMI for one year from January 1, 2016 to December 31, 2016. The lease contract was renewed for another year effective January 1, 2017. Rental income derived from these transactions amounted to ₱0.1 million as of March 31, 2017 and 2016. Advance rentals and deposits of KPMI amounted to ₱0.1 million as at March 31, 2017 and December 31, 2016 which will be applied against the rent due at the end of the contract.

b. GRDC leased its properties to KPMI for one year and renewable annually. Rental income amounted to ₱0.06 million both for the quarters ended March 31, 2017 and 2016. The outstanding lease receivables amounted to ₱0.02 million as of March 31, 2017 and December 31, 2016. Advance rentals and deposits from KPMI amounted to ₱0.04 million as of March 31, 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 ₱0.3 million both for the periods ended March 31, 2017 and 2016. Outstanding receivables with the affiliates amounted to ₱0.04 million as of March 31, 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 ₱0.5 million both during the periods ending March 31, 2017 and 2016. Outstanding receivables with KPMI as of March 31, 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 ₱0.8 million and ₱0.4 million as of March 31, 2017 and 2016, respectively.

f. In September 2014, GMRI granted long-term loan amounting to ₱200.0 million to KPMI. The loan has a term of five (5) years on principal payment with grace period of 15 months and payable in equal quarterly installment. The loan is subject to interest re-pricing on a semi-annual basis and interest rates are market based. The loan has an option for prepayment. The interest rate applied ranges from 3.6% to 4.6% as of first quarter of 2017 and 3.5% to 3.7% in first quarter of 2016. KPMI made principal payments of ₱12.5 million for the quarter period ending March 2017 and ₱50.0 million for the year ended December 2016.

   In 2015, GMRI granted short-term loan to KPMI amounting to ₱15.0 million, 45-day term and interest rate of 2.9%. In 2016, KPMI obtained additional short-term loan of ₱82.8 million for 45-90 days at interest ranging from 2.6% to 3.2%. Outstanding short-term receivable of KPMI as at December 31, 2016 amounted to ₱87.5 million. In February 2017, the P87.5 million short-term loan was converted to long-term loan with five (5) years term, quarterly payment on principal and interest of 4.1% which is subject to re-pricing on a semi-annual basis and rates based on market.

   The total outstanding long-term loan of KPMI as of March 31, 2017 amounted to ₱212.5 million (₱63.1 million, current; ₱149.4 million, non-current). Interest income recognized from both the short-term and long-term loans to KPMI amounted to ₱2.0 million and ₱1.8 million for the quarters ending March 31, 2017 and 2016, respectively. Accrued interest receivable amounted to ₱0.7 million both as of March 31, 2017 and December 31, 2016.

g. As of December 2016, KPMI has outstanding short-term loans totaling ₱77.0 million from the Parent Company with 90-days term and market based interest rates ranging from 2.8% to 3.2% per annum. Upon its maturity, the loans were extended for another 90 days and with interest rates ranging from 2.8% to 3.5%. Interest income recognized from these loans by the Parent Company amounted to ₱0.6 million as of March 31, 2017 and ₱0.7 million as of March 31, 2016. Outstanding short-term loans remain at ₱77.0 million as of March 31, 2017. Accrued interest receivable amounted to ₱0.4 million as of March 31, 2017 and December 31, 2016.

h. KPSI started to grant short-term loan to KPMI in February 2016 amounting to ₱15.0 million with 90-day term and extended for another 90-day term with interest ranging from 2.9% to 3.15% and fully paid the principal and interest in August 2016. In October 2016, KPSI granted short-term loan of ₱15.0 million with 90-day term and interest of 3.15% and upon maturity was extended for another 90-day term at 3.25% until April 2017. Interest income recognized from the short-term loans amounted to ₱0.1 million both as of March 31, 2017 and March 31, 2016. Accrued interest receivable amounted to ₱0.1 million as of March 31, 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 ₱0.3 million in July 2015 and nil as of March 31, 2017.

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 ₱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 March 31, 2017. Authorized and issued shares as of March 31, 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 March 31, 2017 and March 31, 2016 as follows:

	March 31 2017	March 31 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
Weighted average number of shares	**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 March 31, 2017 and 2016:

Common Shares	**Number of Shares Registered**	**Issue/Offer Price**	**Date of Approval**	**Number of Holders of Securities**
March 31, 2017				
Class " A "	36,166,970	1.00	June 30, 2000	385
Class " B "	21,636,449	1.00	June 30, 2000	58
	57,803,419			
March 31, 2016				
Class " A "	36,166,970	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 March 31, 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 March 31, 2017 and March 31, 2016.

	Shares		Cost	
	March 31 2017	March 31 2016	**March 31 2017**	March 31 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 in the same periods 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 March 31 2016	Unaudited March 31 2016
Salaries, wages, and employees' benefits	**₱2,528,411**	₱1,925,610
Taxes and licenses	**1,332,408**	1,213,579
Professional fees	**240,804**	343,580
Utilities	**121,035**	119,515
Transportation and travel	**118,946**	133,531
Depreciation and amortization	**105,680**	102,788
Membership dues and subscriptions	**100,939**	96,854
Provision for impairment losses	**31,692**	228,608
Office supplies	**17,825**	25,647
Insurance	**12,210**	15,000
Repairs and maintenance	**10,287**	5,947
Postages	**3,679**	4,287
Rental expense	**-**	24,000
Others	**93,644**	198,781
	₱4,717,560	₱4,437,727

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

18. Segment Information

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

Unaudited March 31, 2017	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱1,192,099	₱6,773,209	₱7,965,308	₱	₱7,965,308
Inter-segment	12,726,200	-	12,726,200	(12,202,500)	523,700
Equity in net earnings of an associate	-	2,097,259	2,097,259	-	2,097,259
Total Revenue	13,918,299	8,870,468	22,788,767	(12,202,500)	10,586,267
Income before tax	10,840,868	7,107,029	17,947,897	(12,052,500)	5,895,397
Provision for income tax	(44,954)	(1,062,759)	(1,107,713)	-	(1,107,713)
Net Income	10,795,914	6,044,270	16,840,184	(12,052,500)	4,787,684
Other Information					
Segment assets	237,485,286	899,323,587	1,136,808,873	(113,791,791)	1,023,017,082
Segment liabilities	4,925,817	10,111,678	15,037,495	(4,523,062)	10,514,433
Depreciation & amortization	4,350	101,330	105,680	-	105,680

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

Rental income from KPMI amounted to ₱3.2 million both for the periods ended March 31, 2017 and 2016. Rental from KPMI comprises more than 31% of the Company's revenue for the period.

19. Financial Risk Management Objectives and Policies

The Company'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 Company's operations. The Company 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 Company'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 Company transacts mostly with related parties, thus, there is no requirement for collateral. Receivables are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Significant concentration of credit risk as of March 31, 2017 pertains to loan receivable from a related company amounting to ₱304.5 million, which comprise 90% of the Company's loan and receivables.

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

	Unaudited March 31 2017	Audited December 31 2016
Loans and receivables		
Cash and cash equivalents *	**₱30,752,586**	₱24,311,162
Receivables		
Loan receivable from related party	**304,500,000**	317,000,000
Current portion of lease receivables**	**1,259,081**	1,543,451
Interest receivable	**1,262,956**	1,205,133
Due from related party	**-**	58,059
	₱337,774,623	₱344,117,805

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

Credit quality
The Company 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 Company 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 Company 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 Company 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 Company 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loan receivable with interest rate repriced on periodic basis. Since the Company'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 Company'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 Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, and loans. The Company 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 Company'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 Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions.

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

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

	Unaudited March 31 2017	Audited December 31 2016
Total liabilities	**₱10,514,433**	₱8,620,191
Total equity	**1,012,502,650**	1,017,851,666
Debt to equity ratio	**0.010:1**	0.008:1

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

Fair Values
Due to the short-term nature of the Company's financial instruments, the fair values approximate their carrying amounts as of March 31, 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 March 31, 2017 and December 31, 2016, the Company 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 March 31, 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 March 31 2017	Audited December 31 2016
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	**27.98**	52.22
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	**27.87**	52.20
B. Solvency Ratio (annualized) (Net Income + Depreciation)/Total Liabilities	**1.86**	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)	**1.87**	2.31
2. Return on Equity (Net Income/Stockholders Equity)	**1.89**	2.33
H. Earnings per Share Attributable to Equity Holders of Parent (₱) (Annualized)	**0.17**	0.24
I. Book Value per Share Attributable to Equity Holders of the Parent (₱)	**10.09**	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 Company's option to buy the land and remanded the case to the RTC of Batangas City for the determination of whether the 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 KPMI. (see Note 14)

Aging of Receivable as at March 31, 2017:

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Long-term loan receivable - current	₱155,125,000	₱155,125,000				
Lease receivables - current	1,693,581	1,693,581		-	-	-
Interest receivable	1,262,956	1,262,956	-	-	-	-
Nontrade - receivables	2,152,580	-	-	-	-	₱2,152,580
Total	**160,234,117**	**158,081,537**	-	-	-	**2,152,580**
Less Allowance for doubtful accounts	2,152,580	-	-	-	-	2,152,580
Net Receivables	**₱158,081,537**	**₱158,081,537**	-	-	-	-

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 Company recorded a net income of ₱4.8 million for the first quarter ended March 31, 2017 as against ₱5.6 million in same period last year. The 15% decrease was mainly due to lower equity in net earnings of associates and higher operating expenses. This was partially offset by increase in rental income, interest income and management fees.

Rental revenue for the quarter ending March 31, 2017 amounted to ₱5.1 million, slightly higher by 2% as against same period last year of ₱5.0 million. This was mainly due to increase in rental rates.

The Company recognized equity in net earnings of associates of ₱2.1 million this quarter, or 32% lower as against same period last year of ₱3.1 million.

The Company earned interest income this quarter of ₱2.8 million or 4% higher, mainly from loans receivable granted to a related company, as against ₱2.7 million for the quarter ending March 31, 2016.

Management fees charged to related parties increased to ₱0.5 million or 50% higher as of March 31, 2017 as against ₱0.3 million as of March 31, 2016.

Operating expenses of ₱4.7 million this quarter was higher by 6% as against ₱4.4 million last March 31, 2016. This was brought mainly by higher salaries and benefits, taxes and licenses. This was partially offset by lower professional fees, provision for doubtful accounts, travel and transportation and others.

The Company did not have fair value gain or loss on AFS financial assets this quarter as against last year of ₱0.8 million.

Financial Condition

The cash position of the Company as of March 31, 2017 amounted ₱30.8 million higher by ₱6.4 million as against ₱24.3 million as of December 31, 2016. The increase was brought by receipt of ₱12.5 million quarterly principal payment of long-term loan receivable and ₱2.8 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.

Total receivables net of allowance amounted to ₱341.1 million and ₱353.7 million in March 31, 2017 and December 31, 2016, respectively. As of March 31, 2017, current receivable amounted to ₱158.1 million while long-term receivable amounted to ₱183.0 million. As against December 31, 2016, current receivable amounted to ₱232.3 million and long-term receivable amounted to ₱121.4 million. Major transaction during the quarter came from quarterly payment of long-term loan receivable of ₱12.5 million and the conversion of short-term loan of ₱85.0 million to long-term loan with five (5) years term, quarterly payment of principal and interest of 4.1%. Interest is subject for repricing on semi-annual basis and market based interest rate and option to prepay the loan.

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

Available-for-sale financial assets as of March 31, 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 ₱417.3 million as of March 31, 2017. The increase of ₱2.1 million was due mainly to the recognition of equity in net earnings of associate. Decrease in investment properties and property and equipment from ₱209.6 million as of December 31, 2016 to ₱209.4 million this period was due to depreciation. No acquisition was made during the period.

Total liabilities increased from ₱8.6 million as of December 31, 2016 to ₱10.5 million as of March 31, 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 March 31, 2017 amounted to ₱583.3 million as against last December 31, 2016 of ₱580.9 million. This was due to net income attributable to Parent Company of ₱2.5 million for the quarter ending March 31, 2017.

Noncontrolling interests as of March 31, 2017 amounted to ₱429.2 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 ₱2.3 million for the quarter ending March 31, 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 ₱10.09 as of March 31, 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 quarter divided by common shares outstanding) as shown in the consolidated statement of income for the period ending March 31, 2017 was ₱0.04 slightly lower than as of March 31, 2016 of ₱0.05 per share.

Material Events and Uncertainties

There are no known trends, commitments, events or uncertainties that will have a material impact on the Company'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 Company with unconsolidated entities or other persons created during the first quarter 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	:	08 May 2017