

COVER SHEET

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S.E.C Registration Number

K E P P E L P H I L I P P I N E S H O L D I N G S ,

I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

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

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

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

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

Alan I. Claveria/  
Felicidad V. Razon

Contact Person

892 1816

Company Telephone Number

1 2  
Month

3 1  
Day

SEC Form 17Q-March 2018

0 6  
Month

1 6  
Day

Annual Meeting

FORM TYPE

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

423 as of April 2018

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

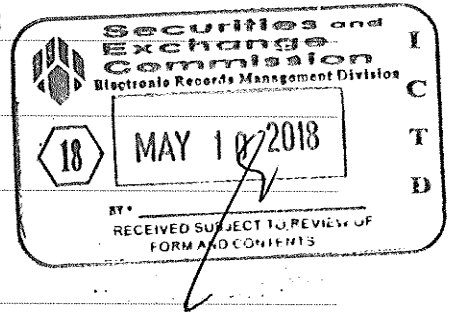
**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER**

1. For the quarterly period ended 31 March 2018

2. Commission identification number 62596

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

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



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

6. Industry Classification Code:  (SEC Use Only)

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

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

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

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

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

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Yes [ / ] No [ ]  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange** **Common Shares**

12. Indicate by check mark whether the registrant:

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

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

**DOCUMENTS INCORPORATED BY REFERENCE**

**PART I  
FINANCIAL INFORMATION**

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

**PART II  
OTHER INFORMATION**

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

**NONE**

# **EXHIBIT I**

## **MARCH 2018 QUARTERLY REPORT**

**KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AS AT MARCH 31, 2018 & DECEMBER 31, 2017**

**(IN PHILIPPINE PESOS)**

	<b>Unaudited March 31 2018</b>	<b>Audited December 31 2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6 and 19)	₱78,462,658	₱87,943,929
Receivables – net (Notes 7, 14 and 19)	228,606,498	209,279,624
Other current assets - net (Note 8)	4,622,865	742,995
Total Current Assets	311,692,021	297,966,548
<b>Noncurrent Assets</b>		
Available-for-sale financial assets (Notes 9 and 19)	25,000,001	20,000,001
Investments in associates (Note 10)	423,236,282	420,435,364
Loan receivable – net of current portion (Notes 7, 14, and 19)	25,000,000	37,500,000
Lease receivables – net of current portion (Notes 7 and 14)	29,003,610	29,234,677
Investment properties – net (Note 11)	205,843,065	205,901,940
Property and equipment - net (Note 12)	114,626	134,690
Other noncurrent assets (Note 21)	4,140,710	4,140,710
Total Noncurrent Assets	712,338,294	717,347,382
<b>TOTAL ASSETS</b>	<b>₱1,024,030,315</b>	<b>₱1,015,313,930</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 13)	₱7,851,954	₱8,028,814
Refundable deposits	496,123	487,080
Income tax payable	1,303,329	1,093,310
Total Current Liabilities	9,651,406	9,609,204
<b>Noncurrent Liability</b>		
Deferred tax liability	1,482,865	1,494,418
Total Liabilities	1,482,865	1,494,418
Total Liabilities	₱11,134,271	₱11,103,622

*(Forward)*

	Unaudited March 31 2018	Audited December 31 2017
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 15)	₱73,173,500	₱73,173,500
Additional paid-in capital	73,203,734	73,203,734
Retained earnings (Note 16)	478,537,786	477,219,523
Unrealized gains on available-for-sale financial assets (Note 9)	24,422,058	19,422,058
Treasury shares (Note 16)	(22,622,976)	(22,622,976)
Total Equity Attributable to Equity Holders of the Parent	626,714,102	620,395,839
<b>Noncontrolling Interests</b>	<b>386,181,942</b>	<b>383,814,469</b>
Total Equity	<b>1,012,896,044</b>	<b>1,004,210,308</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,024,030,315</b>	<b>₱1,015,313,930</b>

*See accompanying Notes to Consolidated Financial Statements*

**KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017  
(IN PHILIPPINE PESOS)  
(UNAUDITED)**

	<b>March 31 2018</b>	<b>March 31 2017</b>
<b>REVENUES</b>		
Rental income (Notes 11 and 14)	₱ 3,556,233	₱ 5,134,033
Equity in net earnings of associates (Note 10)	2,800,918	2,097,259
Interest income (Notes 6 and 7)	2,594,009	2,831,275
Management fees (Note 14)	189,000	523,700
Total Revenues	9,140,160	10,586,267
<b>OPERATING EXPENSES</b> (Note 17)	<b>(4,930,508)</b>	<b>(4,717,560)</b>
<b>OTHER INCOME</b>		
Director's fee	30,000	20,000
Others	9,000	6,690
Total Other Income	39,000	26,690
<b>INCOME BEFORE INCOME TAX</b>	<b>4,248,652</b>	<b>5,895,397</b>
<b>PROVISION FOR INCOME TAX</b>	<b>(562,916)</b>	<b>(1,107,713)</b>
<b>NET INCOME</b>	<b>₱3,685,736</b>	<b>₱4,787,684</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the parent	₱1,318,263	₱2,458,096
Noncontrolling interests	2,367,473	2,329,588
<b>NET INCOME</b>	<b>₱3,685,736</b>	<b>₱4,787,684</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>₱0.023</b>	<b>₱0.043</b>

*See accompanying Notes to Consolidated Financial Statements*

**KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017  
(IN PHILIPPINE PESOS)  
(UNAUDITED)**

	March 31 2018	March 31 2017
<b>NET INCOME</b>	<b>₱3,685,736</b>	<b>₱4,787,684</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealized gain in AFS financial assets (Note 9)	5,000,000	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱8,685,736</b>	<b>₱4,787,684</b>
 <b>ATTRIBUTABLE TO:</b>		
Equity holders of the parent	₱6,318,263	₱2,458,096
Noncontrolling interest	2,367,473	2,329,588
	<b>₱8,685,736</b>	<b>₱4,787,684</b>

*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, 2018 AND 2017  
(UNAUDITED)  
IN PHILIPPINE PESOS

	Attributable to Equity Holders of the Parent							
	Capital Stock (Note 15)	Additional Paid in Capital	Retained Earnings (Note 16)	Available-for- Sale Financial Assets (Note 9)	Treasury Shares (Note 15 and 16)	Total	Noncontrolling Interests	Total Equity
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	-	-	1,318,263	-	-	1,318,263	2,367,473	3,685,736
Net gain on available-for-sale financial assets	-	-	-	5,000,000	-	5,000,000	-	5,000,000
Total comprehensive income	-	-	1,318,263	5,000,000	-	6,318,263	2,367,473	8,685,736
Cash dividend declared	-	-	-	-	-	-	-	-
Balance as of March 31, 2018	₱73,173,500	₱73,203,734	₱478,537,786	₱24,422,058	(₱22,622,976)	₱626,714,102	₱386,181,942	₱1,012,896,044
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

See Accompanying Notes to Consolidated Financial Statements

**KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017**  
**(IN PHILIPPINE PESOS)**  
**(UNAUDITED)**

	<b>March 31</b>	March 31
	<b>2018</b>	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱4,248,652</b>	₱5,895,397
Adjustments for:		
Provision for impairment losses (Note 8)	<b>96,632</b>	31,692
Depreciation (Notes 11, 12, and 17)	<b>78,939</b>	105,680
Interest income (Notes 6, 7 and 14)	<b>(2,594,009)</b>	(2,831,275)
Equity in net earnings of associates (Note 10)	<b>(2,800,918)</b>	(2,097,259)
Operating income (loss) before working capital changes	<b>(970,704)</b>	1,104,235
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	<b>(1,032,006)</b>	138,997
Other assets (Note 8)	<b>(3,976,502)</b>	(725,089)
Increase (decrease) in:		
Accounts payable and other current liabilities	<b>(176,860)</b>	1,316,854
Refundable deposits	<b>9,043</b>	40,410
Net cash generated from operations	<b>(6,147,029)</b>	1,875,407
Income tax paid	<b>(364,450)</b>	(570,735)
Net cash provided by (used in) operating activities	<b>(6,511,479)</b>	1,304,672
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collection of loan receivable from related party	<b>12,500,000</b>	12,500,000
Interest received	<b>2,530,208</b>	2,773,452
Loans granted to a related party	<b>(18,000,000)</b>	-
Net cash provided by (used in) investing activities	<b>(2,969,792)</b>	15,273,452
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid to noncontrolling interest (Note 16)	-	(10,136,700)
Net cash provided by (used in) financing activities	-	(10,136,700)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,481,271)</b>	6,441,424
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>87,943,929</b>	24,316,162
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)</b>	<b>₱78,462,658</b>	₱30,757,586

*See accompanying Notes to Consolidated Financial Statements*

## KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in Philippine Pesos)

#### 1. Corporate Information

Keppel Philippines Holdings, Inc. (KPHI or the Parent Company) and its subsidiaries, KPSI Property, Inc. (KPSI) and Goodwealth Realty Development Corporation (GRDC), including GRDC's subsidiary, Goodsoil Marine Realty, Inc. (GMRI) (collectively referred to as "the 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 while the subsidiaries are in the real estate industry.

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

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. The Company 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 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 or 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, 2018 and December 31, 2017, NCI pertains to 44% and 5% ownership of KPMIRP and KPMI, respectively in GRDC.

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

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	₱354,605	₱104,701,236	₱105,055,841	₱424,915	₱89,728,757	₱90,153,672
Noncurrent assets	3,843,284	593,909,065	597,752,349	3,843,282	606,640,134	610,483,416
<b>Total assets</b>	<b>4,197,889</b>	<b>698,610,301</b>	<b>702,808,190</b>	<b>4,268,197</b>	<b>696,368,891</b>	<b>700,637,088</b>
Current liabilities	1,187,355	525,227	1,712,582	1,252,389	367,072	1,619,461
Noncurrent liabilities	-	1,635,033	1,635,033	-	1,646,586	1,646,586
<b>Total liabilities</b>	<b>1,187,355</b>	<b>2,160,260</b>	<b>3,347,615</b>	<b>1,252,389</b>	<b>2,013,658</b>	<b>3,266,047</b>
Revenue	62,862	3,707,142	3,770,004	2,915,445	10,144,492	13,059,937
Other income	-	9,000	9,000	-	12,396,585	12,396,585
Net income (loss)	(5,276)	2,094,810	2,089,534	2,528,221	14,726,009	17,254,230
<b>Total comprehensive income (loss)</b>	<b>(5,276)</b>	<b>2,094,810</b>	<b>2,089,534</b>	<b>2,528,221</b>	<b>14,726,009</b>	<b>17,254,230</b>
Cash flows from:						
Operating activities	(125,017)	(2,527,965)	(2,652,982)	(2,824,159)	4,239,095	1,414,936
Investing activities	226	13,677,378	13,677,604	3,088,800	137,515,918	140,604,718
Financing activities	-	-	-	-	(131,000,000)	(131,000,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(124,791)</b>	<b>11,149,413</b>	<b>11,024,622</b>	<b>264,641</b>	<b>10,755,013</b>	<b>11,019,654</b>
Accumulated balance of material NCI	-	-	386,181,942	-	-	383,814,469
Net income attributable to material NCI	-	-	2,367,473	-	-	10,076,591

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.

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### 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, 2018 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, 2018 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. Currently, the Company recognizes the change in fair value of its available-for-sale financial asset in other comprehensive income.
- PFRS 15, '*Revenue from contracts with customers*' (effective January 1, 2018). The Company intends to adopt the standard on January 1, 2018 but has assessed that it will not have a significant effect on its consolidated financial statements as a result of adoption of this standard as its revenues are mainly derived from dividends, interests, and rental income, which are all fixed in amount and the period covered is defined. Additionally, the leases are outside the scope of PFRS 15 and therefore, there will be no impact on the Company's financial statements upon its adoption.
- 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.

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### 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, 2017 audited financial statements and for the period ended March 31, 2018. Any additional disclosures on the significant changes of accounts and subsequent events are disclosed in the succeeding notes and presented in the Management Discussion and Analysis.

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### 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, 2018, 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, 2017 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 2018	Audited December 31 2017
Cash equivalents	₱73,695,934	₱82,220,201
Cash on in banks	4,761,724	5,718,728
Cash on hand	5,000	5,000
	<b>₱78,462,658</b>	<b>₱87,943,929</b>

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 Company and earned interest at annual interest that ranged from 1.75% to 2.0% during the first quarter of 2018 and 1.375% to 1.75% in 2017. Cash in banks earn interest at the respective bank deposit rates.

Interest income on cash and cash equivalents amounted to ₱0.4 million and ₱0.1 million for the periods ended March 31, 2018 and 2017. Accrued interest receivable from cash and cash equivalents amounted to ₱0.07 million in March 31, 2018 and ₱0.08 million in December 31, 2017.

## 7. Receivables

This account consists of:

	Unaudited March 31 2018	Audited December 31 2017
Loan receivable from a related party (Note 14)	₱247,500,000	₱242,000,000
Lease receivables:		
Related parties	33,878,693	32,931,722
Others	716,366	707,493
	<b>282,095,059</b>	<b>275,639,215</b>
Nontrade	2,152,580	2,152,580
Interest receivable (Note 14)	892,255	828,454
Due from related parties (Note 14)	76,162	-
	<b>285,216,056</b>	<b>278,620,249</b>
Less noncurrent portion:		
Lease receivables (Note 14)	29,003,610	29,234,677
Loan receivable (Note 14)	25,000,000	37,500,000
	<b>54,003,610</b>	<b>66,734,677</b>
	<b>231,212,446</b>	<b>211,885,572</b>
Less provision for doubtful accounts	2,605,948	2,605,948
	<b>₱228,606,498</b>	<b>₱209,279,624</b>

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

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

Non-trade receivable represents the 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.

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. 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 March 31 2018	Audited December 31 2017
Creditable withholding taxes (CWT)	₱3,038,133	₱2,810,307
Prepaid expenses	3,674,880	12,101
Advances to employees	672,330	480,000
Input VAT	659,616	777,498
Deposits	55,645	55,645
Others	72,187	60,738
	8,172,791	4,196,289
Less allowance for impairment loss	3,549,926	3,453,294
	<b>₱4,622,865</b>	<b>₱742,995</b>

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

Unaudited March 31, 2018	Input VAT	CWT	Total
Balance at the beginning of the period	₱642,987	₱2,810,307	₱3,453,294
Provision for the period	71,796	258,623	330,419
Recovery of provision	(193,767)	(40,020)	(233,787)
Net provision (recovery)	(121,971)	218,603	96,632
Balance at the end of the period	<b>₱521,016</b>	<b>₱3,028,910</b>	<b>₱3,549,926</b>
Audited December 31, 2017	Input VAT	CWT	Total
Balance at the beginning of the period	₱1,225,075	₱2,032,442	₱3,257,517
Provision for the year	288,964	1,067,113	1,356,077
Recovery of provision	(871,052)	(277,645)	(1,148,697)
Net provision (recovery)	(582,088)	789,468	207,380
Write-off	-	(11,603)	(11,603)
Balance at the end of the period	<b>₱642,987</b>	<b>₱2,810,307</b>	<b>₱3,453,294</b>

The Company recovered input VAT and CWT amounting to ₱0.2 million and ₱0.04 million, respectively as of March 31, 2018 and such were applied against output VAT and income tax due, respectively.

## 9. Available-for-Sale Financial Assets

This account consists of investments in golf club shares:

	Unaudited March 31 2018	Audited December 31 2017
Quoted share—at fair value (cost ₱577,943)	₱25,000,001	₱20,000,001
Unquoted share - at cost	880,000	880,000
	25,880,001	20,880,001
Less allowance for impairment	880,000	880,000
	<b>₱25,000,001</b>	<b>₱20,000,001</b>

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 2018	Audited December 31 2017
Balance at the beginning of the period	₱20,000,001	₱19,500,001
Fair value gain	5,000,000	500,000
Balance at the end of the period	<b>₱25,000,001</b>	<b>₱20,000,001</b>

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

	<b>Unaudited March 31 2018</b>	Audited December 31 2017
Balance at the beginning of the period	<b>₱19,422,058</b>	₱18,922,058
Fair value gain	<b>5,000,000</b>	500,000
Balance at the end of the period	<b>₱24,422,058</b>	₱19,422,058

#### 10. Investments in Associates – at equity

This account consists of:

	<b>Unaudited March 31 2018</b>	Audited December 31 2017
Investments in associates	<b>₱337,596,800</b>	₱337,596,800
Accumulated shares in net income:		
Balance at beginning of the period	<b>82,838,564</b>	77,589,523
Equity in net earnings of associates	<b>2,800,918</b>	8,742,280
Cash dividend received	-	(3,493,239)
Balance at end of the period	<b>85,639,482</b>	82,838,564
	<b>₱423,236,282</b>	₱420,435,364

#### CLI

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

For the quarters ended March 31, 2018 and 2017, the Company's equity in net earnings of CLI amounted to ₱2.8 million and ₱2.1 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, 2018 and December 31, 2016 follows:

	<b>Unaudited March 31 2018</b>	Audited December 31 2017
Current assets	<b>₱87,686,018</b>	₱76,860,499
Noncurrent assets	<b>256,063,547</b>	256,491,254
Total assets	<b>343,749,565</b>	333,351,923
Current liabilities	<b>24,841,267</b>	25,647,295
Total liabilities	<b>24,841,267</b>	25,647,295
Net assets	<b>318,908,298</b>	307,704,628
Revenue	<b>39,015,840</b>	162,707,201
Income before income tax	<b>12,233,630</b>	37,899,578
Total comprehensive income	<b>11,203,671</b>	34,969,123

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 - net

This account consists of:

Unaudited March 31, 2018				
	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the period	₱205,666,439	₱854,751	₱3,689,178	₱210,210,368
Accumulated depreciation:				
Balance at beginning	-	619,250	3,689,178	4,308,428
Depreciation	-	58,875	-	58,875
Balance at end of the period	-	678,125	3,689,178	4,308,428
Net book value	₱205,666,439	₱176,626	₱-	₱205,843,065

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

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

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

The investment properties have an aggregate fair value of ₱994.0 million based on an appraisal by an independent appraiser in November 2017. The fair value of the investment properties was determined using Level 3 inputs such as discount rates, terminal yields, expected vacancy rates as estimated by the independent appraiser or management based on comparable transactions and industry data.

Rental income attributable to the investment properties amounted to ₱3.6 million and ₱5.1 million for the periods ended March 31, 2018 and 2017, respectively.

## 12. Property and Equipment

This account consists of:

Unaudited March 31, 2018				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1 and March 31	₱5,397,020	₱495,224	₱776,186	₱6,668,430
Accumulated depreciation:				
January 1	5,397,020	360,534	773,186	6,533,740
Depreciation	-	20,064	-	20,064
March 31	5,397,020	380,598	776,186	6,553,804
Net Book Value	₱-	₱114,626	₱-	₱114,626

Audited December 31, 2017

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

Fully depreciated assets amounting to ₱6.6 million are still in use as of March 31, 2018.

### 13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited March 31 2018	Audited December 31 2017
Accrued expenses	₱7,095,774	₱7,116,555
Payable to government agencies	266,216	422,218
Advance rentals	232,956	232,956
Others	257,008	257,085
	<b>₱7,851,954</b>	<b>₱8,028,814</b>

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

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

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

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

#### 14. Related Party Transactions

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

Related Party	Notes	As of March 31, 2018		As of December 31, 2017		Terms and conditions
		Transactions (1 <sup>st</sup> quarter)	Outstanding receivable (payable)	Transactions (annual)	Outstanding receivable (payable)	
<b>Entities under common control</b>						
<i>Rental Income (a)</i>						
KPMI		₱3,213,045	₱33,848,693	₱12,852,185	₱32,931,722	The outstanding balance is collectible in cash, with term of 30 to 60 days from date of each transaction. This is non-interest bearing and unsecured.
Keppel IVI Investments, Inc. (KIVI)		75,000	-	300,000	-	
Keppel Energy and Consultancy Inc. (KECI)		30,000	30,000	228,000	-	
Kepwealth Property Phils., Inc. (Kepwealth Property)		-	-	271,877	-	
	7	3,318,045	33,878,693	13,652,062	32,931,722	
<i>Advance rental and deposit – KPMI (a)</i>						
Advance rentals	13	-	(232,956)	-	(232,956)	The outstanding balance is unsecured and non-interest bearing.
Refundable deposits		-	(232,956)	-	(232,956)	
<i>Various expenses and charges (b)</i>						
KPMI		17,369	5,300	253,623	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Keppel Subic Shipyard, Inc.		7,462	2,941	19,257	-	
KECI		7,921	7,921	-	-	
Kepwealth Property		-	-	998	-	
	7		16,162		-	
<i>Loans – KPMI (c)</i>						
Loans	7	5,500,000	247,500,000	132,500,000	242,000,000	These are interest bearing, unsecured and not impaired.
Interest income - KPMI		2,206,473	826,547	11,742,752	743,904	
<i>Management fees (d)</i>						
Kepwealth, Inc.		69,000	-	120,000	-	
KECI		60,000	60,000	300,000	-	
KIVI		45,000	-	180,000	-	
Kepventure, Inc.		15,000	-	30,000	-	
Kepwealth Property		-	-	1,150,200	-	
		189,000	60,000	1,780,200	-	
<i>Director's Fees</i>						
KPPI		30,000	-	310,000	-	
KPMI		-	-	60,000	-	
		30,000	-	370,000	-	
<b>Associates</b>						
Equity in net earnings	10	2,800,918	-	8,742,280	-	
Cash dividend received	10	-	-	3,493,239	-	
<b>Shareholders</b>						
Unclaimed monies or dividends	13	(76)	(257,009)	5,780,432	(257,085)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as agreed by the BOD.
<b>Key management personnel (e)</b>						
Salaries and other employees benefits	13,17	2,506,053	(5,592,067)	11,128,786	(5,410,567)	The outstanding payable is unsecured, non-interest bearing, payable every designated period on employees' contracts.

Outstanding balances of transactions with related parties are unsecured and settlements are made in cash. As of this period, the 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. *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 ₱2.4 million as of March 31, 2018 and 2017. Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱33.6 million and ₱32.9 million as of March 31, 2018 and December 31, 2017, respectively.

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

- (ii) GRDC leases its properties to KPMI, for a period of one (1) year commencing on January 1, 2015, subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. Rental income amounted to ₱0.06 million as of March 31, 2018 and 2017. Outstanding receivable as of March 31, 2018 amounted to ₱0.02 million (December 31, 2017 – nil).
- (iii) KPSI leases certain properties to KPMI, KIVI, KECI and Kepweath Property for a period of one (1) year, renewable annually. The lease contracts with Kepweath Property was terminated on October 31, 2017. Rental income amounted to ₱0.2 million and ₱0.3 million as of March 31, 2018 and 2017. Outstanding receivable as of March 31, 2018 amounted to ₱0.07 million (December 31, 2017 – nil).
- (iv) Parent Company and KPMI have an existing land lease agreement on a piece of land which is the subject of complaint against Philippine National Oil Company (PNOC). The lease is for a period of one (1) year subject to renewal with a monthly rent of ₱0.2 million. The lease contract was last renewed in July 2017. Rental income amounted to ₱0.5 million both for the periods ended March 31, 2018 and 2017. Outstanding receivable as of March 31, 2018 amounted to ₱0.2 million (December 31, 2017 – nil).

Total rental income derived from these agreements amounted to ₱3.3 million as of March 31, 2018 and 2017.

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 March 31, 2018 and December 31, 2017 is presented under accounts payable and other current liabilities in the consolidated statement of financial position. The refundable deposit is to be returned at the end of the lease term, net of any expenses that will be incurred in the process of restoring the leased premises.

(b) *Advances for various expenses and charges*

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

(c) *Loan agreements*

- (i) GMRI granted a long-term interest-bearing loan to KPMI in September 2014 amounting to ₱200.0 million. The loan has a term of five (5) years on principal payment with grace period of 15 months and payable in sixteen (16) 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 4.5% to 5.4% as of first quarter of 2018 (First Quarter 2017 - 3.6% to 4.6%). KPMI made principal payments of ₱12.5 million for the quarter period ending March 2018 and ₱50.0 million for the year ended December 2016.

In December 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%. In February 2017, the outstanding short-term loan as at December 31, 2016 amounting to ₱87.5 million was converted to five (5) year long-term loan, payable in twenty (20) equal consecutive quarterly installments, and interests of 4.7%, subject to semi-annual repricing. In November 2017, the said loan was pre-terminated and was fully paid. In 2017, GMRI granted KPMI additional short-term loan of ₱30.5 million with 45 to 90 days terms at 3% interest rate. As of December 31, 2017, the outstanding short-term loan of KPMI amounted to ₱12.5 million with interest rate of 3% and upon maturity in March 2018, it was renewed for another 90 days at 3.15% interest rate.

The total outstanding loan of KPMI as of March 31, 2018 and December 31, 2017 amounted to ₱87.5 million and ₱100.0 million, respectively. Interest income recognized from these loans amounted to ₱1.1 million and ₱2.0 million for the quarters ending March 31, 2018 and 2017, respectively. Accrued interest receivable amounted to ₱0.3 million both as of March 31, 2018 and December 31, 2017.

- (ii) 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 3.0% to 3.5%. As of March 31, 2018, the ₱15.0 million short-term loan is still outstanding at the rate of 3.15%. Interest income recognized from the short-term loans amounted to ₱0.1 million both as of March 31, 2018 and 2017. Accrued interest receivable amounted to ₱0.1 million as of March 31, 2018 and December 31, 2017.

- (iii) The Parent Company started to grant short-term loans to KPMI in June 2015 with loan balance of ₱145.0 million as at March 31, 2018 (December 31, 2017 - ₱127.0 million). The loan has 45 to 90 days term with option to renew upon maturity. In March 2018, ₱18.0 million was granted for 90-days term at 3.15% interest. Interest rates are market based and range from 3% to 3.15% during the first quarter of March 31, 2018 (First quarter March 2017 - 2.8% to 3.5%). Interest income recognized from these loans by the Parent Company amounted to ₱1.0 million as of March 31, 2018 (2017 - ₱0.6 million). Accrued interest receivable amounted to ₱0.4 million as of March 31, 2018 (December 31, 2017 - ₱0.3 million).

Total interest income earned from these loan agreements amounted to ₱2.2 million as of March 31, 2018 (2017 - ₱2.7 million). Accrued interest receivable amounted to ₱0.8 million as of March 31, 2018 (December 31, 2017 - ₱0.7 million).

*(d) Management fees*

In 2017, the Parent Company has existing annual management agreement with Kepwealth Inc, KECI, KIVI, Kepventure and Kepwealth Property with monthly management fee of ₱10 thousand, ₱25 thousand, ₱15 thousand, ₱2.5 thousand and ₱112 thousand, respectively. The management fee is subject to change depending upon the extent and volume of services provided by the Parent Company. This will cover regular consultancy, handling of financial reporting, personnel and administration services including payroll and other government documentary requirements. The agreement is considered renewed every year thereafter, unless one party gives the other a written termination at least three (3) months prior to the date of expiration. The management agreement with Kepwealth Property was terminated in October 2017 due to the sale of Kepwealth Property to a third party. As of January 31, 2018, the management fees with Kepwealth Inc, KECI, KIVI and Kepventure have been increased to ₱69 thousand, ₱60 thousand, ₱45 thousand and ₱15 thousand, respectively.

Management fees earned amounted to ₱0.2 million and ₱0.5 million as of March 31, 2018 and 2017.

*(e) Key management personnel*

Outstanding balance related to salaries and other employees benefits of key management personnel amounting to ₱5.6 million as of March 31, 2018 (December 31, 2017 - ₱5.4 million) as presented within accrued expenses under accounts payable and other current liabilities in the consolidated statement of financial position.

## 15. Capital Stock

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

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

Details of the Parent Company's shares as at March 31, 2018 and 2017 as follows:

Treasury shares	
Class " A "	3,674,000
Class " B "	11,696,081
	15,370,081
Weighted average number of shares	
Class " A "	36,166,970
Class " B "	21,636,449
	57,803,419

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as at March 31, 2018 and 2017:

<b>Common Shares</b>	<b>Number of Shares Registered</b>	<b>Issue/Offer Price</b>	<b>Date of Approval</b>	<b>Number of Holders of Securities</b>
<b>March 31, 2018</b>				
Class " A "	36,166,970	1.00	June 30, 2000	382
Class " B "	21,636,449	1.00	June 30, 2000	56
	57,803,419			
<b>March 31, 2017</b>				
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			

There are 424 and 429 total shareholders per record holding both Class "A" and "B" shares as of March 31, 2018 and 2017, respectively.

## 16. Retained Earnings and Treasury Shares

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

Retained earnings are further restricted to the extent of with the following details as of March 31, 2018 and 2017.

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

In March 2017, GMRI declared cash dividend amounting to ₱21.0 million. Out of this amount, the Parent Company received ₱10.6 million while dividend attributable to NCI amounted to ₱10.1 million in March 2017. GMRI had not declared any dividend as of March 2018.

## 17. Operating Expenses

This account consists of:

	<b>Unaudited March 31 2018</b>	<b>Unaudited March 31 2017</b>
Salaries, wages, and employees' benefits	₱2,506,053	₱2,528,411
Taxes and licenses	1,393,686	1,332,408
Professional fees	280,149	240,804
Utilities	149,117	121,035
Transportation and travel	113,012	118,946
Membership dues and subscriptions	109,414	100,939
Provision for impairment losses	96,632	31,692
Depreciation and amortization	78,939	105,680
Office supplies	36,748	17,825
Postages	10,708	3,679
Repairs and maintenance	9,197	10,287
Insurance	5,837	12,210
Others	141,016	93,644
	<b>₱4,930,508</b>	<b>₱4,717,560</b>

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 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, 2018					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱1,980,892	₱4,358,350	₱6,339,242	₱-	₱6,339,242
Inter-segment	195,000	-	195,000	(195,000)	-
Equity in net earnings of an associate	-	2,800,918	2,800,918	-	2,800,918
Total Revenue	2,175,892	7,159,268	9,335,160	(195,000)	9,140,160
Income before tax	(1,137,644)	5,386,296	4,248,652	-	4,248,652
Provision for income tax	(91,942)	(470,974)	(562,916)	-	(562,916)
Net Income	(1,229,586)	4,915,322	3,685,736	-	3,685,736
<i>Other Information</i>					
Segment assets	328,524,004	806,950,268	1,135,474,272	(111,443,957)	1,024,030,315
Segment liabilities	8,714,978	4,594,524	13,309,502	(2,175,231)	11,134,271
Depreciation & amortization	20,064	58,875	78,939	-	78,939

Audited December 31, 2017					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
Third party	₱7,322,919	₱75,166,326	₱82,489,245	₱-	₱82,489,245
Inter-segment	107,927,500	-	107,927,500	(107,927,500)	-
Equity in net earnings of an associate	-	8,742,280	8,742,280	-	8,742,280
Total revenue	115,250,419	83,908,606	199,159,025	(107,927,500)	91,231,525
Income before tax	99,812,156	75,169,245	174,981,401	(107,327,500)	67,653,901
Provision for income tax	(256,756)	(12,524,461)	(12,781,217)	-	(12,781,217)
Net Income	99,555,400	62,644,784	162,200,184	(107,327,500)	54,872,684
<i>Other Information</i>					
Segment assets	324,677,988	802,079,901	1,126,757,889	(111,443,959)	1,015,313,930
Segment liabilities	8,639,374	4,639,478	13,278,852	(2,175,230)	11,103,622
Depreciation & amortization	22,550	288,002	310,552	-	310,552

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

All the 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, 2018 and 2017. Rental from KPMI comprises more than 35% and 30% of the Company's revenue for the periods ended March 31, 2018 and 2017.

## 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, 2018 and December 31, 2017 pertains to loan receivables from a related company amounting to ₱247.5 million and ₱242.0 million, respectively, which comprise more or less 88% of the Company's loan and receivables in both periods.

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

	<b>Unaudited March 31 2018</b>	<b>Audited December 31 2017</b>
<i>Loans and receivables</i>		
Cash and cash equivalents *	<b>₱78,457,658</b>	₱87,938,929
Receivables		
Loan receivable from related party	<b>247,500,000</b>	242,000,000
Current portion of lease receivables**	<b>5,591,449</b>	4,404,538
Interest receivable	<b>892,255</b>	828,454
Due from related party	<b>76,162</b>	-
	<b>₱332,517,524</b>	₱335,171,921

\*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 (3) months from end of the reporting period. The amounts due from related parties are all collectible and of good credit quality.

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

#### *Cash in bank*

The 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, 2018 and December 31, 2017 are as follows:

	Unaudited March 31 2018	Audited December 31 2017
Total liabilities	P11,134,271	P11,103,622
Total equity	1,012,896,044	1,004,210,308
Debt to equity ratio	0.011:1	0.011:1

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

#### Fair Value Estimation of Financial Assets

##### Loans and Receivables

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

##### AFS Financial Assets

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

##### Fair Value Hierarchy

As of March 31, 2018 and December 31, 2017, the Company classifies its quoted available-for-sale financial asset amounting to P25.0 million and P20.0 million, respectively, under Level 1 of the fair value hierarchy. During the reporting periods ending March 31, 2018 and December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

#### 20. Financial Soundness - Key Performance Indicators

	Unaudited March 31 2018	Audited December 31 2017
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	32.29	31.01
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	31.82	30.93
B. Solvency Ratio (annualized)		
1. Net Income + Depreciation/Total Liabilities	1.35	4.97
2. Total Assets/Total Liabilities	91.98	91.44
C. Debt to Equity Ratio (Total Liabilities/Stockholders' Equity)	0.01	0.01
D. Asset to Equity Ratio	1.01	1.01
E. Debt Ratio (Total Liabilities/Total Assets)	0.01	0.01
F. Interest Rate Coverage Ratio (EBIT/Interest Expense)	Nil	Nil
G. Profitability % (annualized)		
1. Return on Assets (Net Income/Total Assets)	1.44	5.40
2. Return on Equity (Net Income/Stockholders Equity)	1.46	5.46
H. Earnings per Share Attributable to Equity Holders of Parent (P) (Annualized)	0.09	0.78
I. Book Value per Share Attributable to Equity Holders of the Parent (P)	10.84	10.73

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## 21. Other Matters

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

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated May 14, 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent's Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Book of Entries of Judgments. As of March 31, 2018, the Parent Company is still waiting on the final resolution of the RTC.

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

**Aging of Receivable as at March 31, 2018:**

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Loan receivable - current	₱222,500,000	₱222,500,000	₱-	₱-	₱-	₱-
Lease receivables - current	5,591,449	5,007,877	177,059	406,513	-	-
Interest receivable	892,255	892,255	-	-	-	-
Due from related parties	76,162	76,162	-	-	-	-
Nontrade - receivables	2,152,580	-	-	-	-	2,152,580
<b>Total</b>	<b>231,212,446</b>	<b>228,476,294</b>	<b>177,059</b>	<b>406,513</b>	<b>-</b>	<b>2,152,580</b>
Less Allowance for doubtful accounts	2,605,948	-	46,855	406,513	-	2,152,580
<b>Net Receivables</b>	<b>₱228,606,498</b>	<b>₱228,476,294</b>	<b>₱ 130,204</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>

**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 ₱3.7 million for the first quarter ended March 31, 2018 as against ₱4.8 million in same period last year. The 23% decrease was mainly due to lower rental income, interest income and management fees. This was partially offset by higher equity in net earnings of associates and lower income tax.

Rental revenue for the quarter ending March 31, 2018 amounted to ₱3.6 million, 31% lower than same period last year of ₱5.1 million. The decrease was due to the sale of the condominium units starting almost in the middle of 2017.

The Company recognized equity in net earnings of associates of ₱2.8 million this quarter, or 34% higher than same period last year of ₱2.1 million.

The Company earned interest income of ₱2.6 million as of March 31, 2018, 8% lower than same period last year ₱2.8 million mainly due to reduction of loan receivable brought by payment of principal amount.

Management fees charged to related parties decreased from ₱0.5 million as of March 31, 2017 as against this period of ₱0.2 million. This was due to lower number of related companies being served by the Parent Company.

Operating expenses of ₱4.9 million this quarter was slightly higher by 5% as against ₱4.7 million as of March 31, 2017. This was brought by higher taxes and licenses, professional fees, utilities, dues, provision for impairment losses, office supplies, postages and others. This was partially offset by lower salaries and benefits, travel and transportation, depreciation, repairs and insurance expense.

The Company recognized other comprehensive income from fair value gain adjustment on AFS financial assets this quarter of ₱5.0 million and none during the quarter ending March 2017.

### **Financial Condition**

The cash position of the Company as of March 31, 2018 amounted ₱78.5 million, ₱9.5 million or 11% lower than ₱87.9 million as of December 31, 2017. The decrease was due to cash used in operating activities of ₱6.5 million, mainly due to prepayments of taxes and granting of new short-term loan of ₱18.0 million. This was partially offset by receipt of ₱12.5 million principal payment of long-term loan receivable and ₱2.5 million interests from loan receivable and short-term deposits.

Total receivables both current and non-current, net of allowance amounted to ₱282.6 million and ₱276.0 million in March 31, 2018 and December 31, 2017, respectively, or an increase of ₱6.6 million. This increase was due to net effect of granting of new short-term loan of ₱18.0 million and receipt of ₱12.5 million as quarterly payment of long-term loan. Lease & other receivables also increased by ₱1.6 million.

Other current assets as of this period increased to ₱4.6 million as against ₱0.7 million as of December 31, 2017. This was mainly due to prepaid expenses particularly real property and business taxes.

Available-for-sale financial assets related to a quoted club share at fair value price as of March 31, 2018 amounted to ₱24.5 million, ₱5.0 million higher than in December 31, 2017 of ₱20.0 million.

Investments in associates increased from ₱420.4 million as of December 31, 2017 to ₱423.2 million as of March 31, 2018. The increase of ₱2.8 million was due mainly to the recognition of equity in net earnings of associate.

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

Total liabilities as of March 31, 2018 amounting to ₱11.1 million is almost at same level as of December 31, 2017. Income tax payable increased by ₱0.2 million which was partially offset by the decrease in accounts payable and other current liabilities by ₱0.2 million.

The equity attributable to equity holders of the Parent Company as of March 31, 2018 amounted to ₱626.7 million as against last December 31, 2017 of ₱620.4 million. This was due to net income attributable to Parent Company of ₱1.3 million for the quarter ending March 31, 2018 and comprehensive income from the fair value gain on available-for sale financial assets of ₱5.0 million.

Noncontrolling interests as of March 31, 2018 amounted to ₱386.2million as against last December 31, 2017 of ₱383.8 million. The decrease was due to the net effect of net income attributable to the noncontrolling interests of ₱2.4 million for the quarter ending March 31, 2018.

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 ₱10.84 as of March 31, 2018 higher than in December 31, 2017 at ₱10.73 per share.

Earnings per share attributable to the equity holders of the Parent (net earnings for the quarter divided by common shares outstanding) as shown in the consolidated statement of income for the period ending March 31, 2018 was ₱0.02 lower than as of March 31, 2017 of ₱0.04 per share.

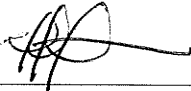
#### **Material Events and Uncertainties**

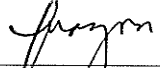
There are no known trends, commitments, events or uncertainties that will have a material impact on the Company's liquidity for the remaining periods of the year. There are also no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of 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 :   
\_\_\_\_\_  
**ALAN I. CLAVERIA**  
President

  
\_\_\_\_\_  
**FELICIDAD V. RAZON**  
VP/Treasurer

Date : 10 May 2018