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S.E.C Registration Number

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(Company's Full Name)

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

Stefan Tong Wai Mun/ Felicidad V. Razon	
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Contact Person

892 1816	
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Company Telephone Number

1	2
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Month

3	1
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Day

SEC Form 17Q-March 2014	
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FORM TYPE

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Secondary License Type, if Applicable

0	6
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Month

0	6
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Annual Meeting

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Dept. Requiring this Doc.

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Amended Articles Number/Section

440	
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Total No. of Stockholders
Foreign

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Domestic

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To be accomplished by SEC Personnel concerned

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**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 2014
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 J. Puyat Ave., Salcedo Village, Makati City 1200
8. Issuer's telephone number, including area code
(02) 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' | 38,730,970 |
| Common 'B' | 21,636,449 |
| Total | 60,367,419 (Net of Treasury Shares of 12,806,081) |
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 2014 QUARTERLY REPORT

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2014 & DECEMBER 31, 2013

(P'000)

	Unaudited March 2014	Audited December 2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 19)	313,104	312,310
Receivables – net (Notes 7, 14 and 19)	2,584	1,954
Other current assets (Note 8)	882	479
Total Current Assets	316,570	314,743
Noncurrent Assets		
Available-for-sale financial assets (Notes 9 and 19)	13,500	15,000
Lease receivables (Notes 7 and 14)	35,971	36,163
Investments in associates – net (Note 10)	418,555	413,581
Investment properties – net (Note 11)	211,250	211,677
Property and equipment - net (Note 12)	303	440
Other noncurrent assets (Note 21)	4,141	4,141
Total Noncurrent Assets	683,720	681,002
Total Assets	1,000,290	995,745
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable & other current liabilities (Note 13)	4,411	4,338
Refundable deposits	1,808	1,975
Income tax payable	69	35
Total Current Liabilities	6,288	6,348
Noncurrent Liabilities		
Deferred tax liabilities	1,816	1,826
Total Noncurrent Liabilities	1,816	1,826
Total Liabilities	8,104	8,174
(Forward)		

	Unaudited March 2014	Audited December 2013
Stockholders' Equity		
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 15)	73,174	73,174
Capital paid in excess of par value	73,204	73,204
Retained earnings (Note 16)	420,184	417,285
Unrealized cumulative gains on available-for-sale financial assets (Note 9)	12,922	14,422
Treasury shares (Note 16)	(9,899)	(9,899)
	569,585	568,186
Noncontrolling Interests	422,601	419,385
Total Stockholders' Equity	992,186	987,571
Total Liabilities & Stockholders' Equity	1,000,290	995,745

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013**

**₱'000
(UNAUDITED)**

	<u>March 2014</u>	<u>March 2013</u>
REVENUES		
Equity share in net earnings of associates (Note 10)	4,974	3,941
Rental (Notes 11 and 14)	4,775	4,676
Interest (Note 6)	781	2,426
Management fees (Note 14)	300	275
	<u>10,830</u>	<u>11,318</u>
EXPENSES		
Operating expense (Note 17)	4,274	4,179
	<u>4,274</u>	<u>4,179</u>
OTHER INCOME		
Director's fee	21	25
Recovery of provision for impairment losses (Note 8)	50	-
	<u>71</u>	<u>25</u>
INCOME BEFORE INCOME TAX	<u>6,627</u>	<u>7,164</u>
Provision for income tax-current	522	797
Provision for income tax-deferred	(10)	(10)
	<u>512</u>	<u>787</u>
NET INCOME	<u>6,115</u>	<u>6,377</u>
NET INCOME ATTRIBUTABLE TO		
Equity holders of the parent	2,899	3,267
Noncontrolling interests	3,216	3,110
	<u>6,115</u>	<u>6,377</u>
Earnings Per Share Attributable to Equity Holders of the Parent		
<u>Net Earnings</u>	<u>2,899</u>	<u>3,267</u>
Outstanding Shares ('000)	<u>60,367</u>	<u>60,367</u>
	<u>₱0.048</u>	<u>P0.054</u>

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013**

**₱'000
(UNAUDITED)**

	<u>March 2014</u>	<u>March 2013</u>
Net Income	6,115	6,377
Other Comprehensive Income		
Unrealized loss in AFS financial assets (Note 9)	<u>(1,500)</u>	<u>1,000</u>
Total Comprehensive Income	<u>4,615</u>	<u>7,377</u>
Attributable to:		
Equity holders of the parent	1,399	4,267
Noncontrolling interest	<u>3,216</u>	<u>3,110</u>
	<u>4,615</u>	<u>7,377</u>

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, 2014 AND 2013
(UNAUDITED)**

	March 2014		March 2013	
	No. of shares '000	Amount P'000	No. of shares '000	Amount P'000
CAPITAL STOCK				
Authorized - ₱1 par value				
Class "A"	90,000	90,000	90,000	90,000
Class "B"	200,000	200,000	200,000	200,000
	<u>290,000</u>	<u>290,000</u>	<u>290,000</u>	<u>290,000</u>
Issued:				
Class "A"	39,841	39,841	39,841	39,841
Class "B"	33,333	33,333	33,333	33,333
	<u>73,174</u>	<u>73,174</u>	<u>73,174</u>	<u>73,174</u>
 CAPITAL PAID IN EXCESS OF PAR VALUE		 73,204		 73,204
 RETAINED EARNINGS				
Balance at beginning of the period		417,285		414,102
Net income		2,899		3,267
Balance at end of the period		<u>420,184</u>		<u>417,369</u>
 UNREALIZED CUMULATIVE GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)		 12,922		 16,922
 TREASURY SHARES (Note 16)				
Balance at beginning and end of period				
Class "A"	(1,110)	(684)	(1,110)	(684)
Class "B"	(11,696)	(9,215)	(11,696)	(9,215)
	<u>(12,806)</u>	<u>(9,899)</u>	<u>(12,806)</u>	<u>(9,899)</u>
 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	 60,367	 569,585	 60,367	 570,770
 MINORITY INTERESTS		 422,601		 410,953
		<u>992,186</u>		<u>981,723</u>

*See accompanying Notes to Consolidated
Financial Statements*

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013
₱'000

	March 2014	March 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	6,627	7,164
Adjustments for:		
Depreciation (see Notes 11, 12, 17)	564	570
Provision for impairment losses (see Note 8)	66	-
Recovery of provision for impairment losses (see Note 8)	(50)	-
Interest income (see Note 6)	(781)	(2,426)
Equity share in net income of an associate (see Note 10)	(4,974)	(3,941)
Operating income before working capital changes	1,452	1,367
Decrease (increase) in:		
Receivables (see Notes 7, 14, and 19)	(824)	(142)
Other assets (see Note 8)	(419)	(297)
Increase (decrease) in accounts payable and other current liabilities	73	60
Net cash generated from operations	282	988
Income tax paid	(488)	(764)
Net cash provided by operating activities	(206)	224
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	975	2,521
Decrease in noncurrent lease receivables (see Notes 7 and 19)	192	192
Net cash provided by (used in) investing activities	1,167	2,713
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in refundable deposits	(167)	-
Decrease in payable to related parties	-	(14)
Net cash provided by (used in) financing activities	(167)	(14)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	794	2,923
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	312,310	308,827
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	313,104	311,750

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
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) (collectively referred to as “the Company”), are incorporated in the Philippines. The Company’s registered office address is Unit 3-B Country Space 1 Building, 133 Sen. Gil J. Puyat Avenue, Salcedo Village, Barangay Bel-Air, Makati City. The Parent Company is involved in investment holding.

KPHI shares are publicly traded with the Philippine Stock Exchange (PSE). The top four shareholders are the following:

	Percentage of Ownership
Kepwealth Inc.	38.7
Keppel Corporation Limited (KCL)	28.0
The Insular Life Assurance Company, Ltd.	10.6
Public	22.7

Kepwealth Inc. and KCL are related companies.

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

	Percentage of Ownership
KPSI	100
GRDC	51
Goodsoil Marine Realty, Inc. (GMRI)	51

Information relating to the Company’s associates follows:

Investment Holdings	Percentage of Direct Ownership	Percentage of Indirect Ownership
KP Capital, Inc. (KPCI)	40	
Goodwealth Ventures, Inc. (GVI)	40	
Consort Land, Inc. (CLI)		13

KPHI has 13% effective indirect ownership in CLI through GMRI.

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 include the accounts 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.

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

Noncontrolling interests (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 within equity in the consolidated statements of changes in equity.

Acquisitions of NCI are accounted for using the entity concept method, whereby the Company considers the acquisition of minority interest as an equity transaction. Any premium or discount on subsequent purchases from minority shareholders is recognized directly in equity.

3. Summary of Changes in Significant Accounting Policies and Disclosures

Changes in Accounting Policies

The accounting policies adopted for the current interim period unaudited consolidated financial statements are consistent with the previous financial year except for the adoption of the following amended PFRS which became effective on January 1, 2013.

Except as otherwise indicated, adoption of these amended PFRS have no significant impact on the financial position and performance of the Company:

- PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)*. The related PFRS 7 disclosures of the Company's financial assets and liabilities are included in Note 19.
- PFRS 10, *Consolidated Financial Statements*. Disclosures on the Company's investments in associates are discussed in Note 10.
- PFRS 11, *Joint Arrangements*. The Company has not entered into any joint arrangement.
- PFRS 12, *Disclosure of Interest in Other Entities*. The related PFRS disclosures of the Company's investments in associates are included in Note 10.
- PFRS 13, *Fair Value Measurement*. The management assessed that the standard has no impact on the Company's financial statements since it is already consistent with PFRS 13. Fair value hierarchy of financial instruments is provided in Note 19.
- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*. The Company's OCI pertains only to items which can be recycled to profit or loss upon derecognition.
- PAS 19, *Employees Benefits (Amendments)*. The Company has no retirement fund or retirement obligation.

- PAS 27, *Separate Financial Statements* (as revised in 2011). The amendment did not have an impact on the separate financial statements of the entities in the Group since these are already consistent with the revised PAS 27.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). The Company's accounting treatment of its investments in associates are already consistent with the revised PAS 28.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. The Company is not involved in mining activities.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Government Loans* (Amendments). The Company is not a first-time adopter of PFRS.

Annual Improvements to PFRSs (2009-2011 Cycle)

This contains non-urgent but necessary amendments to PFRS's. The Company adopted these amendments in 2013 and this period but have no impact in the Company's financial statements and performance. Details as follows:

- PFRS 1, *First-time Adoption of PFRS-Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.
- PAS 1, *Presentation of Financial Statements – Clarification of the requirements for comparative information*.
- PAS 16, *Property, Plant and Equipment – Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting- Interim financial reporting and segment information for total assets and liabilities*. The related disclosures on segment information are provided in Note 18.

Future Changes in Accounting Policies

The Company will adopt the following new and amended standards and interpretations enumerated below when these become effective.

Effective in 2014

- PAS 36, *Impairment of Assets- Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
 - *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27).
 - Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
 - PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
 - PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)
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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, 2013 audited financial statements and for the period ended March 31, 2014. 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, 2014, 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 30, 2013 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:

	Mar 2014	Dec 2013
Cash on hand and in banks	₱ 4,418	₱ 2,327
Cash equivalents	308,686	309,983
	₱ 313,104	₱ 312,310

Cash includes cash on hand and in banks. 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 the respective short-term investment rates. Annual interest ranged from 0.88% to 1.0% during the first quarter of 2014 as against same quarter last year from 2.88% to 3.5%.

Interest income on cash and cash equivalents amounted to ₱0.8 million as of March 31, 2014 as against same period last year of ₱2.4 million.

7. Receivables

This account consists of:

	Mar 2014	Dec 2013
Lease receivables - Affiliates	₱38,249	₱37,094
- Non-affiliates	216	322
Non-trade	2,153	2,153
Interest receivable	72	266
Due from a related party	18	435
	40,708	40,270
Less noncurrent portion of lease receivables	35,971	36,163
	4,737	4,107
Less allowance for doubtful accounts	2,153	2,153
	₱2,584	₱1,954

Current portion of lease receivables and due from related party are non-interest bearing and are generally 30 to 60 day terms. The noncurrent portion of lease pertains to the difference in the computation of rent income using straight-line method.

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.

Due from related party is a receivable relating to reimbursement of expenses, is non-interest bearing and is due and demandable. Due from a related party will be settled in cash.

8. Other Current Assets

This account consists of:

	Mar 2014	Dec 2013
Creditable withholding taxes	₱3,401	₱3,578
Input VAT	1,840	1,820
Prepaid expenses	528	113
Deposits paid	32	32
Others	179	18
	₱5,980	₱5,561
Less allowance for impairment loss	(5,098)	5,082
	₱882	₱479

In 2012, the Company has impaired its input VAT amounting to ₱1.8 Million and additional of ₱0.01 million in 2013. In 2013, the Company also provided an allowance for impairment on its creditable withholding tax amounting to ₱3.3 million since the Company believes that it may no longer be used in the future.

The rollforward analysis of the Company's allowance for impairment losses follows:

Input VAT

	Mar 2014	Dec 2013
Balance at the beginning of the period	₱1,820	₱1,810
Provision for the year	20	10
Balance at the end of the period	<u>₱1,840</u>	<u>₱1,820</u>

Creditable Withholding Tax

	Mar 2014	Dec 2013
Balance at the beginning of the period	₱3,262	₱14
Provision for the year	46	3,248
Recovery of provision	(50)	-
Balance at the end of the period	<u>₱3,258</u>	<u>₱3,262</u>

9. Available-for-Sale Financial Assets

This account consists of investments in golf club share:

	Mar 2014	Dec 2013
Quoted—at fair value (costing ₱577,942)	₱13,500	₱15,000
Unquoted shares Golf club share – at cost	880	880
	14,380	15,800
Less allowance for impairment	880	880
	<u>₱13,500</u>	<u>₱15,000</u>

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

	Mar 2014	Dec 2013
Balance at the beginning of the period	₱15,000	₱16,500
Fair value adjustment	(1,500)	(1,500)
Balance at the end of the period	<u>₱13,500</u>	<u>₱15,000</u>

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

	Mar 2014	Dec 2013
Balance at the beginning of the period	₱14,422	₱15,922
Fair value loss	(1,500)	(1,500)
Balance at the end of the period	<u>₱12,922</u>	<u>₱14,422</u>

10. Investments in Associates – at equity

This account consists of:

	Mar 2014	Dec 2013
Investments in associates	₱ 895,187	₱ 895,187
Accumulated equity in net losses		
Balance at beginning of year	(481,606)	(499,474)
Equity share in net earnings of associates - net	4,974	17,868
Total	(476,632)	(481,606)
Balance at end of the period	₱418,555	₱413,581

The details of investments and advances accounted for under the equity method as of March 31, 2014 and December 31, 2013 follows:

	KPCI		GVI		CLI	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Investments	₱273,518	₱273,518	₱231,834	₱231,834	₱389,835	₱389,835
Accumulated share in net losses (income)						
Balance at beginning	(₱273,518)	(₱273,518)	(₱230,833)	(₱230,793)	₱22,745	₱4,837
Equity share in net income	-	-	(11)	(40)	4,985	17,908
Total	(₱273,518)	(₱273,518)	(₱230,844)	(₱230,833)	₱27,730	₱22,745
Balance at the end	₱-	₱-	₱990	₱1,001	₱417,565	₱412,580

KPCI and GVI

KPCI and GVI have incurred continued losses and are in capital deficiency since 2005. The Company's investments in KPCI and GVI have been reduced to nil in prior years. In 2011, GVI has incurred gain on sale of its CLI shares to GMRI. The Company's equity share in net losses in GVI amounted to ₱0.01 million both in quarters ended March 31, 2014 and 2013.

On June 19, 2013 and June 22, 2011, the BOD and the stockholders of GVI and KPCI, respectively, approved and ratified the dissolution of GVI and KPCI and the amendment of the Articles of Incorporation to shorten their corporate term up to and only until June 30, 2013 and June 30, 2011, respectively. KPCI already filed a notice of dissolution with the SEC and the BIR on July 25, 2011 and September 14, 2011, respectively. GVI filed a notice of dissolution with the SEC and BIR on July 22, 2013 and July 31, 2013, respectively. As of this period, KPCI and GVI are still waiting for the response from BIR with the issuance of tax clearance.

In 2013, the management re-assessed whether or not the Company has control over GVI due to the Parent Company's higher beneficial interest on dividends of GVI as compared to other shareholders. In spite of the higher beneficial interest of the Parent Company as indicated in the Articles of Incorporation of GVI, the Parent Company has no dominant influence over GVI's significant decisions and operations. All of the officers of GVI are representatives of KPMI Retirement Plan and not of the Parent Company. The management assessed that the Company has no control over GVI and thus will continue to account for GVI as an associate.

CLI

GMRI ownership in CLI of 25% provided the Company a significant influence in CLI. The Company has 13% effective ownership in CLI. For the quarter ended March 31, 2014 and 2013, the Company's equity share in net income of CLI amounted to ₱5.0 million and ₱4.0 million, respectively.

The financial information of significant associates as of and for the periods ended March 31, 2014 and December 31, 2013 follows:

	KPCI		GVI		CLI	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Current assets	₱4,999	₱4,999	₱3,321	₱ 3,383	₱89,477	₱66,180
Noncurrent assets	-	-	-	-	243,680	245,135
Total assets	4,999	4,999	3,370	3,383	333,157	311,315
Current liabilities	-	-	105	138	36,565	34,674
Noncurrent liabilities	4,999	4,999	-	-	-	-
Total Liabilities	4,999	4,999	105	138	36,565	34,674
Revenue	-	-	8	71	59,069	215,156
Net income (loss) attributable to common shareholders	-	-	(28)	(99)	19,941	71,633

11. Investment Properties

This account consists of:

	March 2014			
	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the period	₱205,902	₱2,609	₱25,343	₱233,854
Accumulated depreciation:				
Balance at beginning	-	1,793	20,384	22,177
Depreciation	-	31	396	427
Balance at end of the period	-	1,824	20,780	22,604
Net book value	₱205,902	₱785	₱4,563	₱211,250
	December 2013			
	Land	Building	Condominium Units	Total
Cost:				
Balance at beginning and end of the year	₱205,902	₱2,609	₱25,343	₱233,854
Accumulated depreciation:				
Balance at beginning of year	-	1,668	18,802	20,470
Depreciation	-	125	1,582	1,707
Balance at end of year	-	1,793	20,384	22,177
Net book value	₱205,902	₱816	₱4,959	₱211,677

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 ₱695.2 million based on an appraisal by an independent appraiser in October 2013. Management believes that the fair market value of its investment properties have not changed significantly since then. The fair value attributable to the equity holders of the Parent Company amounted to ₱385.0 million. Market value approach was used in determining the fair value which is allowed by the Philippine Valuation Standards. Rent income attributable to the investment properties amounted to ₱4.8 million and ₱4.7 million for the periods ended March 31, 2014 and 2013, respectively.

12. Property and Equipment

This account consists of:

March 2014				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
Balance at beginning and end of the period	₱5,397	₱582	₱776	₱6,755
Accumulated depreciation :				
Balance at beginning	5,080	582	653	6,315
Depreciation	98	-	39	137
Balance at end of the period	5,178	582	692	6,452
Net Book Value	₱219	₱-	₱84	₱303
December 2013				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
Balance at beginning and end of the year	₱5,397	₱582	₱776	₱6,755
Accumulated depreciation:				
Balance at beginning of year	4,688	569	498	5,755
Depreciation	392	13	155	560
Balance at end of year	5,080	582	653	6,315
Net Book Value	₱317	₱ -	₱123	₱440

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Mar 2014	Dec 2013
Advance rentals:		
Affiliates (Note 14)	₱ 296	₱ 127
Others	1,174	1,174
Provisions	1,315	1,315
Accrued expenses	1,283	1,171
Other taxes payable	182	375
Output VAT	83	98
Others	78	78
	₱4,411	₱4,338

Accounts payable and other current liabilities are generally within 30 to 60 days terms.

Advance rentals are to be applied in subsequent month's rentals. Accrued expenses pertain to accrued professional fees, audit fee, employee leaves, 13th month and other benefits. Other taxes payable pertain to withholding taxes on salaries and other expenses. Other payables consist of 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 Keppel Philippines Marine, Inc. (KPMI), an affiliate, covering the property which is the site of KPMI's shipyard, for a period of 50 years beginning 1993. Rent income based on straight-line method amounted to ₱2.5 million as of March 31, 2014 and same period last year. Total outstanding balance of lease receivables amounted to ₱37.8 million and ₱37.1 million as of March 31, 2014 and December 31, 2013, respectively. The lease has a remaining non-cancelable lease term of 29 years and one month.
- 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, 2014 and 2013. The outstanding lease receivables as of March 31, 2014 and December 31, 2013 amounted to ₱0.04 million for both periods.

- 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 subject to renewal. Rental income amounted to ₱0.3 million both for the periods ended March 31, 2014 and 2013. Outstanding receivables with affiliates amounted to ₱0.08 million and ₱0.07 million in March 31, 2014 and December 31, 2013.
- 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, 2014 and 2013. Outstanding receivables with KPMI amounted to ₱0.3 million and ₱0.5 million in March 31, 2014 and December 31, 2013, respectively.
- e. The Parent Company provides accounting services to its affiliates and related parties. Management fees earned ₱0.4 million as of March 31, 2014 and ₱0.3 million in same period last year.
- f. Other transactions with related parties consist of granting and availing of advances for working capital requirements and sharing of common 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, 2014. Authorized and issued shares as of March 31, 2014 as follows:

	Authorized - ₱1 Par Value	Issued
Class “A”	90,000,000	39,840,970
Class “B”	200,000,000	33,332,530
	290,000,000	73,173,500

The weighted average number of shares outstanding as of March 31, 2014 and December 31, 2013 follow:

	Class A	Class B	Total
Issued shares	39,840,970	33,332,530	73,173,500
Less treasury shares	1,110,000	11,696,081	12,806,081
Weighted average number of shares	38,730,970	21,636,449	60,367,419

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Company’s track record of registration of securities.

	Number of shares registered	Issue/offer Price	Date of approval	Number of holders of securities as of March 31, 2014
Common shares				
Class “A”	38,730,970	₱ 1.00	June 30, 2000	394
Class “B”	21,636,449	₱ 1.00	June 30, 2000	62
	60,367,419			

There are 440 shareholders owning both Class “A” and “B” shares as of March 31, 2014.

16. Retained Earnings and Treasury Shares

The Parent Company's retained earnings are restricted as to dividend declaration in the amount of ₱9.9 million as of this period and in December 2013 representing the cost of treasury shares. Total number of shares as of this period is 12,806,081 composed of 1,110,000 Class "A" shares and 11,696,081 Class "B" shares. There was no acquisition made from December 2013 up to this period.

The BOD declared cash dividends of ₱0.10 per share or ₱6.0 million on June 6, 2013 to stockholders of record as of June 21, 2013 and were paid on July 17, 2013 and July 18, 2012, respectively.

17. Operating Expenses

This account consists of:

	Mar 2014	Mar 2013
Salaries, wages and employee benefits	₱1,532	₱1,463
Taxes and licenses	1,188	1,270
Depreciation and amortization	564	570
Professional fees	262	264
Transportation and travel	159	157
Utilities	154	158
Membership dues and subscriptions	114	111
Provision for impairment losses	66	-
Office supplies	39	23
Insurance	15	16
Others	181	147
	<u>₱4,274</u>	<u>₱4,179</u>

Other expenses consist of bank charges, notarial fees, 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:

	March 31, 2014				
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue	₱1,772	₱9,848	₱11,620	(₱790)	₱10,830
Income before tax	(434)	7,572	7,138	(511)	6,627
Provision for income tax	60	452	512	-	787
Net Income	(494)	7,120	6,626	(511)	6,115
Other Information					
Segment assets	227,234	903,520	1,130,754	(130,464)	1,000,290
Segment liabilities	2,227	28,061	30,288	(22,184)	8,104
Depreciation & amortization	36	528	564	-	564

December 31, 2013

	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue	₱8,643	₱21,920	₱30,563	₱14,160	₱44,723
Income before tax	(1,843)	9,910	8,067	15,369	23,436
Provision for income tax	452	2,222	2,674	-	2,674
Net Income	(2,295)	7,688	5,393	15,369	20,762
Other Information					
Segment assets	229,292	879,064	1,108,356	(112,611)	995,745
Segment liabilities	2,290	28,135	30,425	(22,251)	8,174
Depreciation & amortization	143	2,125	2,268	-	2,268

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 and ₱3.1 million as of March 31, 2014 and 2013, respectively. Rental from KPMI comprises more than 10% of the Company's rental 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, 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 trade 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

The Company pertains to the risk that a party to financial instrument will fail to discharge its obligation can cause the other party to incur a financial loss. The Company transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Company. In addition, receivable balance is monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

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

	Mar 2014	Dec 2013
<i>Loans and Receivables</i>		
Cash and cash equivalents *	₱313,099	₱312,305
Receivables		
Current portion of lease receivables	2,494	1,253
Nontrade	2,153	2,153
Interest receivable	72	266
Due from related party	18	435
	₱317,836	₱316,412

*Excluding cash on hand

Credit Quality

The cash and cash equivalents of the Company from a local bank with good financial standing is considered a good credit policy. 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.

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.

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, short-term investments and long-term loans. The Company also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

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 with interest rate repriced annually. Since the Company's credit standing is good, there is no requirement for collateral or guaranty.

Equity Price Risk

Equity price risk is the risk that the fair values of the equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Company's price risk exposure relates to its quoted AFS financial assets where values will fluctuate as a result of changes in market prices.

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, 2014 and December 31, 2013 are as follows:

	Mar 2014	Dec 2013
Total liabilities	₱8,104	₱8,174
Total equity	992,186	987,571
Debt to equity ratio	0.008	0.008

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, 2014 and December 31, 2013.

Fair Value Hierarchy

As of March 31, 2014 and December 31, 2013, the Company classifies its quoted AFS financial asset under Level 1 of the fair value hierarchy amounting to ₱13.5 million and ₱15.0 million, respectively. During the reporting periods ending March 31, 2014 and December 31, 2013, 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

	Mar 2014	Dec 2013
A. Current and Liquidity Ratios		
1. Current Ratio (Current Assets/Current Liabilities)	50.35	49.58
2. Acid-test Ratio or Quick Ratio (Monetary Current Assets/Current Liabilities)	50.21	49.50
B. Solvency Ratio (annualized) (Net Income + Depreciation)/Total Liabilities	3.30	2.82
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)	2.45	2.09
2. Return on Equity	2.47	2.10
H. Earnings per Share Attributable to Equity Holders of Parent (₱) (Annualized)	0.19	0.15

21. Other Matters

In September 2003, the Parent Company filed a complaint against the PNOC for specific performance with the Regional Trial Court 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). 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. On November 7, 2013, the Parent Company filed a Motion to Resolve with the SC to ask for an early resolution and issue an order dismissing the petition. The case is still outstanding as of this period.

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.

In July 2007, the Company and PNOC signed a compromise agreement where in both parties agreed to increase the price to ₱6.1 million. The compromise agreement is pending approval by the Office of the Solicitor General as of this period. Given the length of time that had lapsed, it is unlikely that the Compromise Agreement will be approved.

Aging of Receivable as at March 31, 2014 (₱'000):

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Lease receivables - current	2,494	2,494		-	-	-
Nontrade - receivables	2,153	-	-	-	-	2,153
Interest receivable	72	72	-	-	-	-
Due from related party	18	18	-	-	-	-
Total	4,737	2,584	-	-	-	2,153
Less Allowance for doubtful accounts	2,153	-	-	-	-	2,153
Net Receivables	2,584	2,584	-	-	-	-

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 ₱6.1 million for the first quarter ended March 31, 2014 as against ₱6.4 million in same period last year. The decrease was mainly due lower interest income from short term deposits partially offset by the increase in equity share in net earnings of associates.

The Company recognized equity share in net earnings of associates of ₱5.0 million this quarter as against same period last year of ₱4.0 million. This came mainly from the 25% equity share of GMRI in CLI's net income.

Rental revenue as of the quarter amounted to ₱4.8 million which was slightly higher by 2% as against same period last year of ₱4.7 million. This was due mainly to increase in rental rates.

Interest income from short-term deposits amounted to ₱0.8 million this quarter as against ₱2.4 million of same period last year. The decrease was mainly due to lower interest rate ranging from 0.88% to 1.0% during the first quarter of 2014 as against same quarter last year from 2.88% to 3.53%.

Operating expenses of ₱4.3 million this period was slightly higher by 2% as against ₱4.2 million last March 31, 2013. This was brought by increase in salaries and benefits, higher professional and legal charges, and provision for impairment losses.

The Company's other comprehensive income from unrealized loss in AFS financial asset amounted to ₱1.5 million this quarter as against ₱1.0 million gain of same period last year.

Financial Condition

The cash position of the Company as of March 31, 2014 amounted ₱313.1 million which was slightly higher by ₱0.8 million as against ₱312.3 million as of December 31, 2013. This was brought by interest from short-term deposit offset by payment of dividends and operating expenses.

Receivables amounted to ₱2.6 million and ₱2.0 million in March 31, 2014 and December 31, 2013, respectively. Other current assets as of this period increased to ₱0.9 million as against ₱0.5 million as of December 2013 due to prepayments.

AFS financial assets as of March 31, 2014 amounted to ₱13.5 million as compared to December 2013 of ₱15.0 million. Long-term lease receivables as of March 31, 2014 amounted to ₱36.0 million slightly lower than last December 31, 2013 of ₱36.2 million.

Investments in associates increased from ₱413.6 million as of December 2013 to ₱418.6 million as of March 31, 2014. The increase of ₱5.0 million was due to the recognition of 25% equity share of GMRI from CLI's net income. The Company, thru GMRI, has 13% effective indirect ownership in CLI.

Current liabilities as of March 31, 2014 were almost at same level as of December 31, 2013 of ₱6.3 million.

Total stockholders' equity increased from ₱987.6 million in December 2013 to ₱992.2 million in March 2014 due to net income for the period of ₱6.1 million partially offset by the cumulative unrealized loss on AFS financial assets of ₱1.0 million due to decrease in market price.

The equity attributable to equity holders of the Parent Company as of March 31, 2014 amounted to ₱569.6 million versus last December 31, 2013 of ₱568.2 million.

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 ₱9.44 as of March 31, 2014 higher than in December 31, 2013 at ₱9.41 per share.

Earnings per share attributable to the equity holders of the Parent (net earnings for the period divided by common shares outstanding) as shown in the consolidated statement of income for the period ending March 31, 2014 was ₱0.05, almost at same level as of March 31, 2013.

Material Events and Uncertainties

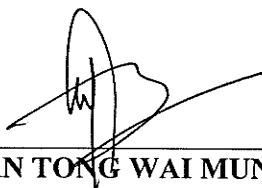
There are no known trends, commitments, events or uncertainties that will have a material impact on the Company's liquidity for the remaining periods of the year. There are also no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of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

SIGNATURES

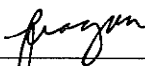
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

Signature and Title :



STEFAN TONG WAI MUN
President



FELICIDAD V. RAZON
VP/Treasurer

Date : April 11, 2014