

COVER SHEET

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S.E.C Registration Number

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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

8892 1816

Company Telephone Number

1	2
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Month

3	1
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Day

SEC Form 17Q-June 2020

FORM TYPE

0	6
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Month

1	9
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Day

Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

420 as of June 2020

Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

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

1. For the quarterly period ended 30 June 2020
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 3-B, Country Space I Bldg., 133 Sen. Gil Puyat Avenue 1200
Salcedo Village, Barangay Bel-Air, Makati City
8. Issuer's telephone number, including area code
(632) 8892-18-16
9. Former name, former address and former fiscal year, if changed since last report
N.A.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- | Title of each Class | Number of shares of common stock outstanding |
|---------------------|--|
| Common 'A' | 36,065,970 |
| Common 'B' | 21,552,349 |
| Total | 57,618,319 (Net of Treasury Shares of 15,555,181) |
11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [/] No []
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
- | | |
|----------------------------------|----------------------|
| Philippine Stock Exchange | Common Shares |
|----------------------------------|----------------------|
12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No []
- (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [/] No []

DOCUMENTS INCORPORATED BY REFERENCE

**PART I
FINANCIAL INFORMATION**

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

**PART II
OTHER INFORMATION**

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

NONE

EXHIBIT I

JUNE 2020 QUARTERLY REPORT

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2020 & DECEMBER 31, 2019

(IN PHILIPPINE PESOS)

A S S E T S	Unaudited June 30 2020	Audited December 31 2019
Current assets		
Cash and cash equivalents (Notes 6 and 19)	57,998,519	50,687,233
Receivables – net (Notes 7, 14 and 19)	279,237,512	276,038,317
Other current assets - net (Note 8)	2,474,058	465,635
Total current assets	339,710,089	327,191,185
Non-current assets		
Financial assets at fair value through other comprehensive income, net	36,000,001	37,000,001
Investment in associates (Note 10)	424,705,264	420,186,688
Lease receivables – net of current portion (Notes 7 and 14)	29,696,787	30,158,921
Investment properties – net (Note 11)	205,288,439	205,288,439
Property and equipment - net (Note 12)	163,545	217,833
Retirement benefit asset, net	575,995	575,995
Other noncurrent assets (Note 21)	4,140,710	4,140,710
Total non-current assets	700,570,741	697,568,587
Total assets	1,040,280,830	1,024,759,772
<u>LIABILITIES AND EQUITY</u>		
Current liabilities		
Accounts payable and other current liabilities (Note 13)	7,737,185	5,501,100
Refundable deposits	2,340,792	1,280,130
Income tax payable	176,972	249,775
Total current liabilities	10,254,949	7,031,005
Noncurrent liability		
Deferred tax liability	1,610,309	1,633,416
Total liabilities	11,865,258	8,664,421
Equity		
Share capital (Note 15)	73,173,500	73,173,500
Share premium	73,203,734	73,203,734
Retained earnings (Note 16)	499,857,433	489,293,344
Investment revaluation reserve (Note 9)	35,422,058	36,422,058
Remeasurements on retirement benefit asset	184,932	184,932
Treasury shares (Note 16)	(23,614,089)	(22,628,577)
Total equity attributable to equity holders of the Parent	658,227,568	649,648,991
Non-controlling interests	370,188,004	366,446,360
Total equity	1,028,415,572	1,016,095,351
Total liabilities and equity	1,040,280,830	1,024,759,772

See accompanying Notes to Consolidated Financial Statements

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

	Second Quarter		To – Date	
	April to June		January to June	
	2020	2019	2020	2019
Revenue and other income				
Rental income (Notes 11 and 14)	8,142,082	9,008,192	17,171,161	18,641,165
Interest income (Notes 6 and 7)	3,421,859	5,078,096	7,010,302	9,722,621
Equity in net earnings of associates (Note 10)	1,766,898	2,185,123	4,518,576	4,192,313
Management fees (Note 14)	189,000	189,000	378,000	378,000
Others	4,106	17,514	23,573	53,867
	13,523,945	16,477,925	29,101,612	32,987,966
Operating expenses (Note 17)	(6,889,623)	(6,177,216)	(13,564,423)	(13,805,581)
Income before income tax expense	6,634,322	10,300,709	15,537,189	19,182,385
Income tax expense	(595,424)	(696,055)	(1,231,456)	(1,414,688)
Net income for the period	6,038,898	9,604,654	14,305,733	17,767,697
Attributable to:				
Equity holders of the parent	4,552,497	7,540,820	10,564,089	13,745,042
Noncontrolling interests	1,486,401	2,063,834	3,741,644	4,022,655
	6,038,898	9,604,654	14,305,733	17,767,697
Earnings Per Share Attributable to				
Equity Holders of the Parent	₱0.079	₱0.130	₱0.183	₱0.238

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019
(IN PHILIPPINE PESOS)
(UNAUDITED)

	Second Quarter April to June	2019	To - Date January to June	2019
	2020	2019	2020	2019
NET INCOME	6,038,898	9,604,654	14,305,733	17,767,697
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified to profit and loss:				
Unrealized fair value gain on financial asset at fair value through other comprehensive income	-	-	-	-
Item that may be reclassified to profit and loss:				
Unrealized fair value loss on available-for-sale financial assets (Note 9)	(1,000,000)	-	(1,000,000)	-
TOTAL COMPREHENSIVE INCOME	5,038,898	9,604,654	13,305,733	17,767,697
ATTRIBUTABLE TO:				
Equity holders of the parent	3,552,497	7,540,820	9,564,089	13,745,042
Noncontrolling interest	1,486,401	2,063,834	3,741,644	4,022,655
	5,038,898	9,604,654	13,305,733	17,767,697

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)
IN PHILIPPINE PESOS**

	Attributable to equity holders of the Parent							Total	Non-controlling interests	Total equity
	Share capital <i>(Note 15)</i>	Share premium <i>(Note 15)</i>	Retained earnings <i>(Note 16)</i>	Investment revaluation reserve <i>(Note 9)</i>	Remeasurements on retirement benefit asset <i>(Note 14)</i>	Treasury shares <i>(Note 15 and 16)</i>				
Balance as of January 1, 2020	73,173,500	73,203,734	489,293,344	36,422,058	184,932	(22,628,577)	649,648,991	366,446,360	1,016,095,351	
Comprehensive income										
Net income for the period	-	-	10,564,089	-	-	-	10,564,089	3,741,644	14,305,733	
Other comprehensive income	-	-	-	(1,000,000)	-	-	(1,000,000)	-	(1,000,000)	
Total comprehensive income	-	-	10,564,089	(1,000,000)	-	-	9,564,089	3,741,644	13,305,733	
Transaction with the owners										
Purchase of treasury shares	-	-	-	-	-	(985,512)	(985,512)	-	(985,512)	
Cash dividend declared	-	-	-	-	-	-	-	-	-	
Balance as of June 30, 2020	73,173,500	73,203,734	499,857,433	35,422,058	184,932	(23,614,089)	658,227,568	370,188,004	1,028,415,572	
Balance as of January 1, 2019	73,173,500	73,203,734	476,686,367	34,422,058	-	(22,622,976)	634,862,683	358,232,249	993,094,932	
Comprehensive income										
Net income for the period	-	-	13,745,042	-	-	-	13,745,042	4,022,655	17,767,697	
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	13,745,042	-	-	-	13,745,042	4,022,655	17,767,697	
Transaction with the owners										
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	
Cash dividend declared	-	-	-	-	-	-	-	-	-	
Balance as of June 30, 2019	73,173,500	73,203,734	490,431,409	34,422,058	-	(22,622,976)	648,607,725	362,254,904	1,010,862,629	

See Accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019
(IN PHILIPPINE PESOS)
(UNAUDITED)

	June 30 2020	June 30 2019
Cash flows from operating activities		
Income before income tax expense	15,537,189	19,182,385
Adjustments for:		
Provision for impairment losses – net (Note 8)	824,827	1,623,986
Depreciation (Notes 11, 12, and 17)	54,288	40,688
Equity in net earnings of associates (Note 10)	(4,518,576)	(4,192,313)
Interest income (Notes 6, 7 and 14)	(7,010,302)	(9,722,621)
Operating income before working capital changes	4,887,426	6,932,125
Decrease (increase) in:		
Receivables (Notes 7, 14, and 19)	(12,762,270)	(1,934,068)
Other assets (Note 8)	(2,833,250)	(4,054,140)
Increase (decrease) in:		
Accounts payable and other current liabilities	2,236,085	379,085
Refundable deposits	1,060,662	238,857
Net cash generated from operations	(7,411,347)	1,561,859
Income tax paid	(1,327,366)	(1,830,187)
Net cash used in operating activities	(8,738,713)	(268,328)
Cash flows from investing activities		
Collection of loan receivable from related party	10,000,000	-
Interest received	7,035,511	9,414,032
Acquisition of property and equipment	-	(114,249)
Net cash provided by investing activities	17,035,511	9,299,783
Cash flows from financing activities		
Repurchase of shares	(985,512)	-
Net cash used in financing activities	(985,512)	-
Net increase in cash and cash equivalents	7,311,286	9,031,455
Cash and cash equivalents at the beginning of the period	50,687,233	39,482,151
Cash and cash equivalents at the end of the period (Note 6)	57,998,519	48,513,606

See accompanying Notes to Consolidated Financial Statements

KEPPEL PHILIPPINES HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Philippine Pesos)

1. Corporate Information

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

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

KPHI's shares are publicly traded in the Philippine Stock Exchange (PSE). As of June 30, 2020 and December 31, 2019, the top three (3) shareholders are the following:

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

As at June 30, 2020 and December 31, 2019, the following are the Parent Company's subsidiaries which all belong to the real estate industry:

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

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

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

The Parent Company has 5 regular employees as at June 30, 2020 and December 31, 2019. The administrative functions of the subsidiaries are handled by the Parent Company's management.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The unaudited consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretation of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The unaudited consolidated financial statements have been prepared on a historical cost basis, except for financial asset at FVOCI and the retirement benefit asset recognized as the total of the fair value of plan assets less the present value of the defined benefit obligation.

The preparation of the unaudited consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where estimates and assumptions are significant to the consolidated financial statements.

Basis of Consolidation

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

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

Assessment of Control

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if it results in the NCI having a deficit balance. Acquisitions of NCI are accounted for using the acquisition method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity and attributed to the owners of the parent. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an acquisition. If the Group loses control over a subsidiary, it:

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

As of June 30, 2020 and December 31, 2019, NCI pertains to 44% and 5% ownership of KPMIRP and KPML, respectively in GRDC.

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

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	GRDC	GMRI	Total	GRDC	GMRI	Total
Current assets	674,424	93,980,076	94,654,500	677,489	90,581,512	91,259,001
Noncurrent assets	3,229,782	569,602,244	572,832,026	3,229,782	570,064,378	573,294,160
Total assets	3,904,206	663,582,320	667,486,526	3,907,271	660,645,890	664,553,161
Current liabilities	102,655	567,645	670,300	144,707	686,555	831,262
Noncurrent liabilities	-	1,531,053	1,531,053	-	1,554,160	1,554,160
Total liabilities	102,655	2,098,698	2,201,353	144,707	2,240,715	2,385,422
Revenue	126,172	6,232,400	6,358,572	402,445	10,024,592	10,427,037
Other income	-	4,500	4,500	-	14,788,228	14,788,228
Net income (loss)	38,986	3,078,447	3,117,433	183,376	18,133,092	18,316,468
Total comprehensive income (loss)	38,986	3,078,447	3,117,433	183,376	18,133,092	18,316,468

Cash flows from:						
Operating activities	(45,428)	(292,045)	(337,473)	(488,390)	4,964,007	4,475,617
Investing activities	-	1,475,383	1,475,383	-	14,292,409	14,292,409
Financing activities	-	-	-	(1,500,000)	-	(1,500,000)
Net increase (decrease) in cash and cash equivalents	(45,428)	1,183,338	(1,137,910)	(1,988,390)	19,256,416	17,268,026
Accumulated balance of material NCI	-	-	370,188,004	-	-	366,446,360
Net income attributable to material NCI	-	-	3,741,644	-	-	8,214,111

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

3. Summary of Changes in Significant Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

(a) New standards, amendments to existing standards and interpretations adopted by the Group

- PFRS 16, 'Leases' (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. The Group adopted the standard on January 1, 2019 but did not impact its financial statements as it is mainly the lessor in the existing lease agreements. While some differences may arise as a result of the new guidance on the definition of the lease, the Group has opted to apply such guidance only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not be reassessed and such expedient will be consistently applied to all contracts.
- PFRS 9, '*Financial instruments*' (effective January 1, 2019). Upon adoption of PFRS 9, the Group retained its recognition policy for change in fair value of available-for-sale financial asset in other comprehensive income. In addition, the adoption did not impact the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities designated at fair value through profit or loss and the Group does not have any such liabilities.

The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39. Given the nature of the Group's receivables and historical collection rate, the Group did not recognize additional provision for impairment for losses.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed and changed, making hedge accounting easier and less costly to achieve for many hedges. The Group has no hedging activities as at June 30, 2020 and December 31, 2019.

- PFRS 15, '*Revenue from contracts with customers*' (effective January 1, 2019). The Group adopted the standard on January 1, 2019 but did not impact its consolidated financial statements as its revenues are mainly derived from management and director's fees, dividends, interests, and rental income, which are all fixed in amount and the period covered is defined. Additionally, the leases are outside the scope of PFRS 15 and therefore, there will be no significant impact on the Group's financial statements upon January 1, 2019.

(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, 2020 and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the Group's consolidated financial statements.

4. Significant Accounting Policies

The Group's disclosures on significant accounting principles and policies and practices are substantially the same with the disclosures made in December 31, 2019 audited financial statements and for the period ended June 30, 2020. Any additional disclosures on the significant changes of accounts and subsequent events are disclosed in the succeeding notes and presented in the Management Discussion and Analysis.

5. Significant Accounting Judgment, Estimates and Assumptions

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

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

As of June 30, 2020, there were no judgment, seasonal or cyclical aspects that materially affect the operation of the Group, no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in the estimates of amounts reported in December 31, 2019 audited financial statements, and no unusual items that materially affect the Group's assets, liabilities, equity, net income or cash flows.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited June 30 2020	Audited December 31 2019
Cash equivalents	46,225,153	41,418,829
Cash in banks	11,773,366	9,268,404
	57,998,519	50,687,233

Cash equivalents are short-term investments which are placed in financial institutions for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earned interest at annual interest that ranged from 1.5% to 3.6% during the first half of 2020 and 4.75% to 5.25% in 2019. Cash in banks earn interest at the prevailing bank deposit rates.

Interest income on cash and cash equivalents amounted to ₱0.6 million for the period ended June 30, 2020 (2019 – ₱0.9 million). Accrued interest receivable from cash and cash equivalents amounted to ₱0.02 million in June 30, 2020 (December 31, 2019 – ₱0.09 million).

7. Receivables

This account consists of:

	Unaudited June 30 2020	Audited December 31 2019
Loan receivable from a related party (Note 14)	262,000,000	272,000,000
Lease receivables:		
Related parties	31,098,494	31,083,188
Others	7,388,044	1,674,400
Nontrade	9,183,985	2,152,580
Interest receivable (Note 14)	1,396,636	1,421,845
Due from related parties (Note 14)	19,720	17,805
	311,086,879	308,349,818
Less allowance for doubtful accounts	(2,152,580)	(2,152,580)
	308,934,299	306,197,238
Less non-current portion:		
Lease receivables (Note 14)	(29,696,787)	(30,158,921)
	279,237,512	276,038,317

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

Current portion of lease receivables and due from related parties are non-interest bearing and are generally 30 to 60-day terms. The noncurrent portion of lease receivables pertains to the difference between straight line method and contractual annual rents. These amounts are expected to reverse more than one (1) year from financial reporting date.

Non-trade receivable represents the Group's claim against a seller of a parcel of land, the title of which has not been transferred to the Group and advances to service providers subject to distribution to related company. Portion of nontrade receivable has been outstanding for more than two (2) years and has been fully provided for.

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

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

8. Other Current Assets - net

This account consists of:

	Unaudited June 30 2020	Audited December 31 2019
Creditable withholding taxes (CWT)	7,697,802	6,993,133
Prepaid expenses	2,177,722	5,812
Input VAT	302,400	302,400
Advances to employees	266,706	305,035
Deposits	29,630	29,630
Others	-	5,000
	10,474,260	7,641,010
Less allowance for impairment loss	(8,000,202)	(7,175,375)
	2,474,058	465,635

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

Unaudited June 30, 2020	Input VAT	CWT	Total
Balance at the beginning of the period	302,400	6,872,975	7,175,375
Provision for the period	-	824,827	824,827
Recovery of provision	-	-	-
Net provision (recovery)	-	824,827	824,827
Balance at the end of the period	302,400	7,697,802	8,000,202
Audited December 31, 2019	Input VAT	CWT	Total
Balance at the beginning of the period	-	4,403,777	4,403,777
Provision for the year	302,400	2,990,578	3,292,978
Recovery of provision	-	(521,380)	(521,380)
Net provision (recovery)	302,400	2,469,198	2,771,978
Balance at the end of the period	302,400	6,872,975	7,175,375

In December 31, 2019, the Group recovered CWT amounting to ₱0.5 million and such was applied against income tax due, respectively. There is no recovery of provision as of June 30, 2020.

9. Financial assets through other comprehensive income

This account consists of investments in golf club shares with original cost of ₱0.6 million with fair value of ₱36.0 million as of June 30, 2020 (December 31, 2019 - ₱37.0 million).

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

The movement in the equity investments is as follows:

	Unaudited June 30 2020	Audited December 31 2019
Balance at the beginning of the period	37,000,001	35,000,001
Fair value loss	(1,000,000)	2,000,000
Balance at the end of the period	36,000,001	37,000,001

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

	Unaudited June 30 2020	Audited December 31 2019
Balance at the beginning of the period	36,422,058	34,422,058
Fair value loss	(1,000,000)	2,000,000
Balance at the end of the period	35,422,058	36,422,058

10. Investment in Associates – at equity

This account consists of:

	Unaudited June 30 2020	Audited December 31 2019
Investment in associate - CLI	337,596,800	337,596,800
Accumulated share in net income:		
Balance at beginning of the period	82,589,888	84,142,864
Equity in net earnings of associate	4,518,576	8,926,743
Cash dividend received	-	(10,479,719)
Balance at end of the period	87,108,464	82,589,888
	424,705,264	420,186,688

Investment in associate as at June 30, 2020 and December 31, 2019 consists of GMRI's 25% investment or 17,466,196 shares out of 70,000,000 shares in CLI, a company incorporated in the Philippines. CLI is involved in property leasing and power distribution located at Cabangaan Point, Cawag, Subic, Zambales.

KPMI has a Share Purchase Agreement with GMRI for the transfer of 2,950,000 shares dated September 6, 2012. As at June 30, 2020, the agreement is still awaiting the issuance of tax clearance before the actual transfer of shares. Taking the agreement into effect will give GMRI an ownership interest of ownership interest of 25% in CLI.

GMRI received cash dividend from CLI amounting to ₱10.5 million as of December 31, 2019.

CLI's financial information for the periods ended June 30, 2020 and December 31, 2019 follows:

	Unaudited June 30 2020	Audited December 31 2019
Current assets	78,237,702	75,472,448
Noncurrent assets	268,795,637	255,640,663
Total assets	347,033,339	331,113,111
Current liabilities	20,083,508	22,237,585
Non-current liabilities	2,189,301	2,189,301
Total liabilities	22,272,809	24,426,886
Net assets	324,760,530	306,686,225
Revenue	77,135,224	160,253,967
Income before income tax	19,588,732	38,732,752
Other comprehensive income	-	-
Total comprehensive income	18,074,305	35,832,000

The Group has 13% effective ownership in net assets of CLI or ₱42.2 million share in net asset (stated at cost) as at June 30, 2020 (December 31, 2019 – ₱39.9 million). The non-current assets of CLI represent prime lots held for appreciation, which are carried at cost. The fair value of the property is ₱2.4 billion as at December 31, 2019 based on the latest valuation report of an independent appraiser.

For the period ended June 30, 2020 and 2019, the Group's equity in net earnings of CLI amounted to ₱4.5 million and ₱4.2 million, respectively. No dividend declared and paid by CLI both for the periods ended June 30, 2020 and 2019.

The difference between the share in net asset and carrying amount of the investment amounting to ₱424.7 million as of June 30, 2020 pertains to fair value adjustments on prime land holdings of CLI (December 31, 2019 - ₱420.2 million).

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or to repay any loans and advances made by the Group. There are no contingent liabilities relating to the Group's investment in associate.

11. Investment Properties - net

This account consists of:

Unaudited June 30, 2020 and Audited December 31, 2019			
	Land	Condominium Units	Total
Cost	205,288,439	3,689,178	208,977,617
Accumulated depreciation	-	3,689,178	3,689,178
Net book values	205,288,439	-	205,288,439

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

The investment properties have an aggregate fair value of ₱1.1 billion based on an appraisal by an independent appraiser in December 2019. The fair value of the investment properties was determined using inputs such as discount rates, terminal yields, expected vacancy rates as estimated by the independent appraiser or management based on comparable transactions and industry data.

Rental income attributable to the investment properties for the periods ended June 30, 2020 and 2019 consists of the following:

	Unaudited June 30, 2020	Unaudited June 30, 2019
Third parties	11,232,926	12,023,075
Related parties	5,938,235	6,618,090
	17,171,161	18,641,165

Details of the advance rentals and refundable deposits received from third party and related customers as at June 30, 2020 and December 31, 2019 are as follows:

	Unaudited June 30, 2020			Audited December 31, 2019		
	Third parties	Related parties	Total	Third parties	Related Parties	Total
Advance rentals - Current	346,447	304,346	650,793	320,784	304,346	625,130
Refundable deposits -Current	2,071,446	269,346	2,340,792	1,010,784	269,346	1,280,130

The operating expenses directly attributable to the investment properties pertaining to rental, repairs and maintenance and real estate taxes amounted to ₱3.2 million as of June 30, 2019 and in 2019.

12. Property and Equipment

This account consists of:

Unaudited June 30, 2020				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	5,397,020	692,125	776,186	6,865,331
Additions	-	-	-	-
June 30	5,397,020	692,125	776,186	6,865,331
Accumulated depreciation:				
January 1	5,397,020	474,292	776,186	6,647,498
Depreciation	-	54,288	-	54,288
June 30	5,397,020	528,580	776,186	6,701,786
Net Book Value	-	163,545	-	163,545

Audited December 31, 2019				
	Commercial Building	Office machine, furniture and fixtures	Transportation Equipment	Total
Cost:				
January 1	5,397,020	456,715	776,186	6,629,921
Additions	-	235,410	-	235,410
December 31	5,397,020	692,125	776,186	6,865,331
Accumulated depreciation:				
January 1	5,397,020	357,819	776,186	6,531,025
Depreciation	-	116,473	-	116,473
December 31	5,397,020	474,292	776,186	6,647,498
Net Book Value	-	217,833	-	217,833

The assets written off in 2019 pertain to fully depreciated and obsolete office furniture and fixtures.

Fully depreciated assets amounting to ₱6.5 million are still in use as of June 30, 2020 and December 31, 2019.

Based on the results of management assessment, the Group believes that there are no objective evidences that indicators of impairment exist as at June 30, 2020 and December 31, 2019.

13. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited June 30 2020	Audited December 31 2019
Accrued expenses	5,221,141	3,344,336
Payable to government agencies	927,573	766,119
Advance rentals	650,793	625,130
Unearned rent	575,000	402,500
Others	362,678	363,015
	7,737,185	5,501,100

Accrued expenses pertain to accrued professional fees, audit fee, directors' fees, fringe, retirement obligation, membership dues, taxes and licenses, and other expenses. These are noninterest-bearing and generally have terms of 30-60 days.

Payable to government agencies pertains to output VAT and withholding taxes, which are normally settled within one (1) 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.

Unearned rent pertains to rental income received in advance.

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

14. Related Party Transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Significant related transactions and balances as of June 30, 2020 and December 31, 2019 follow:

Related Party	Notes	As of June 30, 2020		As of December 31, 2019		Terms and conditions
		Transactions (1 st half)	Outstanding receivable (payable)	Transactions (annual)	Outstanding receivable (payable)	
Entities under common control						
Rental Income (a)						
KPMI		5,728,235	31,098,494	12,816,179	31,083,188	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)		150,000	-	300,000	-	
Keppel Energy and Consultancy Inc. (KECI)		60,000	-	120,000	-	
	7	5,938,235	31,098,494	13,236,179	31,083,188	
Advance rentals						
KPMI	13	-	(269,346)	36,390	(269,346)	The outstanding balance is unsecured and non-interest bearing, and can be applied on the monthly rental at the end of the lease term.
KIVI		-	(25,000)	25,000	(25,000)	
KECI		-	(10,000)	10,000	(10,000)	
		-	(304,346)	71,390	(304,346)	
Refundable deposits		-	(269,346)	36,390	(269,346)	
Various expenses and charges (b)						
KPMI		63,502	5,375	2,109,373	-	The outstanding balance is unsecured, non-interest bearing, and payable in cash on demand.
Keppel Subic Shipyard, Inc.		14,345	14,345	16,309	1,800	
Kepventure, Inc.		-	-	11,625	-	
KIVI		-	-	11,188	-	
Keppel Infrastructure Holdings Pte. Ltd.		-	-	10,204	10,204	
Keppel DHCS Pte. Ltd. (b)		-	-	5,801	5,801	
	7	77,847	19,720	2,164,500	17,805	
Loans – KPMI (c)	7	-	262,000,000	-	272,000,000	These are interest bearing and unsecured.
Collection of loan receivables		10,000,000	-	-	-	
Interest income – KPMI		6,382,830	1,371,276	16,477,352	1,364,970	
Management fees (d)						
KECI		120,000	-	240,000	-	
KIVI		90,000	-	180,000	-	
Kepventure, Inc.		30,000	-	60,000	-	
		240,000	-	480,000	-	
Other Income (e)						
Director's Fees						
KPMI		-	-	60,000	-	
KPPI		10,000	-	220,000	-	
		10,000	-	280,000	-	
Associates						
Cash dividend received	10	-	-	10,479,719	-	
Shareholders						
Dividends						
Various shareholders	13	-	(362,678)	5,780,342	(363,015)	The outstanding balance is unsecured, non-interest bearing, and payable in cash on or before the due date as agreed by the BOD.
Management fees – Kepwealth Inc.		138,000	-	276,000	-	
Various expenses and charges	7	-	-	23,250	-	
Kepwealth, Inc.		-	-	9,000	-	
KCL		-	-	-	-	
		138,000	(362,678)	6,088,592	(363,015)	
Key management personnel (f)						
Salaries and other employee benefits	13,17	6,349,649	(2,024,650)	11,409,246	(288,000)	The outstanding payable pertains to unsettled benefits, unsecured, non-interest bearing, payable every designated period on employee contracts.
Retirement benefit plan (g)						
Retirement plan-contribution to the fund		10,619,028	-	10,619,028		

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

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

a. Lease agreements

- (i) GMRI has a non-cancellable lease agreement with KPMI for a parcel of land used as a shipyard site in Barangay San Miguel, Bauan, Batangas. The agreement covering these properties is for a period of 50 years beginning 1993. Rent income based on straight-line method amounted to ₱4.2 million as of June 30, 2020 (June 30, 2019 - ₱4.8 million). Total outstanding lease receivables representing lease differential in the computation of rent income using straight line method amounted to ₱30.9 million as of June 30, 2020 (December 31, 2019 - ₱31.1 million).

In 2015, GMRI entered into a new lease agreement with KPMI for another parcel of land covering a period of one (1) year commencing on January 1, 2015, subject to yearly renewal. The lease agreement was renewed in January 1, 2020. Rental income earned from this agreement amounted to ₱0.2 million as of June 30, 2020 and 2019. Advance rentals and deposits of KPMI amounted to ₱0.07 million as at June 30, 2020 and December 31, 2019 which will be applied against the rent due at the end of the contract. Outstanding receivable as of June 30, 2020 amounted to ₱0.01 million (December 31, 2019 – nil).

- (ii) GRDC leases its properties to KPMI, for a period of one (1) year commencing on January 1, 2016, subject to yearly renewal under such terms and conditions as may be mutually agreed upon by both parties. The lease contract was renewed in January 1, 2020. Rental income amounted to ₱0.1 million as of June 30, 2020 and 2019. Outstanding receivable as of June 30, 2020 amounted to ₱0.02 million (December 31, 2019 – nil).
- (iii) KPSI leases certain properties to KPMI, KIVI, and KECI for a period of one (1) year, renewable annually. Rental income amounted to ₱0.4 million both for the periods as of June 30, 2020 and 2019. Outstanding receivable as of June 30, 2020 amounted to ₱0.04 million (December 31, 2019 – nil).
- (iv) Parent Company and KPMI have an existing land lease agreement on a piece of land which is the subject of complaint against Philippine National Oil Company (PNOC). The monthly rent for the said piece of land is ₱0.2 million for a period of one (1) year, subject to yearly renewal. In July 2019, the lease agreement was renewed for another year with no increase in the monthly rental. The agreement is effective until June 2020. Rental income amounted to ₱0.9 million for the periods ended June 30, 2020 (June 30, 2019 – ₱1.1 million). Outstanding receivable as of June 30, 2020 amounted to ₱0.07 million (December 31, 2019 – nil).

Total rental income derived from these agreements amounted to ₱5.9 million as of June 30, 2020 (June 30, 2019 - ₱6.6 million).

Advance rentals and refundable deposits are both equivalent to one (1) month rental of the corresponding lease contract. Advance rentals and refundable deposits amounted to ₱0.3 million each as of June 30, 2020 and December 30, 2019.

(b) Advances for various expenses and charges

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

(c) Loan agreements

- (i) GMRI

GMRI granted unsecured short-term and long-term loan to KPMI. As of December 31, 2019, KPMI's total outstanding short-term loan amounted to ₱62.0 million with 90 days term and 4.8% interest per annum. This was renewed upon its maturity in February 2020 with 90 days term and 4.8% interest. Interest income recognized during the 1st half ending June 30, 2020 amounted to ₱1.5 million at interest rates ranging from 4.1% to 4.8% (2020 - ₱2.0 million, interest rates ranging from 6.3% to 6.9%). Accrued interest receivable amounted to ₱0.2 million both for the periods ended June 30, 2020 and December 31, 2019.

(ii) KPSI

As at December 30, 2018, KPMI has outstanding balance of ₱10.0 million with 88 days term and interest rate of 6.3%. The loan was rolled over upon its maturity in 2019 with interest rates ranging from 4.8% to 7.0% and is still outstanding as at June 30, 2020 at interest rates ranging from 4.1% to 4.8%. Interest income recognized as of June 30, 2020 amounted to ₱0.2 million (June 30, 2019 - ₱0.3 million). Accrued interest receivable amounted to ₱0.04 million as at June 30, 2020 (December 31, 2019 - ₱0.05 million).

(iii) Parent Company

The Parent Company granted unsecured short-term loans to KPMI since June 2015. As at June 30, 2020 and December 31, 2019, KPMI has outstanding short-term loans as follows:

Release Date	Principal Amount	Balance as of Dec. 31, 2019	Transactions as of March 30, 2020		Balance as of June 30, 2020	Terms and Conditions
			Availment	Payment		
June 16, 2017	52,000,000	52,000,000	-	-	52,000,000	Unsecured, 88-90
Nov 27, 2017	50,000,000	50,000,000	-	-	50,000,000	days with renewal,
Dec 4, 2017	25,000,000	25,000,000	-	-	25,000,000	interest rates – 1 st
Mar 12, 2019	18,000,000	18,000,000	-	-	18,000,000	half 2019 - 5.9% to
Apr 7, 2019	25,000,000	25,000,000	-	-	25,000,000	7.0%; 1 st half 2020
Dec 14, 2019	30,000,000	30,000,000	-	(10,000,000)	20,000,000	- 4.1% to 4.9%
	200,000,000	200,000,000	-	(10,000,000)	190,000,000	

Interest income recognized from these loans by the Parent Company amounted to ₱4.7 million as of June 30, 2020 (June 30, 2019 - ₱6.5 million). Accrued interest receivable amounted to ₱1.1 million both for the periods ending June 30, 2020 and December 31, 2019.

Total interest income earned from these loan agreements amounted to ₱6.4 million as of June 30, 2020 (2019 - ₱8.8 million). Accrued interest receivable amounted to ₱1.4 million both for the periods ending June 30, 2020 and December 31, 2019.

(d) Management fees

Since 2013, the Parent Company had management agreement with its related companies for a monthly fee. The management fee is subject to change depending upon the extent and volume of services provided by the Parent Company. This covers regular consultancy, financial reporting, personnel and administration services. The agreement is considered renewed every year thereafter, unless one party gives the other a written termination at least three (3) months prior to the date of expiration. In January 2019, the monthly management fee being charged to Kepwealth Inc., KECI, KIVI, and Kepventure is ₱23,000, ₱20,000, ₱15,000 and ₱5,000, respectively. As of June 30, 2020, the management fee remains the same.

Management fees earned amounted to ₱0.4 million both for the periods ending June 30, 2020 and 2019.

(e) Other income

In 2014, the Parent Company entered in to a Memorandum of Understanding (MOU) with KPMI to assist the latter in its bidding activities for projects for a 1% share in revenue. The Parent Company has not received commission in 2019 and nil as of June 30, 2020.

(f) Key management personnel

Outstanding balance related to salaries and other employees benefits of key management personnel amounting to ₱2.0 million and ₱0.3 million as of June 30, 2020 and December 31, 2019, respectively is presented within accrued expenses under accounts payable and other current liabilities in the consolidated statement of financial position. (Note 13)

(g) Retirement benefit plan

The Group has a funded, non-contributory defined benefit plan covering the retirement and disability benefits to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years with at least five (5) years of service and optional retirement date is at age 50 or completion of at least ten (10) years of service. The retirement obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. Actuarial valuation of the retirement benefits was sought from an independent actuary as at December 31, 2019.

Details of net retirement benefit asset (obligation) in the statements of financial position as at June 30, 2020 and December 30, 2019 are as follows:

Present value of defined benefit obligation	(10,043,033)
Fair value of plan assets	10,619,028
	<u>575,995</u>

Movements in the present value of defined benefit obligation for the years ended December 31, 2019 are as follows:

At January 1	9,049,051
Current service cost	757,659
Interest cost	432,545
Past service cost	67,966
Benefits paid	-
Remeasurement gain from:	
Experience adjustments	(101,473)
Change in financial assumptions	(162,715)
At December 31	<u>10,043,033</u>

The fair value of plan assets of the Group as at December 31, 2019 amounts to ₱10,619,028 which are mainly from contributions made during the year and nil as of June 30, 2020.

The amounts of retirement benefit expense recognized for the years ended December 31 in the statements of total comprehensive income are as follows:

Current service cost	757,659
Interest service cost	432,545
Past service cost	67,966
Retirement benefit expense	<u>1,258,170</u>

For the year ended December 31, 2019, the Group recognized remeasurement gain in other comprehensive income amounting to ₱0.2 million, net of tax of ₱0.08 million. This remains as of June 30, 2020.

15. Share capital and share premium

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 June 30, 2020. Each share has right of one (1) vote. Authorized and issued shares as of June 30, 2020 and December 31, 2019 as follows:

Authorized – ₱1 par value	
Class “A”	90,000,000
Class “B”	200,000,000
	<u>290,000,000</u>
Issued	
Class “A”	39,840,970
Class “B”	33,332,530
Share capital	<u>73,173,500</u>
Share premium	<u>73,203,734</u>

Details of the Parent Company’s weighted average number of shares as at June 30, 2020 and 2019 as follows:

	Unaudited	Unaudited
	June 30	June 30
	2020	2019
Class “A”	36,065,970	36,165,970
Class “B”	21,552,349	21,636,449
	<u>57,618,309</u>	<u>57,802,419</u>

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities as at June 30, 2020 and 2019:

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders of Securities
June 30, 2020				
Class "A"	36,065,970	1.00	June 30, 2000	378
Class "B"	21,552,349	1.00	June 30, 2000	55
	57,618,319			
June 30, 2019				
Class "A"	36,166,970	1.00	June 30, 2000	379
Class "B"	21,636,449	1.00	June 30, 2000	55
	57,803,419			

There are 420 and 421 total shareholders per record holding both Class "A" and "B" shares as of June 30, 2020 and 2019, respectively.

16. Retained earnings; 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 treasury shares with the following details as of June 30, 2020 and 2019.

Treasury shares	Unaudited June 30 2020		Unaudited June 30 2019	
	No. of Shares	Cost	No. of Shares	Cost
Class "A"	3,775,000	13,936,130	3,674,000	13,408,963
Class "B"	11,780,181	9,677,959	11,696,081	9,214,013
	15,555,181	23,614,089	15,370,081	22,622,976

There are no cash dividend declared during the first quarter of 2020 and 2019.

17. Operating Expenses

This account consists of:

	Unaudited June 30 2020	Unaudited June 30 2019
Salaries, wages, and employee benefits	6,349,649	5,548,606
Taxes and licenses	2,226,815	2,224,352
Professional fees	1,562,019	1,624,519
Rental	1,242,000	1,242,000
Provision for impairment losses	824,827	1,623,986
Utilities	345,807	391,070
Transportation and travel	267,787	298,883
Membership dues and subscriptions	221,077	251,591
Repairs and maintenance	62,100	66,905
Depreciation and amortization	54,288	40,688
Office supplies	51,327	116,959
Advertising	48,140	6,615
Insurance	8,847	24,233
Postages	4,802	30,187
Others	294,938	314,987
	13,564,423	13,805,581

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

18. Segment Information

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

Unaudited June 30, 2020					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
KPMI & Third party	16,811,458	7,771,578	24,583,036	-	24,583,036
Inter-segment, including interest income	390,000	-	390,000	(390,000)	-
Equity in net earnings of an associate	-	4,518,576	4,518,576	-	4,518,576
Total Revenue	17,201,458	12,290,154	29,491,612	(390,000)	29,101,612
Income before tax	6,506,327	9,030,862	15,537,189	-	15,537,189
Income tax expense	(360,481)	(870,975)	(1,231,456)	-	(1,231,456)
Net Income	6,145,846	8,159,887	14,305,733	-	14,305,733
<i>Other Information</i>					
Segment assets	378,280,025	772,165,875	1,150,445,900	(110,165,070)	1,040,280,830
Segment liabilities	9,545,604	3,216,000	12,761,604	(896,346)	11,865,258
Depreciation & amortization	16,707	37,581	54,288	-	54,288
Audited December 31, 2019					
	Investment Holdings	Real Estate	Combined	Eliminations	Consolidated
Revenue					
KPMI and a third party	30,678,527	17,431,997	48,110,524	-	48,110,524
Inter-segment, including interest income	2,280,000	-	2,280,000	(2,820,000)	-
Equity in net earnings of an associate	-	8,926,743	8,926,743	-	8,926,743
Total revenue	32,958,527	26,358,740	59,317,267	(2,820,000)	57,037,267
Income before income tax	11,308,520	19,454,727	30,763,247	(1,500,000)	29,263,247
Income tax expense	(726,998)	(1,934,819)	(2,661,817)	-	(2,661,817)
Net Income	10,581,522	17,519,908	28,101,430	(1,500,000)	26,601,430
<i>Other Information</i>					
Segment assets	370,835,367	764,089,475	1,134,924,842	(110,165,070)	1,024,759,772
Segment liabilities	6,261,280	3,299,487	9,560,767	(896,346)	8,664,421
Depreciation & amortization	73,981	42,492	116,473	-	116,473

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

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

Rental income from KPMI amounted to ₱5.9 million for the period ended June 30, 2020 (June 30, 2019 – ₱6.4 million). Rental from KPMI comprises about 20% and 19% of the Group's revenue for the periods ended June 30, 2020 and 2019, respectively.

19. Financial Risk Management Objectives and Capital Management

Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk, equity price risk, and liquidity risk that could affect its financial position and results of operations. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The BOD reviews and approves the policies for managing each of these risks, which are summarized below:

(a) Credit risk

Credit risk pertains to the risk that a party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are significant concentrations of credit risk within the Group.

Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Significant concentration of credit risk as of June 30, 2020 and December 31, 2019 pertains to loan receivables from a related company both amounting to ₱262.0 million and ₱272.0 million, which comprise 94% and 98% of the Group's loan and receivables in both periods, respectively.

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

	Unaudited June 30 2020	Audited December 31 2019
<i>Loans and receivables</i>		
Cash and cash equivalents	57,998,519	50,687,233
Receivables		
Loan receivable from related party	262,000,000	272,000,000
Current portion of lease receivables*	3,766,551	2,598,667
Interest receivable	1,396,636	1,421,845
	325,161,706	326,707,745

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

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

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

As of June 30, 2020 and December 31, 2019, past due but not impaired receivables are aged 90 to 120 days while impaired receivables are aged over 120 days.

(i) *Cash and cash equivalents*

The Group has maintained business relationships with an accredited universal bank that has high credit standing in the financial services industry.

(ii) *Receivables*

Loan, lease, interest and other receivables from related parties

Credit exposure of the Group on loan and other receivables from related parties is considered to be low as there is no history of default and known to have strong credit standing of concerned related parties. Credit risk is negligible since the related parties are faithfully paying on normal credit terms based on contracts. There were no provisions for doubtful accounts relating to amounts owed by related parties because of strong financial condition of the concerned entities. Terms are normally due on demand.

The maximum credit exposure is equal to the carrying amount as at June 30, 2020 and December 31, 2019.

Receivables from third parties

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

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan receivable with interest rate repriced on periodic basis. Since the Group's long-term loan was granted to a related party, there is no requirement for collateral or guaranty. The Group has no long-term loan receivable in 2019.

(c) *Equity Price Risk*

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

(d) *Liquidity Risk*

Liquidity is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The Group's objective is to maintain a balance between continuity of funding and

flexibility through the use of cash and cash equivalents, and loans. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

Capital Management

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

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

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

The debt to equity ratios as of June 30, 2020 and December 31, 2019 are as follows:

	Unaudited June 30 2020	Audited December 31 2019
Total liabilities	11,865,258	8,664,421
Total equity	1,028,415,572	1,016,095,351
Debt to equity ratio	0.012:1	0.009:1

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

Fair Value Estimation of Financial Assets

(a) Receivables

Due to the short-term nature of the Group's financial instruments, the carrying amounts approximate their fair values as at June 30, 2020 and December 31, 2019. The carrying amounts of interest-bearing long-term loan receivables approximate their fair values due to periodic repricing based on market interest rates.

(b) Financial assets at fair value through other comprehensive income

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

(c) Fair value hierarchy

As of June 20, 2020, the Group classifies its quoted financial assets at fair value through other comprehensive income to ₱36.0 million (December 31, 2019 - ₱37.0 million) under Level 1 of the fair value hierarchy. During the reporting periods ending June 30, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

20. Financial Soundness - Key Performance Indicators

	Unaudited June 30 2020	Audited December 31 2019
A. Current and liquidity ratios		
1. Current ratio - (Current assets/Current liabilities)	33.13	46.54
2. Acid-test ratio or Quick ratio - (Monetary current assets/Current liabilities)	32.89	46.47
B. Solvency ratio		
1. Net income + depreciation/Total liabilities (annualized)	2.42	3.08
2. Total assets/Total liabilities	87.67	118.27
C. Debt to equity ratio - (Total liabilities/Stockholders' equity)	0.01	0.01
D. Asset to equity ratio (Total assets/Stockholders' equity)	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)	2.75	2.60
2. Return on equity (Net income/Stockholders' equity)	2.78	2.62
3. Net profit margin (Net income/revenue)	49.16	46.64

H. Earnings per share attributable to equity holders of the Parent (Annualized) - (₱)	0.33	0.32
I. Book value per share attributable to equity holders of the Parent (₱)	11.42	11.24
J. Price/Earnings ratio (Price per share/Earnings per common share (Annualized) (₱)	13.99	16.90

21. Other Matters

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

On July 25, 2016, the Supreme Court (SC) affirmed the decision of the CA in December 2011 in the resolution dated May 14, 2012 and upheld the Parent Company's option to buy the land and remanded the case to the RTC of Batangas City to update the Parent's Company's Filipino equity ownership. On December 14, 2016, SC's decision became final and executory and was recorded in the Book of Entries of Judgments. As of June 30, 2020, the Parent Company is still awaiting on the final resolution of the RTC.

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

**Aging of Receivable as at June 30, 2020:
In Philippine Pesos**

	Total	Current	2-3 Mos	4 - 6 Mos	7 -12 Mos	More than 1 year
Loan receivable - current	262,000,000	262,000,000	-	-	-	-
Lease receivables - current	8,789,751	3,766,551	5,023,200	-	-	-
Interest receivable	1,396,636	1,396,636	-	-	-	-
Due from related parties	19,720	19,720	-	-	-	-
Nontrade - receivables	9,183,985	7,031,405	-	-	-	2,152,580
Total	281,390,092	274,214,312	5,023,200	-	-	2,152,580
Less Allowance for doubtful accounts	2,152,580	-	-	-	-	2,152,580
Net Receivables	279,237,512	274,214,312	5,023,200	-	-	-

EXHIBIT II

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

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

Results of Operations

The Group recorded a net income of ₱14.3 million for the first half ending June 30, 2020, ₱3.5 million or 20% lower than ₱17.8 million during the same period last year. The reasons for the changes in net income are discussed in the following paragraphs.

Rental revenue for the period ending June 30, 2020 amounted to ₱17.2 million, ₱1.4 million or 8% lower than the same period last year of ₱18.6 million. The decrease was due to lower lease rental on properties in Batangas City to a third party and rental rebates given to KPMI during the Enhanced Community Quarantine period due to the COVID-19 pandemic. The rental rebate has been properly studied and justified to be within market practices.

The Group earned interest income of ₱7.0 million as of June 30, 2020, ₱2.7 million or 28% lower than the same period last year of ₱9.7 million. The decrease in net interest income was due to the lower short-term loan balance as of June 30, 2020 of ₱262.0 million and lower interest rates ranging from 4.1% to 4.9% as against the same period last year with rates ranging from 5.9% to 7.0% per annum.

During the first half of the year, the Group recognized higher equity in net earnings of an associate of ₱4.5 million, ₱0.3 million or 8% higher than the same period last year of ₱4.2 million. The increase in equity share was due to a higher net income of ₱18.1 million as against the same period last year of ₱16.8 million recognized by the associate brought by the higher power sales distribution revenue partly offset by higher operating costs.

Management fees charged to related parties amounted to ₱0.4 million both for the periods ended June 30, 2020 and 2019.

Operating expenses as of the period ending June 30, 2020 amounted to ₱13.6 million was slightly lower by ₱0.2 million or 2% as against ₱13.8 million during the same period last year. The decrease in expenses was brought mainly by lower professional fees and outside services, provision for impairment losses on creditable withholding tax, utilities, travel and transportation, membership dues and subscriptions, repairs and maintenance, office supplies, insurance and postages. These were partially offset by higher salaries, wages and employee benefits, depreciation and advertising expense.

Financial Condition

The cash position of the Group as of June 30, 2020 amounted to ₱58.0 million, ₱7.3 million or 14% higher than the ₱50.7 million recorded as of December 31, 2019. The increase was due to the ₱10.0 million partial payment of loan principal and ₱7.0 million interest received from short-term loans and time deposits. This was partially offset by net cash used in operating activities of ₱8.7 million, mainly due to the increase in outstanding lease receivables, prepayments of real property and partial payment for payroll system upgrade and repurchase of shares.

Total receivables, both current and non-current, net of allowance, amounted to ₱279.2 million and ₱276.0 million in June 30, 2020 and December 31, 2019, respectively, or an increase of ₱3.2 million. This increase was due to the increase in lease rentals by ₱6.2 million and advances for payroll shared services & SAP expenses of ₱7.0 million. This was partially offset by collection from loan receivable amounting to ₱10.0 million.

Other current assets as of this period increased to ₱2.5 million as against ₱0.5 million as of December 31, 2019. This was mainly due to the prepayments for real property and business taxes.

Financial assets at fair value through other comprehensive income for the period ending June 30, 2020 was valued at ₱36.0 million lower by ₱1.0 than ₱37.0 million as of December 31, 2019.

Investments in associates increased from ₱420.2 million as of December 31, 2019 to ₱424.7 million as of June 30, 2020. The increase of ₱4.5 million was due mainly to the recognition of equity in net earnings of associate.

Investment properties and Property and equipment as of June 30, 2020 that amounted to ₱205.5 million was almost at the same level as of December 31, 2019. There was very minimal acquisition of office equipment and depreciation during the period.

Total liabilities as of June 30, 2020 and December 31, 2019 amounted ₱11.9 million and ₱8.7 million, respectively. The increase of ₱3.2 million was due to higher accrual of expenses by ₱2.2 million, higher refundable deposits by ₱1.1 million and partially offset by the decrease in tax liabilities by ₱0.1 million.

The equity attributable to equity holders of the Parent Company as of June 30, 2020 amounted to ₱658.2 million as against last December 31, 2019 of ₱649.6 million. The increase of ₱8.6 was due to the comprehensive income attributable to the Parent Company of ₱9.6 million, partially offset by buy-back of company shares amounting to ₱1.0 million.

Non-controlling interests as of June 30, 2020 amounted to ₱370.2 million as against last December 31, 2019 of ₱366.4 million. The increase was due to net income attributable to the noncontrolling interests of ₱3.7 million for the period ending June 30, 2020.

The book value per share attributable to equity holders of the parent (equity attributable to equity holders of the parent divided by common shares outstanding) at ₱11.42 as of June 30, 2020 was slightly higher than the ₱11.24 per share recorded in December 31, 2019.

Earnings per share attributable to the equity holders of the Parent (net earnings for the period divided by common shares outstanding) as shown in the consolidated statement of income was at ₱0.18 per share for the period ending June 30, 2020, as against ₱0.24 per share recorded as of June 30, 2019.

Material Events and Uncertainties

In response to the COVID-19 global pandemic, the Philippine President issued Proclamation No. 929 (*Declaring a State of Calamity Throughout the Philippines Due to Corona Virus Disease 2019*) dated March 16, 2020 which placed the island of Luzon under an Enhanced Community Quarantine (ECQ) from March 17, 2020 to April 12, 2020. The ECQ in Luzon was subsequently extended up to April 30, 2020 and then to May 15, 2020 in selected areas including the National Capital Region (NCR). The government later downgraded NCR from ECQ to the Modified Enhanced Community Quarantine (MECQ) from May 16, 2020 to May 31, 2020. On June 1, 2020, NCR was further downgraded to General Community Quarantine (GCQ) protocol, where movement restrictions are more relaxed, up to June 15, 2020 and later extended to 31 July 2020. Effective August 4, 2020, NCR returned to the more stringent MECQ protocol up to August 18, 2020 to stem the increase in COVID-19 confirmed cases.

In compliance to government proclamations, memorandums and guidelines and in order to mitigate the risk of spreading COVID-19 in the workplace, the Parent has provided alternative work options such as working from home to ensure continued business operations. The Parent is in close communication with its stakeholders during the ECQ, MECQ & GCQ period that includes, among others, its employees, lessees, borrowers, industry regulators, suppliers and service providers.

Notwithstanding the prevailing community quarantine level and the current COVID-19 situation in the Philippines, there are no known trends, commitments, events or uncertainties that will have a material impact on the Group's liquidity for the remaining periods of the year. There are also no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the first half of the 2020.

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



FERICIDAD V. RAZON
VP/Treasurer

Date : 07 August 2020