



108032016004835



## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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SEC Registration No. PW00000305  
Company Name KEPPEL PHILS. PROPERTIES INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

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PW - 305  
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**K E P P E L P H I L I P P I N E S P R O P E R T I E S ,**  
**I N C . A N D S U B S I D I A R I E S**

(Company's Full Name)

**2 2 n d f l r . U n i t s 2 2 0 3 - 2 2 0 4 R a f f l e s**  
**C o r p o r a t e C e n t e r F . O r t i g a s J r .**  
**A v e n u e ( f o r m e r l y E m e r a l d A v e n u e )**  
**O r t i g a s C e n t e r P a s i g C i t y**

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

**Mr. Lee Foo Tuck**  
(Contact Person)

**584-6170**  
(Company Telephone Number)

06

30

*Month Day*  
(Fiscal Year)

17-Q

*(Form Type)*

06

09

*Month Day*  
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

**CFD**

*Dept. Requiring this Doc.*

N/A

*Amended Articles Number/Section*

**1,252 as of 30-June 2016**

*Total No. of Stockholders*

*Total Amount of Borrowings*

-	-
<i>Domestic</i>	<i>Foreign</i>

To be accomplished by SEC Personnel concerned

*File Number*

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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 30 June 2016
2. Commission identification number PW305
3. BIR Tax Identification No. 000-067-618 VAT

**KEPPEL PHILIPPINES PROPERTIES, INC.**

4. Exact name of issuer as specified in its charter

**Philippines**

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

6. Industry Classification Code:  (SEC Use Only)

**12 ADB Ave, Ortigas Center, Mandaluyong City 1550 (business office temporarily moved to Units 2203-2204 Raffles Corporate Center F. Ortigas Jr. Avenue (formerly Emerald Ave.) Ortigas Center, Pasig City)**

7. Address of registrant's principal office Postal Code  
**(02) 584-6170**

8. Registrant's telephone number, including area code

**Not applicable**

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>293,828,900</b>
<b>Debt Outstanding</b>	<b>Nil</b>

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Yes  No

12. Indicate by check mark whether the registrant:

a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Sections 11 of the Revised Securities Act (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 90 days.  
Yes  No

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

#### **KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**

#### **CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 11)	₱204,527,705	₱206,916,313
Receivables (Note 11)	4,214,760	6,663,734
Due from related parties (Notes 6 and 11)	96,814,764	108,724,018
Other current assets	20,163,377	19,722,231
<b>Total Current Assets</b>	<b>325,720,606</b>	<b>342,026,296</b>
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	79,512,230	79,512,230
Investments in associates and a joint venture (Note 4)	1,350,656,331	1,345,566,510
Property and equipment - net (Note 5)	134,911	184,252
Refundable deposits (Note 11)	107,110	107,110
Pension asset - net (Note 9)	576,781	576,781
<b>Total Non-Current Assets</b>	<b>1,430,987,363</b>	<b>1,425,946,883</b>
<b>TOTAL ASSETS</b>	<b>₱1,756,707,969</b>	<b>₱1,767,973,179</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 11)	₱5,342,976	₱6,926,165
Due to related parties (Notes 6 and 11)	124,866,343	124,000,000
Income tax payable	41,475	74,047
<b>Total Current Liabilities</b>	<b>130,250,794</b>	<b>131,000,212</b>
<b>Noncurrent Liability</b>		
Deferred tax liability - net	503,382	295,812
<b>Total Liabilities</b>	<b>130,754,176</b>	<b>131,296,024</b>
<b>Equity</b>		
Capital stock	356,104,000	356,104,000
Additional paid-in capital	602,885,517	602,885,517
Treasury shares - at cost	(2,667,645)	(2,667,645)
Other reserves (Note 10)	935,058	935,058
Retained earnings	668,696,863	679,420,225
<b>Total Equity</b>	<b>1,625,953,793</b>	<b>1,636,677,155</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,756,707,969</b>	<b>₱1,767,973,179</b>

*See accompanying Notes to the Condensed Interim Consolidated Financial Statements.*

**KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE**  
**INCOME**

	Quarters Ended		Six Months Ended 30 June	
	30 June (Unaudited)		(Unaudited)	
	2016	2015	2016	2015
<b>REVENUE AND INCOME</b>				
Equity in net earnings of associates and a joint venture (Note 4)	₱1,940,697	₱4,658,556	₱5,089,821	₱7,377,048
Management consultancy and franchise fees (Note 6)	1,405,479	1,177,976	2,896,534	2,422,666
Interest income	308,874	232,752	627,297	495,431
	<b>3,655,050</b>	<b>6,069,284</b>	<b>8,613,652</b>	<b>10,295,145</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 7)</b>				
	<b>(11,212,776)</b>	<b>(6,447,975)</b>	<b>(18,665,644)</b>	<b>(13,534,621)</b>
<b>OTHER INCOME (CHARGES)</b>				
Foreign exchange loss - net	(49,722)	(94,387)	(72,091)	(98,264)
Others	9,087	358	9,087	13,948
	<b>(40,635)</b>	<b>(94,029)</b>	<b>(63,004)</b>	<b>(84,316)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(7,598,361)</b>	<b>(472,720)</b>	<b>(10,114,996)</b>	<b>(3,323,792)</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	162,169	131,853	400,797	273,567
Deferred	(292)	(94,504)	207,569	(126,364)
	<b>161,877</b>	<b>37,349</b>	<b>608,366</b>	<b>147,203</b>
<b>NET LOSS/ TOTAL COMPREHENSIVE LOSS</b>	<b>(₱7,760,238)</b>	<b>(₱510,069)</b>	<b>(₱10,723,362)</b>	<b>(₱3,470,995)</b>
<b>Basic/Diluted Loss Per Share (Note 8)</b>	<b>(₱0.026)</b>	<b>(₱0.002)</b>	<b>(₱0.036)</b>	<b>(₱0.012)</b>

*See accompanying Notes to the Condensed Interim Consolidated Financial Statements.*

**KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR PERIODS ENDED JUNE 30, 2016 and 2015 (UNAUDITED)**

	Capital Stock		Additional Paid-in Capital	Treasury Shares - at cost	Actuarial Gain on Defined Benefit Plan (Note 10)	Other Reserves		Retained Earnings	Total Equity
	Common	Preferred				Share on Actuarial Gain of an Associate and a Joint Venture (Note 10)	Share on Actuarial Gain of an Associate and a Joint Venture (Note 10)		
At January 1, 2016	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱459,980	₱475,078	₱679,420,225	₱1,636,677,155	
Net loss	-	-	-	-	-	-	(10,723,362)	(10,723,362)	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	-	-	
At June 30, 2016	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱459,980	₱475,078	₱668,696,863	₱1,625,953,793	
At January 1, 2015	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱238,266	₱408,371	₱693,481,554	₱1,650,450,063	
Net loss	-	-	-	-	-	-	(3,470,995)	(3,470,995)	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	(3,470,995)	(3,470,995)	
At June 30, 2015	₱296,629,900	₱59,474,100	₱602,885,517	(₱2,667,645)	₱238,266	₱408,371	₱690,010,559	₱1,646,979,068	

See accompanying Notes to Condensed Interim Consolidated Financial Statements.

**KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Six Months Ended</b>	
	<b>30 June (Unaudited)</b>	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(₱10,114,996)	(₱3,323,792)
Adjustments for:		
Foreign exchange losses - net	72,091	3,510
Depreciation (Notes 5 and 7)	49,341	74,284
Interest income	(627,297)	(495,431)
Equity in net earnings of associates and a joint venture (Note 4)	(5,089,821)	(7,377,048)
Loss before changes in working capital	(15,710,682)	(11,118,477)
Decrease (increase) in:		
Receivables	2,478,498	(147,928)
Due from related parties	(4,917,819)	4,511,892
Other current assets	(541,605)	670,082
Increase (decrease) in:		
Accounts payable and other current liabilities	(1,583,189)	1,346,653
Due to related parties	866,343	1,905,030
Net cash used in operations	(19,408,454)	(2,832,748)
Interest received	590,392	499,806
Income tax paid	(325,528)	(341,359)
Net cash used in operating activities	(19,143,590)	(2,674,301)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in amounts due from related parties	16,827,073	-
Payments for acquisition of property and equipment	-	(6,784)
Net cash provided by (used in) investing activities	16,827,073	(6,784)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	(72,091)	(3,510)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	(2,388,608)	(2,684,595)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
	206,916,313	151,498,654
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	₱204,527,705	₱148,814,059

*See accompanying Notes to the Condensed Interim Consolidated Financial Statements.*

**KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1. Corporate Information**

Keppel Philippines Properties, Inc. ("Parent Company") and the following subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on February 7, 1918. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968.

Subsidiaries	Percentage of Ownership	Nature of Business
Buena Homes, Inc. (BHI)	100%	Investment holding
CSRI Investment Corporation (CSRI)	100%	Investment holding

The Parent Company is listed in the Philippine Stock Exchange (PSE). Its immediate parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore. KCL is listed in the Singapore Exchange (SGX). As of June 30, 2016 and December 31, 2015, the top five beneficial shareholders of the Parent Company are the following:

Shareholders	Percentage of Ownership	
	2016	2015
KLL	50%	50%
Keppelwealth, Inc.	17%	17%
KCL	12%	12%
PCD Nominee Corporation	12%	12%
Public	9%	9%

The Group holds investments in associates involved in property holding and development (see Note 4) and render management consultancy services to associates (see Note 6).

On December 6, 2010, the Group submitted its application to SEC to temporarily change its business address to Units 2203 and 2204, Raffles Corporate Center, F. Ortigas Jr. Road (formerly Emerald Avenue), Ortigas Center, Pasig City due to the ongoing reconstruction of the Group's principal office. The Group's principal office address is 12 ADB Avenue, Ortigas Center, Mandaluyong City.

**2. Basis of Preparation and Statement of Compliance**

**Basis of Preparation**

The interim condensed consolidated financial statements of the Group have been prepared under the historical cost basis. The interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. Amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

**Statement of Compliance**

The accompanying interim condensed consolidated financial statements have been prepared in



accordance with Philippine Financial Reporting Standards (PFRS).

#### Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries as of June 30, 2016 and December 31, 2015 and for each of the three months ended June 30, 2016 and 2015. Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

#### *Assessment of Control*

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee;
- Exposure, or rights, to variable returns from involvement with the investee; and
- The ability to use power over the investee to affect the amount of the investor's returns.

The Parent Company re-assesses whether or not it controls the investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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### **3. Changes in Accounting Policies and Disclosures**

#### Changes in Accounting Policies and Disclosures

The Group applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the adoption of these new accounting standards and amendments have no material impact on the Group's consolidated financial statements.

- *Amendments to Philippine Accounting Standards (PAS) 19, Employee Benefits - Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to PFRSs 2010-2012 Cycle*
  - *PFRS 2, Share-based Payment - Definition of Vesting Condition*
  - *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*  
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only on the judgment made by management in aggregating operating segments and did not have impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs 2011-2013 cycle*
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

#### Future Changes in Accounting Policies

The standards and interpretations that are issued, but not yet effective, up to date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

#### *Effective in 2016*

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*  
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group is currently assessing the impact of these amendments in the separate financial statements of each Parent entity in the Group.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* and PAS 28, *Investments in Associates and Joint Ventures - Investment in Entities: Applying the Consolidation Exception (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*

- *Annual Improvements to PFRSs (2012-2014 cycle)*  
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  - PAS 19, *Employee Benefits - regional market issue regarding discount rate*

#### *Effective in 2018*

- PFRS 9, *Financial Instruments*  
In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been locally adopted by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers (effective January 1, 2018)*  
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- IFRS 16, *Leases (effective January 1, 2019)*  
On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the

current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition relief. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

#### 4. Investments in Associates and a Joint Venture

The details and movements of this account are as follows:

	2016	2015
Cost	<b>₱806,321,443</b>	<b>₱806,321,443</b>
Accumulated equity in net earnings		
<i>Presented in profit or loss</i>		
At January 1	538,769,989	526,217,429
Presented in profit or loss	5,089,821	12,552,560
	<b>543,859,810</b>	<b>538,769,989</b>
<i>Presented in other comprehensive income</i>		
At January 1	475,078	408,371
Other comprehensive Income	-	66,707
	<b>475,078</b>	<b>475,078</b>
	<b>₱1,350,656,331</b>	<b>₱1,345,566,510</b>

The carrying values of the Group's investments in associates and a joint venture and the related percentages of ownership are shown below:

	Percentage of Ownership		Carrying Amount	
	2016	2015	2016	2015
<u>Associates</u>				
Buena Homes (Sandoval) Inc. (BHSI)	40%	40%	₱ 160,033,371	₱160,710,272
Opon-KE Properties, Inc. (OKEP)	40	40	90,386,817	90,058,608
Opon Ventures, Inc. (OVI)	40	40	22,759,297	22,597,247
ORDC	40	40	15,054,558	14,995,868
<u>Joint Venture</u>				
SMKL	40	40	1,062,422,288	1,057,204,515
			<b>₱1,350,656,331</b>	<b>₱1,345,566,510</b>

The Group's associates and joint venture were all incorporated in the Philippines. BHSI is involved in the construction and selling of residential condominium project. The primary purpose of the Group's other associates is to acquire by purchase, lease, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds. SMKL's primary business activity is operating a retail mall, which has one hundred and forty specialty stores and a state of the art cinema.

#### SMKL

SMKL is executing improvements and upgrading works to sustain its retail mall's growth and appeal as a premier shopping and lifestyle destination. Expansion of the retail mall is underway, with plans to add 34,000 sqm of leasable retail space, resulting in total leasable retail space of about 50,000 sqm. Construction of the retail mall expansion commenced in 2014 and is expected to be completed in 2017.

#### BHSI

In 2015, Phinma Property Holdings Corporation (PPHC) started developing the parcel of land owned by BHSI. PPHC is committed to pay a guaranteed amount of ₱50.7 million for this parcel of land with a carrying value of ₱61.3 million.

### 5. Property and Equipment

The roll forward analyses of this account are as follows:

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
<b>Cost</b>				
At January 1, 2015	₱1,404,506	₱1,806,273	₱2,405,645	₱5,616,424
Additions	-	16,535	-	16,535
At December 31, 2015	1,404,506	1,822,808	2,405,645	5,632,959
Additions	-	-	-	-
<b>At June 30, 2016</b>	<b>1,404,506</b>	<b>1,822,808</b>	<b>2,405,645</b>	<b>5,632,959</b>
<b>Accumulated Depreciation</b>				
At January 1, 2015	₱1,404,506	₱1,501,560	₱2,402,878	₱5,308,944
Depreciation	-	137,014	2,749	139,763
At December 31, 2015	1,404,506	1,638,574	2,405,627	5,448,707
Depreciation (Note 7)	-	49,341	-	49,341
<b>At June 30, 2016</b>	<b>1,404,506</b>	<b>1,687,915</b>	<b>2,405,627</b>	<b>5,498,048</b>
<b>Net Book Value</b>				
As at June 30, 2016	₱-	₱134,893	₱18	₱134,911
As at December 31, 2015	₱-	₱184,234	₱18	₱184,252

Depreciation expense charged against operations amounted to ₱23,470 and ₱37,142 for the quarter ended June 30, 2016 and 2015, respectively.

### 6. Related Party Transactions

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals (being members of key management personnel and/or

their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Outstanding balances of transactions with related parties are as follows:

**June 30, 2016**

Category	Amount	Outstanding Balance	Terms	Conditions
<b>Due from</b>				
<b>Associates</b>				
BHSI (d)	₱796,590	₱18,975,284	Non-interest-bearing, due and demandable	Unsecured, no impairment
OKEP (e)	135,452	70,030,526	Non-interest-bearing, due and demandable	Unsecured, no impairment
ORDC (a)	160,798	340,020	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OVI (b)	138,392	1,905,225	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
<b>Joint venture</b>				
SMKL (c)	11,266,174	4,715,382	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
<b>Other related party</b>				
KLL (i)	-	848,327	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
		<b>₱96,814,764</b>		
<b>Due to</b>				
<b>Associates</b>				
BHSI (f)	₱-	₱83,701,493	Non-interest-bearing, due and demandable	Unsecured
OKEP (f)	-	40,298,507	Non-interest-bearing, due and demandable	Unsecured
<b>Other related parties</b>				
SMPM (g)	12,187,030	691,079	Non-interest-bearing, due and demandable	Unsecured
KLIL (h)	200,685	175,264	Non-interest-bearing, due and demandable	Unsecured
		<b>₱124,866,343</b>		

**December 31, 2015**

Category	Amount	Outstanding Balance	Terms	Conditions
<b>Due from</b>				
<b>Associates</b>				
BHSI (d)	₱1,645,341	₱35,733,200	Non-interest-bearing, due and demandable	Unsecured, no impairment
OKEP (e)	152,227	70,258,967	Non-interest-bearing, due and demandable	Unsecured, no impairment
ORDC (a)	150,668	179,222	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
OVI (b)	155,587	1,766,833	Non-interest-bearing, 30-to-60 days	Unsecured, no impairment
<b>(Forward)</b>				

Category	Amount	Outstanding Balance	Terms	Conditions
<b>Joint venture</b>				
SMKL (c)	17,030,922	785,796	Non-interest-bearing 30-to-60 days	Unsecured, no impairment
		₱108,724,018		
<b>Due to Associates</b>				
BHSI (f)	₱-	₱83,701,493	Non-interest-bearing, due and demandable	Unsecured
OKEP (f)	-	40,298,507	Non-interest-bearing, due and demandable	Unsecured
		₱124,000,000		

The Group entered into various management and franchise agreements with related parties as follows:

### 2016

Category	Amount	Outstanding Balance	Terms	Conditions
<b>Joint venture</b>				
<b>SMKL</b>				
Management fee (c)	₱2,068,953	₱643,994	receivable within 30 to 60 days	Unsecured, no impairment
Franchise fee (c)	827,581	244,123	receivable within 30 to 60 days	Unsecured, no impairment
<b>Other related party</b>				
<b>SMPM</b>				
Management fee (g)	8,822,030	691,079	payable within 30 to 60 days	Unsecured

### 2015

Category	Amount	Outstanding Balance	Terms	Conditions
<b>Joint venture</b>				
<b>SMKL</b>				
Management fee (c)	₱1,730,476	₱-	receivable within 30 to 60 days	Unsecured, no impairment
Franchise fee (c)	692,190	-	receivable within 30 to 60 days	Unsecured, no impairment
<b>Other related parties</b>				
<b>SMPM</b>				
Management fee (g)	2,497,804	-	payable within 30 to 60 days	Unsecured
<b>KLIL</b>				
Management fee (h)	1,847,031	-	payable within 30 to 60 days	Unsecured

Significant transactions with related parties are as follows:

- (a) The Parent Company made operating advances for expenses incurred by ORDC that amounted to ₱0.03 million during the second quarter of 2016. The Parent Company provides accounting, management, and other administrative functions to ORDC. Outstanding receivable from ORDC for operating advances amounted to ₱0.3 million and ₱0.2 million as of June 30, 2016 and December 31, 2015, respectively.

- (b) The Parent Company made operating advances for expenses incurred by OVI that amounted to ₱0.03 million during the second quarter of 2016. The Parent Company provides accounting, management, and other administrative functions to OVI. Outstanding receivable from OVI for operating advances amounted to ₱1.9 million and ₱1.8 million as of June 30, 2016 and December 31, 2015, respectively.
- (c) The Parent Company provides management, advisory and consultancy services to SMK. During the second quarter of 2016, management and franchise fees charged by the Parent Company to SMK amounted to ₱1.0 million and ₱0.4 million respectively. Management fee is charged at 2.5% of annual net revenues of SMK and franchise fee is charged at 1.0% of net revenues of SMK. As of June 30, 2016, outstanding receivable from SMK for management and franchises fees charged included in "Due from related parties" amounted to ₱0.6 million and ₱0.2 million, respectively. There were no outstanding management and franchise fee receivable from SMK as of December 31, 2015. Moreover, the Parent Company made operating advances for expenses incurred by SMK that amounted to ₱4.4 million during the second quarter of 2016. As of June 30, 2016 and December 31, 2015, outstanding receivable from SMK for operating advances made included in "Due from related parties" amounted to ₱3.9 million and nil, respectively.
- (d) The Parent Company made operating advances for expenses incurred by BHSI that amounted to ₱0.3 million during the second quarter of 2016. Outstanding receivable from BHSI for operating advances amounted to ₱0.1 million and nil as of June 30, 2016 and December 31, 2015, respectively. Moreover, during the second quarter of 2016, BHSI partially paid its loans to the Group amounting to ₱16.8 million. As of June 30, 2016 and December 31, 2015, intercompany loans that are still outstanding amounted to ₱18.9 million and ₱35.7 million, respectively.
- (e) The Parent Company made operating advances for expenses incurred by OKEP that amounted to ₱0.03 million during the second quarter of 2016. The Parent Company provides accounting, management, and other administrative functions to OKEP. Outstanding receivable from OKEP for operating advances amounted to ₱70.0 million and ₱70.3 million as of June 30, 2016 and December 31, 2015, respectively.
- (f) On December 22, 2011, the BOD approved BHSI's plan to decrease its authorized capital stock. In January 2012, the Parent Company received from BHSI an amount of ₱100 million, thereby decreasing BHI and OKEP's advances from the Parent Company by ₱59.7 million and ₱40.3 million, respectively. These amounts are recorded as intercompany advances in the interim condensed consolidated statement of financial position. BHSI has filed with SEC the amendments to its articles of incorporation and by-laws to include the above decrease in authorized capital. In 2014, BHI received additional advances amounting to ₱24.0 million from BHSI, thereby increasing the BHI's advances from the Parent Company to ₱83.7 million. As of June 30, 2016, the application is pending approval from the SEC.
- (g) Straits Mansfield Property Marketing (SMPM), an entity under common control, provides consultancy, advisory and support services to the Parent Company and SMK. Consultancy fees charged by SMPM to the Parent Company amounted to ₱6.5 million during the second quarter of 2016. Outstanding payable to SMPM as of June 30, 2016 amounted to ₱0.7 million. The basis of management fee is the time spent by SMPM personnel in rendering services. There were no outstanding payable to SMPM as of December 31, 2015.



- (h) Keppel Land International Limited (KLIL), an entity under common control, provides consultancy, advisory and support services to the Parent Company and SMK. These services were provided by KLIL to the Parent Company only up to March 2015 while in the succeeding months in 2015 and onwards, these services are already provided by SMPM. There were no outstanding consultancy fees payable to KLIL as of June 30, 2016 and December 31, 2015.

Moreover, during the second quarter of 2016, the KLIL made operating advances incurred by Parent Company amounting to ₱0.2 million. Outstanding payable pertaining to the operating advances included in the "Due to related parties" amounted to ₱0.2 million as of June 30, 2016.

- (i) In 2015, the Parent Company charged Keppel Land Limited (KLL) for the amount paid on behalf of KLL for legal fees amounting to ₱0.8 million pertaining to CTA filing for redemption of preferred shares. These advances were included in "Receivables" as of December 31, 2015 and were subsequently reclassified to "Due from related parties" in 2016. These advances remain unpaid as of June 30, 2016.

**Compensation of Key Management Personnel of the Group**

Compensation of key management personnel of the Group consists of salaries and other short-term employee benefits amounted to ₱3.5 million and ₱3.9 million for the six months ended June 30, 2016 and 2015, respectively.

**7. General and Administrative Expenses**

This account consists of:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Management consultancy fee (Note 6)	8,822,030	4,344,835
Salaries, wages and employee benefits (Note 6)	5,541,615	5,481,635
Professional fees	1,036,511	1,021,714
Rental	821,709	645,205
Transportation and travel	492,837	630,132
Membership and dues	413,390	287,182
Staff recreation and others	294,121	81,457
Taxes and licenses	225,841	198,576
Utilities	205,274	185,693
Postage, printing and advertising	197,657	157,568
Insurance	196,700	72,654
Repairs and maintenance	100,292	138,233
Depreciation (Note 5)	49,341	74,284
Others	268,326	215,453
	<b>₱18,665,644</b>	<b>₱13,534,621</b>

## 8. Basic Loss per Share

	Six months ended 30 June	
	2016	2015
Net loss (a)	₱10,723,362	₱3,470,995
Weighted average number of common shares issued and outstanding (b)	293,828,900	293,828,900
Loss per share (a/b)	₱0.036	₱0.012

The Group has no potential shares that will have a dilutive effect on Loss Per Share.

## 9. Retirement Benefits

The Group has a funded, non-contributory defined benefit retirement plan, administered by BDO Unibank, Inc.-Trust and Investment Group (Trustee), covering its regular employees. The Group is under the KPPI Multi-employer Retirement Plan.

The Group's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by the Trustee under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the Trustee. These funds are subject to the investment objectives and guidelines established by the Trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Trustee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2015.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The following tables summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the consolidated statements of financial position for the plan:

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability (asset)
At January 1	₱1,346,784	(₱1,644,999)	(₱298,215)
<i>Benefit cost in profit or loss</i>			
Current service cost	228,115	-	228,115
Net interest expense (income)	60,605	(74,025)	(13,420)
<i>Remeasurements in Other Comprehensive Income</i>			
Actuarial loss on plan assets	-	39,525	39,525
Actuarial gain on defined benefit obligation due to:			
Financial assumption	(106,921)	-	(106,921)
Experience adjustments	(249,338)	-	(249,338)
Benefits paid	(201,143)	201,143	-
Contributions	-	(176,527)	(176,527)
At December 31	₱1,078,102	(₱1,654,883)	(₱576,781)

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability (asset)
At January 1	₱1,189,454	(₱1,518,071)	(₱328,617)
<i>Benefit cost in profit or loss</i>			
Current service cost	233,366	–	233,366
Net interest expense (income)	48,173	(61,482)	(13,309)
<i>Remeasurements in Other Comprehensive Income</i>			
Actuarial loss on plan assets	–	87,455	87,455
Actuarial gain on defined benefit obligation due to:			
Financial assumption	(118,465)	–	(118,465)
Experience adjustments	(5,744)	–	(5,744)
Contributions	–	(152,901)	(152,901)
At December 31	₱1,346,784	(₱1,644,999)	(₱298,215)

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31, 2015	December 31, 2014
Cash and cash equivalents		
Savings deposit - BDO	₱594	₱27
Debt instrument		
Government securities	662,797	649,268
Equity instrument		
Investment in UITF	983,127	989,149
Receivable		
Interest	10,362	8,468
Liability		
Trust fee payable	(1,997)	(1,913)
Fair value of plan assets	₱1,654,883	₱1,644,999

All equity and debt instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

The Group's net pension asset reflected in the interim condensed consolidated financial statements represents the Parent Company's pension plan because the impact of BHSI and SMKL's pension plan is reflected as part of "Share on actuarial gain (loss) of an associate and a joint venture". The Group's pension fund is administered by BDO and being managed as one.

The asset allocation of the plan is set and reviewed from time to time by the BOT taking into account the membership profile and liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset duration.

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining the pension obligation for the defined benefit plans are shown below:

	2015	2014
Discount rate	5.17%	4.50%
Salary increase rate	5.00%	5.00%
Average remaining working lives of employees	21 years	19 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, assuming all other assumptions were held constant:

	Rates	Increase (decrease)	
		2015	2014
Discount rates	+0.5%	(P43,025)	(P119,621)
	-0.5%	77,775	132,308
	Rates	Increase (decrease)	
		2015	2014
Salary increase rate	+1.0%	P172,777	P267,538
	-1.0%	(77,720)	(207,217)

The Group expects to contribute P0.1 million to the plan in 2016.

Shown below is the maturity analysis of the Group's defined benefit obligation based on undiscounted benefit payments:

	2015	2014
Less than 10 years	P-	P-
More than 10 years to 15 years	985,654	984,957
More than 15 years to 20 years	7,910,127	7,917,906
More than 20 years	9,123,681	7,634,454
	<b>P18,019,462</b>	<b>P16,537,317</b>

The weighted average duration of the defined benefit obligation is 21 years as of December 31, 2015.

#### 10. Other Reserves

Other reserves pertain to items of other comprehensive income that will not be recycled to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to P0.4 million as of June 30, 2016 and December 31, 2015, and share on actuarial gain of an associate and a joint venture amounting to P0.5 million as of June 30, 2016 and December 31, 2015. Refer to Note 9 for the detailed disclosures on retirement benefits.

#### 11. Financial Risk Management Objectives and Policies

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, AFS financial assets, amounts due to and from related parties and refundable deposits. The Group

has various other financial assets and financial liabilities such as trade receivables and payables, which arise from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The Group's BOD and Management review and agree on the policies for managing each of these risks as summarized below.

#### Credit Risk

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties, refundable deposits and AFS financial assets. As of June 30, 2016 and December 31, 2015, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the entities in PAS 32, *Financial Instruments: Presentation*. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of June 30, 2016 and December 31, 2015.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

The Group's due from related parties are approximately ninety-six percent (96%) and ninety-four percent (94%) of total receivables as of June 30, 2016 and December 31, 2015, respectively.

The table below shows the credit quality of the Group's financial assets as at June 30, 2016 and December 31, 2015:

#### June 30, 2016

	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Low Grade	Total			
<b>Financial assets</b>						
Loans and receivables:						
Cash and cash equivalents*	₱204,492,705	₱-	₱204,492,705	₱-	₱-	₱204,492,705
Receivables	1,548,096	-	1,548,096	2,666,664	-	4,214,760
Due from related parties	96,814,764	-	96,814,764	-	-	96,814,764
	<b>₱302,855,565</b>	<b>₱-</b>	<b>₱302,855,565</b>	<b>₱2,666,664</b>	<b>₱-</b>	<b>₱305,522,229</b>

\* Cash and cash equivalents exclude petty cash fund.

#### December 31, 2015

	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Low Grade	Total			
<b>Financial assets</b>						
Loans and receivables:						
Cash and cash equivalents*	₱206,881,313	₱-	₱206,881,313	₱-	₱-	₱206,881,313
Receivables	3,997,070	-	3,997,070	2,666,664	-	6,663,734
Due from related parties	108,724,018	-	108,724,018	-	-	108,724,018
	<b>₱319,602,401</b>	<b>₱-</b>	<b>₱319,602,401</b>	<b>₱2,666,664</b>	<b>₱-</b>	<b>₱322,269,065</b>

\* Cash and cash equivalents exclude petty cash fund.

As of June 30, 2016 and December 31, 2015, the Group has no impaired financial assets.

The Company's receivable under past due but not impaired is 60 to 90 days past due. This pertains

to a receivable arising from an agreement of the Group with a third party entered on October 24, 2013 to sell its fully depreciated investment properties. It was agreed by the Group and the debtor that the remaining unpaid receivable is to be collected in 2016.

The credit quality of the financial assets was determined as follows:

*Cash and cash equivalents* - high grade is based on the nature of the counterparty and the Group's internal rating system.

*Neither past due nor impaired receivables* - high grade pertains to receivables with no default in payments and those accounts wherein management has assessed that the recoverability is high. Low grade pertains to receivables with default in payments or those accounts which have probability of impairment based on historical trend.

#### Liquidity Risk

Liquidity risk 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 short-term deposits. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information. The table below summarizes the maturity profile of the Group's non-derivative financial assets and liabilities based on contractual undiscounted payments:

#### June 30, 2016

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P5,439,807	P199,087,898	P-	P-	P204,527,705
Receivables	2,696,188	1,518,572	-	-	4,214,760
Due from related parties	96,814,764	-	-	-	96,814,764
Refundable deposits	-	-	-	107,110	107,110
	<b>P104,950,759</b>	<b>P200,606,470</b>	<b>P-</b>	<b>P107,110</b>	<b>P305,664,339</b>
<b>Financial liabilities:</b>					
Accounts payable and other current liabilities*	P553,981	P1,734,399	P2,438,128	P-	P4,726,508
Due to related parties	124,866,343	-	-	-	124,866,343
	<b>P125,420,324</b>	<b>P1,734,399</b>	<b>P2,438,128</b>	<b>P-</b>	<b>P129,592,851</b>

\* *Accounts payable and other current liabilities exclude taxes payable.*

#### December 31, 2015

	On Demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P7,592,234	P199,324,079	P-	P-	P206,916,313
Receivables	3,428,347	3,235,487	-	-	6,663,834
Due from related parties	108,724,018	-	-	-	108,724,018
Refundable deposits	-	-	-	107,110	107,110
	<b>P119,744,599</b>	<b>P202,559,566</b>	<b>P-</b>	<b>P107,110</b>	<b>P322,411,275</b>
<b>Financial liabilities:</b>					
Accounts payable and other current liabilities*	P553,981	P4,217,981	P324,684	P-	P5,096,646
Due to related parties	124,000,000	-	-	-	124,000,000
	<b>P124,553,981</b>	<b>P4,217,981</b>	<b>P324,684</b>	<b>P-</b>	<b>P129,096,646</b>

\* *Accounts payable and other current liabilities exclude taxes payable.*

### Foreign Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure to foreign currency arises from US-dollar denominated bank account and SG-dollar denominated consultancy fees due to SMPM and reimbursable charges payable to KLIL.

The Group's foreign currency denominated financial asset pertains to cash in bank account amounting to P0.1 million (US\$1,233) as of June 30, 2016 and December 31, 2015. In translating the foreign currency denominated cash in bank account into Philippine Peso amounts, the exchange rates used was P46.76 and P46.82 to US\$1.0 as of June 30, 2016 and December 31, 2015, respectively.

The Group's foreign currency denominated financial liability pertains to due to related parties amounting to P0.9 million (SG\$25,327) as of June 30, 2016. In translating the foreign currency denominated liability account into Philippine Peso amounts, the exchange rates used was P34.31 to SG\$1.0 as of June 30, 2016. There were no foreign currency denominated financial liability as of December 31, 2015.

The Group manages its foreign currency exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into relevant domestic currency as and when the management deems necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before tax.

There is no impact on the Group's equity other than those already affecting the net income.

#### June 30, 2016

Currency	Change in Variable	Effect on Income Before Tax Increase (decrease)
USD	+2.36%	₱1,362
	-2.36%	(1,362)
SGD	+2.50%	(21,724)
	-2.50%	21,724

#### December 31, 2015

Currency	Change in Variable	Effect on Income Before Tax Increase (decrease)
USD	+2.36%	₱1,361
	-2.36%	(1,361)
SGD	+2.50%	—
	-2.50%	—

In 2016 and 2015, the Group used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.

### 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 percentage of debt to equity, which is total debt divided by total equity net of treasury shares. The Group's policy is to maintain the percentage of debt to equity ratio below 100%. The Group includes, within total debt, accounts payable and other current liabilities and amounts due to related parties.

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. The percentages of debt to equity as of June 30, 2016 and December 31, 2015 are as follows:

	2016	2015
Liabilities	₱130,754,176	₱131,296,024
Equity	1,625,953,793	1,636,677,155
Percentage of debt to equity	8.04%	8.02%

The Group is not subject to any externally imposed capital requirement.

### Fair Values

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of June 30, 2016 and December 31, 2015, except for AFS financial assets.

The AFS financial assets pertaining to investment in preferred equity shares and unquoted club shares are valued at cost less any impairment in value because these club shares do not have a quoted market price in an active market and whose fair value cannot be measured reliably.

### Fair Value Hierarchy

As of June 30, 2016 and December 31, 2015, the Group has no financial instrument measured at fair value. During the reporting period ended June 30, 2016 and December 31, 2015, 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.



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## 12. Segment Information

The Group has only one segment as it derives its revenues primarily from investments and management consultancy services rendered to its associates.

Significant information on the reportable segment is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2016</b>	<b>31 December 2015</b>
Operating assets	<b>₱1,756,707,969</b>	<b>₱1,767,973,179</b>
Operating liabilities	<b>130,250,794</b>	<b>131,000,212</b>
Revenue and income	<b>8,613,652</b>	<b>18,608,876</b>
Other income (charges)	<b>(63,004)</b>	<b>4,333,665</b>
General and administrative expenses	<b>18,665,644</b>	<b>36,335,835</b>
Segment net loss	<b>10,723,362</b>	<b>14,061,329</b>

All revenues are from domestic entities incorporated in the Philippines.

There are no revenues derived from a single external customer above 10% of total revenue.

There is no need to present reconciliation since the Group's operating assets, operating liabilities, revenue, cost and expenses and segment profit pertains to a single operating segment.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FINANCIAL CONDITION**

As at 30 JUNE 2016, TOTAL ASSETS amounted to ₱1,756.7 million lower by ₱11.3 million as against ₱1,768.0 million as at 31 December 2015. The changes in account balances during the period are:

- CASH AND CASH EQUIVALENTS declined by ₱2.4 million due to the net cash used in operating activities offset by collection of intercompany advances.
- RECEIVABLES decreased by ₱2.4 million resulting from collection.
- DUE FROM RELATED PARTIES decreased by ₱11.9 million due to ₱16.8 million collection from associates partially offset by ₱4.9 million advances to associates and joint venture.
- INVESTMENTS IN ASSOCIATES AND JOINT VENTURE increased by ₱5.1 million due to the equity in net earnings of associates and joint venture which amounted to ₱5.1 million during the six months ended 2016.

**RESULTS OF OPERATIONS**

The Company holds investments in associates involved in property holding and development. It derives its revenue from rendering management consultancy services to associates.

**SECOND QUARTER 2016 COMPARED TO SAME PERIOD IN 2015**

**REVENUE.** The Company generated total gross revenue of ₱3.7 million, a decrease of ₱2.4 million or 40% from ₱6.1 million in 2015. The 40% decrease was due to lower equity in net earnings of associates which was partially offset by gradual increase in management consultancy and franchise fees.

- EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE decreased by ₱2.7 million (58%) from ₱4.7 million in 2015 to ₱1.9 million in 2016. This account represents Group's share in the net income/loss of its associated companies. Changes in share in net earnings from period to period are dependent upon the results of the operations of the associated companies. The decrease is due to net loss incurred by BHSI in 2016 as compared to net income earned in 2015. This is due to lower sales resulting to overheads exceeding gross profit. On the other hand, SMKL showed a gradual increase in net income resulting from higher occupancy rate during the second quarter as compared to the same period last year.
- MANAGEMENT CONSULTANCY AND FRANCHISE FEE increased by ₱0.2 million (19%) to ₱1.4 million in 2016 compared with ₱1.2 million in 2015, on account of higher revenue of SMKL on which these revenues are based.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by ₱4.8 million or 74% from ₱6.4 million in 2015 to ₱11.2 million in 2016. This is due to significant increases in consultancy fees and staff cost.

As a result, **Second Quarter 2016** operations posted a net loss of ₱7.8 million, an increase of ₱7.3 million from ₱0.5 million net loss in the second quarter of 2015.

## KEY PERFORMANCE INDICATORS

For The Quarter Ended	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	% Change
Return On Assets	(0.44%)	(0.03%)	1,367%
Loss Per Share	₱0.026	₱0.002	1,200%
Operating Expense Ratio	306.77%	106.24%	189%
As At	30 June 2016 (Unaudited)	31 December 2015 (Audited)	% Change
Net Tangible Asset Value Per Share	₱3.51	₱3.55	(1.13%)
Working Capital Ratio	2.5:1	2.6:1	(3.85%)

**A. Return On Assets** - It indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax for the second quarter of 2016 amounted to ₱7.8 million which increased by ₱7.3 million from ₱0.5 million net loss for the same period of 2015. This unfavorable increase is due to a significant increase in general and administrative expenses combined with a drop in equity in net earnings of associates and a joint venture.

	<u>Second Quarter 2016</u>	<u>Second Quarter 2015</u>
Net Loss After Tax (a)	₱7,760,238	₱510,069
Total Assets At Beginning (b)	₱1,767,973,179	₱1,758,211,889
Return On Assets (a/b)	(0.44%)	(0.03%)

**B. Loss Per Share** - It represents the equivalent apportionment of net loss to each share of common stock outstanding. For the second quarter of 2016 and 2015, loss per share amounted to ₱0.026 and ₱0.002, respectively. This unfavorable performance is due to higher net loss incurred in the second quarter of 2016 as compared to the same period in 2015.

	<u>Second Quarter 2016</u>	<u>Second Quarter 2015</u>
Net Loss After Tax (a)	₱7,760,238	₱510,069
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	₱0.026	₱0.002

- C. Operating Expense Ratio** - It measures operating expenses as a percentage of revenues. The Operating Expense Ratio increased by 189% due to decrease revenue by 40% and increase operating expenses by 74%.

	<u>Second Quarter 2016</u>	<u>Second Quarter 2015</u>
Operating Expenses (a)	P11,212,776	P6,447,975
Revenues (b)	P3,655,050	P6,069,284
Operating Expense Ratio (a/b)	306.77%	106.24%

- D. Net Tangible Asset Value Per Share** - It measures the equivalent entitlement of each share of common stock outstanding in the tangible assets. The tangible value per share decrease by 1.13% compared to the previous year due to the decrease in retained earnings resulting from loss incurred during the second quarter of 2016.

Note: Net Tangible Assets include P594.7 million subscription proceeds for Preferred Stock. As this Preferred Stock is redeemable, the subscription proceeds have been excluded from Net Tangible Assets in the computation of Net Tangible Asset per Share.

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Net Tangible Assets	P1,625,953,793	P1,636,677,155
Less: Preferred Stock	( 59,474,100)	( 59,474,100)
APIC on Preferred Stock	<u>(535,266,900)</u>	<u>(535,266,900)</u>
Net Tangible Assets Attributable To Common Stock	P1,031,212,793	P1,041,936,155
Number of Common Stock, net of Treasury shares (2,801,000)	293,828,900	293,828,900
Net Tangible Asset Value Per Share	P3.51	P3.55

- E. Working Capital Ratio** - The Group's ability to meet current obligations is measured by computing the ratio of current assets over current liabilities. The Working Capital Ratio decreased by 3.85% as of end of second quarter of 2016 as compared to 2015.

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Current Assets (a)	P325,720,606	P342,026,296
Current Liabilities (b)	P130,250,794	P131,000,212
Working Capital Ratio (a/b)	2.5 : 1	2.6 : 1

## FINANCIAL SOUNDNESS INDICATORS

### Financial Ratios

	As At	June 2016 Unaudited	December 2015 Audited
Liquidity Ratio	Current assets over current liabilities	2.5:1	2.6:1
Debt to equity ratio	Total liabilities over total equity	0.08:1	0.08:1
Asset to equity ratio	Total assets over total equity	1.08:1	1.08:1

### Profitability Ratios

	For Quarters Ended	June 2016 Unaudited	June 2015 Unaudited
Return on Assets	Net Loss after tax over total assets at beginning	(0.44%)	(0.03%)
Return on Equity	Net loss after tax over total equity	(0.48%)	(0.03%)
Loss per share	Net loss over number of common stock outstanding	₱0.026	₱0.002

TRENDS, EVENTS OR UNCERTAINTIES THAT HAVE HAD OR THAT ARE REASONABLY EXPECTED TO AFFECT REVENUES OR INCOMES

- a) As of 30 June 2016:
- o There are no known material commitments for capital expenditures.
  - o There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.
  - o There are no significant elements of income or loss that did not arise from the Company's continuing operations.
  - o There are no seasonal aspects that had a material impact on the results of operations of the Company.
- b) There are no events nor any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Group.
- c) There are 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 reporting period
- d) The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the financial statements.
- e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. Property values in the Philippines are affected by the general supply and demand of real estate.

PART II. OTHER INFORMATION

There are no additional material information to be disclosed which were not previously reported under SEC form 17-C.

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 Properties, Inc.

Signature and Title : 

Lee Foo Tuck  
President

Date : 29 July 2016

Principal Financial/Accounting Officer/Controller

Signature and Title : 

Almira A. Añonuevo  
Treasurer

Date : 29 July 2016

**KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES**  
(Amounts in Philippine Peso)

**AGING OF RECEIVABLES**

As of 30 June 2016

Type of Accounts Receivable	TOTAL	1 Month	2 - 3 Mos.	4 - 6 Mos	7 mos to 1 Year	1 - 2 Years	3 - 5 Years	5 Years - above	Past due accounts & Items in Litigation
	P	P	P	P	P				
<b>A. Trade Receivables</b>									
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
<b>Net Trade Receivable</b>	-	-	-	-	-	-	-	-	-
<b>B. Non-Trade Receivables</b>									
1 Advances to Officers and Employees	1,518,572	114,723	344,168	688,336	371,345	-	-	-	-
2 Others	2,666,664	-	-	-	2,666,664	-	-	-	-
3 Accrued interest receivable	29,524	29,524	-	-	-	-	-	-	-
Subtotal	4,214,760	144,247	344,168	688,336	3,038,009	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
<b>Net Non-Trade Receivables</b>	4,214,760	144,247	344,168	688,336	3,038,009	-	-	-	-
<b>Net Receivables</b>	<b>4,214,760</b>								

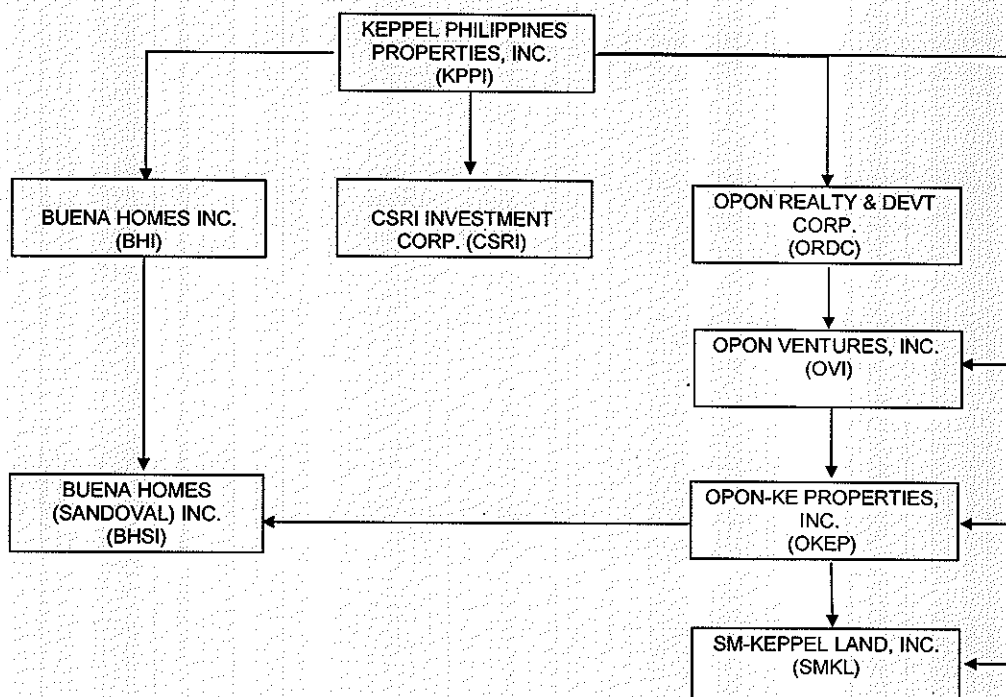
**Receivables Description**

Type of Receivable	Nature / Description	Collection Status
<b>A. Trade Receivables</b>		
<b>B. Non-Trade Receivables</b>		
1 Advances to Officers and Employees	Staff loans and telephone charges payable in 1 year	Regularly settled through deduction from payroll.
2 Others	Installment collection on the sale of investment property.	Collectible within the year
3 Accrued interest receivable	Interest on short term placement	Collectible the following month



**KEPPEL PHILIPPINES PROPERTIES, INC.**  
**SUBSIDIARIES AND ASSOCIATES**

As of 30 June 2016



**Subsidiaries**

Buena Homes, Inc. (BHI)  
 CSRI Investment Corporation (CSRI)

**Percentage of Ownership**

100%  
 100%

**Nature of Business**

Investment holding  
 Investment holding

**Associates**

Buena Homes (Sandoval), Inc. (BHSI)  
 Opon Realty and Development Corp. (ORDC)  
 Opon-KE Properties, Inc. (OKEP)  
 SM-Keppel Land, Inc. (SMKL)  
 Opon Ventures, Inc.(OVI)

**Percentage of Ownership**

40%  
 40%  
 40%  
 40%  
 40%

**Nature of Business**

Property holding and development  
 Property holding and development  
 Property holding and development  
 Property holding and development  
 Property holding and development