

**COVER SHEET**

PW - 3 0 5  
SEC Registration Number

**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)

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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. Oh Lock Soon**  
(Contact Person)

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

**0 6 3 0**  
*Month Day*  
(Fiscal Year)

**1 7 - Q**  
(Form Type)

**0 6 0 8**  
*Month Day*  
(Annual Meeting)

**N/A**  
(Secondary License Type, If Applicable)

**CFD**  
Dept. Requiring this Doc.

**N/A**  
Amended Articles Number/Section

**1,250 as of 30 June 2017**  
Total No. of Stockholders

Total Amount of Borrowings  
**-** **-**  
Domestic Foreign

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To be accomplished by SEC Personnel concerned

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File Number

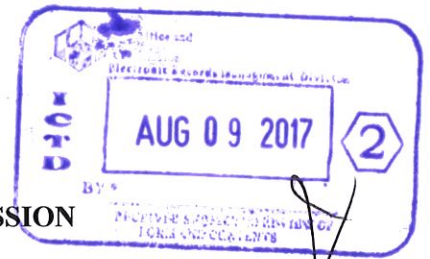
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**SECURITIES AND EXCHANGE COMMISSION**

**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 2017
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

As at June 30, 2017

(With comparative figures as at December 31, 2016)

(All amounts in Philippine Peso)

	<b>Notes</b>	<b>Unaudited 30 June 2017</b>	<b>Audited 31 December 2016</b>
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		186,427,530	203,870,854
Receivables		3,981,335	4,163,502
Due from related parties	4	74,247,279	73,675,374
Prepayments and other current assets		22,153,853	22,311,669
Total current assets		286,809,997	304,021,399
<b>Non-current assets</b>			
Available-for-sale financial assets	2	79,512,230	79,512,230
Investments in associates and a joint venture	2	1,353,200,377	1,352,170,092
Property and equipment, net	3	1,119,985	1,011,342
Retirement benefits asset	8	420,164	420,164
Refundable deposits		120,108	120,108
Total non-current assets		1,434,372,864	1,433,233,936
<b>Total assets</b>		<b>1,721,182,861</b>	<b>1,737,255,335</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities		7,830,571	6,854,079
Due to related parties	4	124,000,000	124,003,885
Income tax payable		18,234	81,064
Total current liabilities		131,848,805	130,939,028
<b>Non-current liability</b>			
Deferred income tax liabilities, net		13,603	69,409
Total liabilities		131,862,408	131,008,437
<b>Equity</b>			
Share capital		356,104,000	356,104,000
Share premium		602,885,517	602,885,517
Treasury shares		(2,667,645)	(2,667,645)
Other reserves	7	679,410	679,410
Retained earnings		632,319,171	649,245,616
Total equity		1,589,320,453	1,606,246,898
<b>Total liabilities and equity</b>		<b>1,721,182,861</b>	<b>1,737,255,335</b>

The notes from pages 5 to 18 are an integral part of these condensed interim consolidated financial statements.

**Keppel Philippines Properties, Inc. and Subsidiaries**

Condensed Interim Consolidated Statements of Comprehensive Income  
For the six months ended June 30, 2017  
(With comparative figures for the six months ended June 30, 2016)  
(All amounts in Philippine Peso)

	Notes	Quarters Ended		Six Months Ended	
		30 June (Unaudited) 2017	2016	30 June (Unaudited) 2017	2016
<b>Revenue and other income</b>					
Management consultancy and franchise fees	4	1,264,840	1,405,479	2,715,619	2,896,534
Equity in net earnings of associates and a joint venture	2	481,325	1,940,697	1,030,285	5,089,821
Interest income		797,899	308,874	1,572,582	627,297
Total revenue and other income		2,544,064	3,655,050	5,318,486	8,613,652
General and administrative expenses	5	(12,621,337)	(11,212,776)	(21,878,144)	(18,665,644)
Other income (expense), net		58,624	(40,635)	62,976	(63,004)
Loss before income tax		(10,018,649)	(7,598,361)	(16,496,682)	(10,114,996)
Income tax expense		(173,809)	(161,877)	(429,763)	(608,366)
Net loss/Total comprehensive loss		(10,192,458)	(7,760,238)	(16,926,445)	(10,723,362)
<b>Basic loss per share</b>	6	(0.035)	(0.026)	(0.058)	(0.036)

The notes from pages 5 to 18 are integral part of these condensed interim consolidated financial statements.

**Keppel Philippines Properties, Inc. and Subsidiaries**

Condensed Interim Consolidated Statements of Changes in Equity  
 For the six months ended June 30, 2017  
 (With comparative figures for the six months ended June 30, 2016)  
 (All amounts in Philippine Peso)

	Share capital		Share premium	Treasury shares	Actuarial gain on defined benefit plan (Notes 7 and 8)	Share in actuarial gain of an associate and a joint venture (Notes 2 and 7)	Retained earnings	Total equity
	Common	Preferred						
<b>Balances at January 1, 2017</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	354,988	324,422	649,245,616	1,606,246,898
Net loss/Total comprehensive loss	-	-	-	-	-	-	(16,926,445)	(16,926,445)
<b>Balances at June 30, 2017</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	354,988	324,422	632,319,171	1,589,320,453
<b>Balances at January 1, 2016</b>	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/Total comprehensive loss	-	-	-	-	-	-	(10,723,362)	(10,723,362)
<b>Balances at June 30, 2016</b>	296,629,900	59,474,100	602,885,517	(2,667,645)	459,980	475,078	668,696,863	1,625,953,793

The notes on pages 5 to 18 are integral part of these condensed interim consolidated financial statements.

**Keppel Philippines Properties, Inc. and Subsidiaries**

Condensed Interim Consolidated Statements of Cash Flows  
For the six months ended June 30, 2017  
(With comparative figures for the six months ended June 30, 2016)  
(All amounts in Philippine Peso)

	Notes	Unaudited 2017	Unaudited 2016
<b>Cash flows from operating activities</b>			
Loss before income tax		(16,496,682)	(10,114,996)
Adjustments for:			
Depreciation expense	3,5	149,244	49,341
Retirement benefits expense	5	90,351	-
Foreign exchange (gain) loss, net		(10,280)	72,091
Gain on reversal of liabilities		(49,743)	-
Equity in net earnings of associates and a joint venture	2	(1,030,285)	(5,089,821)
Interest income		(1,572,582)	(627,297)
Operating loss before working capital changes		(18,919,977)	(15,710,682)
Decrease (increase) in:			
Receivables		385,792	2,478,498
Due from related parties		(571,905)	(4,917,819)
Prepayments and other current assets		157,816	(541,605)
Increase (decrease) in:			
Accounts payable and other current liabilities		935,884	(1,583,189)
Due to related parties		(3,885)	866,343
Net cash used in operations		(18,016,275)	(19,408,454)
Interest income received		1,317,313	590,392
Income taxes paid		(496,755)	(325,528)
Net cash used in operating activities		(17,195,717)	(19,143,590)
<b>Cash flows from investing activities</b>			
Acquisitions of property and equipment	3	(257,887)	-
Decrease in amounts due from related parties	4	-	16,827,073
Net cash from (used in) investing activities		(257,887)	16,827,073
<b>Net decrease in cash and cash equivalents</b>		(17,453,604)	(2,316,517)
Effect of exchange rate changes on cash and cash equivalents		10,280	(72,091)
Cash and cash equivalents at January 1		203,870,854	206,916,313
<b>Cash and cash equivalents at June 30</b>		186,427,530	204,527,705

The notes on pages 5 to 18 are integral part of these condensed interim consolidated financial statements.

## Keppel Philippines Properties, Inc. and Subsidiaries

Notes to Condensed Interim Consolidated Financial Statements

As at and for the six months ended June 30, 2017

(With comparative figures as at and for the six months ended June 30, 2016)

(In the Notes, all amounts are shown in Philippine Peso, unless otherwise indicated)

### Note 1 - Corporate information

Keppel Philippines Properties, Inc. ("Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918. On June 11, 2015, the shareholders approved the amendment of the Parent Company's Articles of Incorporation to extend its corporate life for another 50 years starting February 6, 2018. The extension of the term of the Parent Company's existence was approved by the Philippine SEC on May 5, 2017.

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. As at June 30, 2017 and December 31, 2016, the top five shareholders of the Parent Company are the following:

Shareholders	Percentage of ownership	
	2017	2016
KLL	50%	50%
Kepwealth, Inc.	17%	17%
KCL	12%	12%
PCD Nominee Corporation	12%	12%
Public	9%	9%

The Parent Company's subsidiaries, associates and joint venture, which were all incorporated in the Philippines are as follows:

	Percentage of ownership	Effective ownership interest	Nature of business
<b>Subsidiaries</b>			
CSRI Investment Corporation (CSRI)	100%	100%	Investment holding
Buena Homes, Inc. (BHI)	100	100	Investment holding
<b>Associates</b>			
Opon Realty and Development Corporation (ORDC)	40	40	Land leasing
Opon Ventures, Inc. (OVI)	40	64	Investment holding
Opon-KE Properties, Inc. (OKEP)	40	78	Investment holding
Buena Homes (Sandoval), Inc. (BHSI)	-	61	Residential property development
<b>Joint venture</b>			
SM Keppel Land, Inc. (SMKL)	40	48	Lease of mall and office spaces, cinema ticket sales and carpark operation

The Parent Company, together with its subsidiaries, associates and a joint venture are collectively referred to as "The Group".

The Group's principal office address is 12 ADB Avenue, Ortigas Center, Mandaluyong City. On December 6, 2010, the Group submitted a notification 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 construction by the lessor of the Group's principal office.

The Group holds investments in associates and joint venture involved in property holding and development (Note 2) and renders management consultancy services to associates (Note 4).

## **Note 2 - Investments in associates and a joint venture**

Details of investments in associates and a joint venture as at June 30, 2017 and 2016, and December 31, 2016 are as follows:

	For the six months ended 30 June		For the year ended
	2017	2016	31 December 2016
Cost	806,321,443	806,321,443	806,321,443
Accumulated equity in net earnings			
Presented in profit or loss			
At January 1	545,524,227	538,769,989	538,769,989
Equity in net earnings recognized in profit or loss	1,030,285	5,089,821	6,754,238
	546,554,512	543,859,810	545,524,227
Presented in other comprehensive income			
At January 1	324,422	475,078	475,078
Share in other comprehensive loss	-	-	(150,656)
	324,422	475,078	324,422
	1,353,200,377	1,350,656,331	1,352,170,092

The carrying values of the Group's investments in associates and a joint venture and the related percentages of ownership as at June 30, 2017 and December 31, 2016 are shown below:

	Percentage of ownership		Carrying amount	
	2017	2016	2017	2016
Associates				
BHSI	40%	40%	157,054,332	158,619,227
OKEP	40%	40%	90,185,583	90,317,211
OVI	40%	40%	22,592,360	22,696,599
ORDC	40%	40%	14,897,173	14,994,888
Joint venture				
SMKL	40%	40%	1,068,470,929	1,065,542,167
			1,353,200,377	1,352,170,092

The Group's associates and joint venture were all incorporated and have their principal place of business in the Philippines. There were no dividends received from the associates and joint venture in 2017 and 2016. The associates and joint venture were accounted for using the equity method. As at June 30, 2017 and December 31, 2016, there were no quoted prices for these investments.

BHSI is involved in the construction of residential condominium project which had been completed in 2003. BHSI's primary activity in 2017 and 2016 involved the sale of these condominium units. As at June 30, 2017, only three (3) units remain to be realized. 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 SMKL Phase 1 which has one hundred forty specialty stores and a state-of-the-art cinema. SMKL Phase 2 is under construction for a development of a six-level basement carpark with an approximate gross leasable area of 75,300 sqm, a five-level retail mall with an approximate gross leasable area of 46,000 sqm, and a forty-two storey office tower with an approximate gross leasable area of 110,100 sqm. This project is being constructed on a parcel of land with an area of 12,932 sqm registered in the name of SMKL, located in Ortigas Center, Pasig City. Construction of the retail mall expansion commenced in 2014 and is expected to be completed in 2017.



The Parent Company has preferred equity securities pertaining to investments in redeemable preferred shares of OVI and OKEP totaling to P79.3 million which were acquired in 2012 at ten pesos (P10) per share. These investments are classified as AFS financial assets as the characteristics of the investment will not affect the significant influence of the Group over OVI and OKEP. In addition, these investments are carried at cost as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

The features and conditions of the redeemable preferred shares are as follows:

- Non-voting, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines.
- Entitled to preference in the distribution of dividends at a fixed yield of three percent (3%) per annum. After payment of such preferred dividends, the holders of such preferred shares shall be entitled to participate pro rata with holders of common shares in the remaining profits.
- Redeemable at the option of the issuer, in full or in part, within a period of ten (10) years from date of issuance, at a price to be determined by the Board of Directors (BOD).
- If not redeemed within the period of ten (10) years, the holder shall have the option to:
  - (a) Convert the preferred shares to participating preferred shares; or
  - (b) Hold the redeemable preferred shares for another five (5) years, after which the holder can choose to convert to either common shares or participating preferred share.

### **Note 3 - Property and equipment**

Details of property and equipment are as follows:

	Notes	Transportation equipment	Office equipment	Furniture and fixtures	Total
<b>Cost</b>					
At January 1, 2016		1,404,506	1,822,808	2,405,645	5,632,959
Additions		-	887,063	74,240	961,303
Disposals	4	(718,183)	-	-	(718,183)
At December 31, 2016		686,323	2,709,871	2,479,885	5,876,079
Additions		-	257,887	-	257,887
At June 30, 2017		686,323	2,967,758	2,479,885	6,133,966
<b>Accumulated depreciation</b>					
At January 1, 2016		1,404,506	1,638,574	2,405,627	5,448,707
Depreciation		-	127,755	6,458	134,213
Disposals	4	(718,183)	-	-	(718,183)
At December 31, 2016		686,323	1,766,329	2,412,085	4,864,737
Depreciation	5	-	138,949	10,295	149,244
At June 30, 2017		686,323	1,905,278	2,422,380	5,013,981
<b>Net carrying amount</b>					
At December 31, 2016		-	943,542	67,800	1,011,342
At June 30, 2017		-	1,062,480	57,505	1,119,985

Cost of fully depreciated property and equipment still in use in operations amounted to P4.6 million as at June 30, 2017 and December 31, 2016.

#### **Note 4 - Related party disclosures**

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*. The significant related party transactions for the six months ending June 30, 2017 and 2016 and outstanding balances as at June 30, 2017 and December 31, 2016 are as follows:

Related party	2017		2016		Terms and conditions
	Transaction amount (6 months)	Outstanding balance	Transaction amount (6 months)	Outstanding balance	
<b>Due from related parties</b>					
Associates					
OKEP (a)	86,307	70,165,833	184,552	70,079,526	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI (a)	87,707	2,036,712	182,172	1,949,005	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC (a)	113,361	518,117	225,534	404,756	Non-interest-bearing, unsecured, collectible in cash upon demand
BHSI					
Operating advances (a)	832,959	226,817	1,145,105	53,536	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Joint venture					
SMKL					
Operating advances (a)	6,031,750	954,052	6,714,426	1,188,551	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Management fee (b)	1,939,728	238,278	2,068,953	-	- Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Franchise fee (b)	775,891	107,470	827,581	-	- Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		<b>74,247,279</b>		<b>73,675,374</b>	
<b>Due to related parties</b>					
Associates					
BHSI (c)	-	83,701,493	-	83,701,493	Non-interest-bearing, unsecured, payable on demand
OKEP (c)	-	40,298,507	-	40,298,507	Non-interest-bearing, unsecured, payable on demand
Entities under common control					
KLIL (d)					
Operating advances	126,886	-	200,685	3,885	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
SMPM (e)					
Management fee	6,236,953	-	12,187,030	-	- Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
		<b>124,000,000</b>		<b>124,003,885</b>	

- (a) The Group made operating advances for expenses incurred by associates and joint venture in the second quarter of 2017 and 2016. These operating advances represents expenses incurred in the normal operations paid on behalf of the Group's associates and joint venture.

Moreover, during the second quarter of 2016, BHSI partially paid its loans to the Group amounting to P16.8 million.

- (b) The Group provides management, advisory and consultancy services to SMKL. The amount of management fee charged by the Group to SMKL amounted to P0.9 million in the second quarter of 2017 (2016 - P1.0 million). The amount of franchise fee charged amounted to P0.4 million in the second quarter of 2017 (2016 - P0.4 million). Management fee is charged at 2.5% of annual net revenues of SMKL and franchise fee is charged at 1.0% of net revenues of SMKL. Outstanding receivables from SMKL for management and franchise fees as at June 30, 2017 amounted to P0.3 million (2016 - nil).
- (c) On December 22, 2011, the BOD of BHSI approved BHSI's plan to decrease its authorized share capital. In January 2012, the Group received from BHSI an amount of P100 million, which represented advances to BHI and OKEP amounting to P59.7 million and P40.3 million, respectively. The P40.3 million was received by the Group on behalf of OKEP. 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, the Group received additional advances amounting to P24.0 million from BHSI, thereby increasing the Group's advances from BHSI to P83.7 million. As at June 30, 2017, the application is pending approval from the SEC.
- (d) Keppel Land International Limited (KLIL), an entity under common control, provides support services to the Group and SMKL. In the second quarter of 2017, KLIL has made operating advances for expenses incurred by Group amounting to P0.1 million (2016 - P0.2 million).
- (e) Straits Mansfield Property Marketing Pte Ltd (SMPM), an entity under common control, provides consultancy, advisory and support services to the Group and SMKL. Consultancy fees charged by SMPM to the Group amounted to P1.6 million in the second quarter of 2017, (2016 - P6.5 million). The basis of management fee is the time spent by SMPM personnel in rendering services. There were no outstanding payables to SMPM related to the consultancy fees as at June 30, 2017 and December 31, 2016.
- (f) In 2016, the Group charged KLL for the amount paid on behalf of KLL for legal fees amounting to P0.4 million pertaining to Court of Tax Appeals filing for redemption of preferred shares. This remains as part of receivables as at June 30, 2017 and December 31, 2016.
- (g) In 2016, the Group sold one of its vehicles to its management personnel for a consideration amounting to P0.1 million.

Details of the compensation of key management personnel of the Group for the six months ended June 30, 2017 and 2016 are as follows:

	2017	2016
Salaries and other short-term employee benefits	7,541,992	3,355,623
Bonuses and allowances	1,832,829	212,611
Retirement benefits	80,227	-
	9,455,048	3,568,234

There were neither stock options nor other long-term benefits given to key management personnel as at June 30, 2017 and December 31, 2016. There were no outstanding balances with key management personnel as at June 30, 2017 and December 31, 2016.

**Note 5 - General and administrative expenses**

General and administrative expenses for the six months ended June 30, 2017 and 2016 are as follows:

	Notes	2017	2016
Salaries, wages and employee benefits		12,000,411	5,541,615
Management consultancy fees	4	3,206,953	8,822,030
Rental		1,494,763	821,709
Professional fees		1,324,105	1,036,511
Taxes and licenses		1,297,718	225,841
Transportation and travel		488,532	492,837
Membership and dues		478,610	413,390
Insurance		318,181	196,700
Utilities		227,654	205,274
Postage, printing and advertising		198,375	197,657
Depreciation	3	149,244	49,341
Staff recreation and others		130,628	294,121
Retirement benefits	8	90,351	-
Repairs and maintenance		74,421	100,292
Supplies		62,195	45,813
Bank and other charges		23,974	38,371
Others		312,029	184,142
		21,878,144	18,665,644

Other expenses consist mainly of storage costs, photocopy charges and out-of-pocket expenses for professional services.

**Note 6 - Basic loss per share**

Loss per share for the six months ended June 30, 2017 and 2016 are as follows:

	2017	2016
Net loss	16,926,445	10,723,362
Divided by: Weighted average number of shares outstanding	293,828,900	293,828,900
Basic loss per share	0.058	0.036

The Group has no potential shares that will have a dilutive effect on loss per share.

The weighted average number of shares outstanding as at June 30, 2017 and 2016 is computed as follows:

Issued shares	296,629,900
Less: Treasury shares	2,801,000
Weighted average number of shares outstanding	293,828,900

**Note 7 - Other reserves**

Other reserves pertain to items of other comprehensive income that will not be reclassified to profit or loss. These include actuarial gain on defined benefit plan, net of tax, amounting to Po.4 million as at June 30, 2017 (2016 - Po.5 million), and share in actuarial gain of an associate and a joint venture amounting to Po.3 million as at June 30, 2017 (2016 - Po.5 million) (Notes 2 and 8).

## **Note 8 - Retirement benefits**

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 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 Parent Company, together with the companies under the plan, contributes to the trust fund amounts as may be required as estimated by an independent actuary, on the basic accepted actuarial principles, to maintain the plan in a sound condition. The companies also reserve the right, whenever economic conditions may warrant, to discontinue or suspend its contributions to the trust fund. Further, the Parent Company is not liable to the plan for other companies' obligations under the terms and conditions of the multi-employer plan. In case of termination of the plan, the liability of the companies to make contributions shall cease and the trust fund shall be allocated pro-rata to the employees.

The latest actuarial valuation date of the Group's retirement plan is as at December 31, 2016.

The net retirement benefits asset recognized in the condensed interim consolidated statements of financial position as at June 30, 2017 and December 31, 2016 is determined as follows:

Fair value of plan assets	1,841,785
Present value of defined benefit obligation	(1,421,621)
	420,164

The Group's net retirement benefits asset reflected in the condensed interim consolidated financial statements represents the Parent Company's retirement plan as the impact of BHSI and SMKL's retirement plans are reflected as part of "Share on actuarial gain (loss) of an associate and a joint venture".

Changes in the net retirement benefits asset recognized in the condensed interim statements of financial position for the year ended December 31, 2016 are as follows:

At January 1	576,781
Retirement expense recognized in profit or loss	(145,914)
Remeasurements recognized in other comprehensive income	
Changes in demographic assumptions	53,916
Changes in financial assumptions	24,853
Deviations of experience from assumptions	(190,817)
Loss on plan assets	(37,941)
Contributions to the retirement fund	139,286
At December 31	420,164

The components of retirement benefits expense and net interest income recognized in profit or loss for the six months ended June 30, 2017 and for the year ended December 31, 2016 are as follows:

	2017	2016
Current service cost presented as retirement expense	90,351	175,733
Net interest income	-	(29,819)
	90,351	145,914

The remeasurements recognized in other comprehensive income for the year ended December 31, 2016 are determined as follows:

Remeasurements on defined benefit obligation	(112,048)
Remeasurements on plan assets	(37,941)
Remeasurements loss	(149,989)
Deferred income tax benefit	44,997
Remeasurements loss, net of tax	(104,992)

(a) *Defined benefits obligation*

Changes in the present value of the defined benefits obligation for the year ended December 31, 2016 are as follows:

At January 1	1,078,102
Current service cost included in retirement expense	175,733
Interest cost included in retirement expense	55,738
Remeasurements in other comprehensive income:	
Actuarial loss (gain) on obligation resulting from:	
Changes in demographic assumptions	(53,916)
Changes in financial assumptions	(24,853)
Deviations of experience from assumptions	190,817
At December 31	1,421,621

As at December 31, 2016, the average duration of the defined benefit obligation is 17 years.

Below is the maturity analysis of the undiscounted benefit payments as at December 31, 2016:

Less than 10 years	498,778
More than 10 years to 15 years	2,011,630
More than 15 years to 20 years	4,428,311
More than 20 years	3,730,954
	10,669,673

(b) *Plan assets*

The major categories of plan assets as at December 31, 2016 are as follows:

Cash	139,700
Government securities	963,882
Investment in unit investments in trust funds (UITF)	59,658
Receivables	680,668
Trust fee payable	(2,123)
	1,841,785

The funds are administered by a trustee bank 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.

Investments in government securities and UITF held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

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 assets durations.

Changes in the fair value of plan assets for the year ended December 31, 2016 are as follows:

At January 1	1,654,883
Interest income presented as net of retirement expense	85,557
Remeasurement in other comprehensive income:	
Loss on plan assets	(37,941)
Contributions to the retirement fund	139,286
At December 31	1,841,785

The fair value of the plan assets approximates their carrying amount as at December 31, 2016.

There are no plan assets invested in any entity within the Group as at and for the year ended December 31, 2016. The Group's transactions with the retirement fund in 2016 is limited to contributions, which consists principally of payments that covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group expects to contribute P0.3 million to the retirement fund in 2017.

There was no plan amendment, curtailment, or settlement for the years ended December 31, 2016.

#### *Actuarial assumptions*

The principal assumptions used in determining the Group's retirement obligation as at December 31, 2016 are as follows:

Discount rate	5.28%
Future salary increase rate	5.00%

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the retirement obligation as at December 31, 2016:

	Rates	Increase (Decrease)
Discount rate	+1.0%	(177,772)
	-1.0%	210,380
Salary increase rate	+1.0%	208,574
	-1.0%	(180,218)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit asset recognized in the condensed interim consolidated statement of financial position.

#### **Note 9 - Segment information**

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

Significant information on the reportable segment as at June 30, 2017 and December 31, 2016 are as follows:

	2017	2016
Operating assets	1,721,182,861	1,737,255,335
Operating liabilities	131,848,805	130,939,028
Revenue and income	5,318,486	14,173,488
Other income, net	62,976	1,310,578
General and administrative expenses	21,878,144	44,996,312
Segment net loss	16,926,445	30,174,609

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

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.

## **Note 10 - Financial risk and capital management**

### **10.1 Financial risk management**

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, AFS financial assets, and amounts due to and from related parties. The Group has various other financial assets and financial liabilities such as receivables, refundable deposits, and payables and other current liabilities, which arise from its operations.

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

#### *(a) Foreign currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency arises from US-dollar denominated bank account and SG-dollar denominated cash on hand and operating advances due to KLIL.

The Group's foreign currency-denominated monetary assets and liabilities as at June 30, 2017 and December 31, 2016 are as follows:

	2017		2016	
	SGD	USD	SGD	USD
Cash and cash equivalents	500	1,233	500	1,233
Due to related party	-	-	(112)	-
Net assets	500	1,233	388	1,233
Exchange rates	36.04	50.10	34.66	49.74
PHP equivalent	18,020	61,773	13,448	61,330

The Group manages its foreign currency exposure risk by matching, as much as possible, receipts and payments in its corresponding 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.

	Currency	Change in variable	Effect on income before tax increase (decrease)
June 30, 2017	SGD	+3.98%	697
		-3.98%	(697)
	USD	+0.72%	444
		-0.72%	(444)
December 31, 2016	SGD	+0.00%	-
		-0.00%	-
	USD	+2.36%	1,447
		-2.36%	(1,447)

In 2017 and 2016, the Group used the average change in the quarterly closing rates for the year in determining the reasonable possible change in foreign exchange rates.



(b) 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 at June 30, 2017 and December 31, 2016, the carrying values of the Group's financial instruments represent the maximum exposure to credit risk at reporting date.

There are no amounts that were offset in accordance with PAS 32, Financial Instruments: Presentation and that were subject to an enforceable master netting arrangement or similar agreement as at June 30, 2017 and December 31, 2016.

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-five percent (95%) of total receivables as at June 30, 2017 and December 31, 2016.

The credit quality per class of financial assets are as follows:

	Neither past due nor impaired			Past due but not impaired	Total
	High grade	Low grade	Total	Impaired	
June 30, 2017					
Cash and cash equivalents*	186,375,035	-	186,375,035	-	186,375,035
Receivables**	1,163,466	-	1,163,466	2,666,664	3,830,130
Due from related parties	74,247,279	-	74,247,279	-	74,247,279
Refundable deposits	120,108	-	120,108	-	120,108
	261,905,888	-	261,905,888	2,666,664	264,572,552
December 31, 2016					
Cash and cash equivalents*	203,818,359	-	203,818,359	-	203,818,359
Receivables**	1,291,140	-	1,291,140	2,666,664	3,957,804
Due from related parties	73,675,374	-	73,675,374	-	73,675,374
Refundable deposits	120,108	-	120,108	-	120,108
	278,904,981	-	278,904,981	2,666,664	281,571,645

\*Cash and cash equivalents exclude cash on hand.

\*\*Receivables exclude amounts due from employees.

As at June 30, 2017 and December 31, 2016, the Group has no impaired financial assets.

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at June 30, 2017 and December 31, 2016.

The Group's receivable amounting to P2.7 million is more than 90 days past due as at June 30, 2017. 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. The Group expects to collect this receivable in full in 2017.

(i) Cash in bank

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

The remaining cash in the condensed interim consolidated statements of financial position pertains to cash on hand which is not subject to credit risk.

(ii) *Receivables*

Receivables from related parties

Credit exposure of the Group on loan and other receivables from related parties is considered to be low as these parties have no history of default and have a strong credit history. Additionally, credit risk is minimized since the related parties are paying on normal credit terms based on contracts.

Receivables from third parties

The credit quality of receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

(c) *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 liabilities based on contractual undiscounted payments:

	On demand	Less than 3 months	Total
June 30, 2017			
Accounts payable and other current liabilities*	553,981	6,589,304	7,143,285
Due to related parties	124,000,000	-	124,000,000
	124,553,981	6,589,304	131,143,285
December 31, 2016			
Accounts payable and other current liabilities*	553,981	5,547,468	6,101,449
Due to related parties	124,003,885	-	124,003,885
	124,557,866	5,547,468	130,105,334

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

## 10.2 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. There are no changes in the Group's objectives, policies and processes for managing capital from the previous period.

The percentages of debt to equity as at June 30, 2017 and December 31, 2016 are as follows:

	2017	2016
Liabilities	131,848,805	130,939,028
Equity	1,589,320,453	1,606,246,898
Percentage of debt to equity	8.30%	8.15%

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, the PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Group has fully complied with this requirement.

### **10.3 Fair value of assets and liabilities**

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at June 30, 2017 and December 31, 2016, 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 as these do not have a quoted market price in an active market and the fair value cannot be measured reliably.

There are no non-financial assets and liabilities that are measured at fair value.

#### Fair value hierarchy

As at June 30, 2017 and December 31, 2016, the Group has no financial instrument measured at fair value. During the reporting period ended June 30, 2017 and December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

### **Note 11 - Basis of Preparation and Statement of Compliance**

#### **11.1 Basis of preparation**

The condensed interim 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 interpretations 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 condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the retirement benefit asset, recognized as the net of the fair value of plan assets and the present value of defined benefit obligation.

#### **Changes in accounting policy and disclosures**

##### *(a) New standards, amendments to existing standards and interpretations adopted*

There are no new standards, amendments to existing standards and interpretations which are effective for the financial year beginning January 1, 2017 which are relevant to the Group's financial statements.

##### *(b) New standards, amendments to existing standards and interpretations not yet adopted*

A number of new standards, amendments to existing standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these condensed interim consolidated financial statements. None of these is expected to have an effect on the Group's condensed interim consolidated financial statements, except the following as set out below:

- *PFRS 9, Financial Instruments* (effective January 1, 2018)
- *PFRS 15, Revenue from Contracts with Customers* (effective January 1, 2018)
- *PFRS 16, Leases* (effective January 1, 2019)

## 11.2 Consolidation

The condensed interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, 2017 and December 31, 2016 and for each of the three months ended June 30, 2017 and 2016. Subsidiaries are entities which the Group has control over. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group 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 of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company since the subsidiaries are wholly-owned by the Parent Company.

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 Group 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 Group 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.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### FINANCIAL CONDITION

As at **30 JUNE 2017**, **TOTAL ASSETS** amounted to ₱1,721.2 million lower by ₱16.1 million as against ₱1,737.3 million as at 31 December 2016. The changes in account balances during the period are:

- **CASH AND CASH EQUIVALENTS** decreased by ₱17.4 million due to the net cash used in operating and investing activities.
- **DUE FROM RELATED PARTIES** increased by ₱0.6 million due to operating advances to associates and a joint venture, partially offset by collections.
- **INVESTMENTS IN ASSOCIATES AND JOINT VENTURE** increased by ₱1.0 million due to the equity in net earnings of associates and joint venture during the six months ended 2017.

### 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 2017 COMPARED TO SAME PERIOD IN 2016

**REVENUE.** The Company generated total gross revenue of ₱2.6 million, a decrease of ₱1.1 million or 30% from ₱3.7 million in 2016. The decrease was mainly due to lower equity in net earnings of associates and joint venture.

- **EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE** decreased by ₱1.5 million (75%) from ₱1.9 million in 2016 to ₱0.4 million in 2017. 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 was mainly attributed to the decrease in share in net income from SMKL by ₱1.1 million resulting from lower occupancy rate during the second quarter as compared to the same period last year due to the scheduled retrofitting of Phase 1 of Podium in 2017.
- **INTEREST INCOME** increased by ₱0.5 million (158%) to ₱0.8 million in 2017 compared with ₱0.3 million in 2016. The increase is due to higher interest rate on money market placements as compared to 2016.

**GENERAL AND ADMINISTRATIVE EXPENSES** increased by ₱1.4 million (13%) from ₱11.2 million in 2016 to ₱12.6 million in 2017 mainly due to increase in staff costs and taxes and licenses, offset by the decrease in management consultancy fees.

As a result, **Second Quarter 2017** operations posted a net loss of ₱10.2 million, an increase of ₱2.4 million from ₱7.8 million net loss in the second quarter of 2016.

## KEY PERFORMANCE INDICATORS

<b>For The Quarter Ended</b>	<b>30 June 2017 (Unaudited)</b>	<b>30 June 2016 (Unaudited)</b>	<b>% Change</b>
Return On Assets	(0.59%)	(0.44%)	34%
Loss Per Share	₱0.035	₱0.026	35%
Operating Expense Ratio	496.11%	306.77%	62%
<b>As At</b>	<b>30 June 2017 (Unaudited)</b>	<b>31 December 2016 (Audited)</b>	<b>% Change</b>
Net Tangible Asset Value Per Share	₱3.38	₱3.44	(1.74%)
Working Capital Ratio	2.2:1	2.3:1	(4.35%)

- 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 2017 amounted to ₱10.2 million which increased by ₱2.4 million from ₱7.8 million net loss for the same period of 2016. This unfavorable increase is due to a significant increase in general and administrative expenses combined with the decrease in equity in net earnings of associates and a joint venture.

	<u>Second Quarter 2017</u>	<u>Second Quarter 2016</u>
Net Loss After Tax (a)	₱10,192,458	₱7,760,238
Total Assets At Beginning (b)	₱1,737,255,335	₱1,767,973,179
Return On Assets (a/b)	(0.59%)	(0.44%)

- B. Loss Per Share** - It represents the equivalent apportionment of net loss to each share of common stock outstanding. For the second quarter of 2017 and 2016, loss per share amounted to ₱0.035 and ₱0.026, respectively. This unfavorable performance is due to higher net loss incurred in the second quarter of 2017 as compared to the same period in 2016.

	<u>Second Quarter 2017</u>	<u>Second Quarter 2016</u>
Net Loss After Tax (a)	₱10,192,458	₱7,760,238
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	₱0.035	₱0.026

- C. Operating Expense Ratio** - It measures operating expenses as a percentage of revenues. The Operating Expense Ratio increased by 62% due to decrease in revenue by 30% coupled with an increase in operating expenses by 13%.

	<u>Second Quarter 2017</u>	<u>Second Quarter 2016</u>
Operating Expenses (a)	₱12,621,337	₱11,212,776
Revenues (b)	₱2,544,064	₱3,655,050
Operating Expense Ratio (a/b)	496.11%	306.77%

- 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 1.74% compared to the previous year due to the decrease in retained earnings resulting from loss incurred during the second quarter of 2017.

Note: Net Tangible Assets include ₱594.7 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, 2017</u>	<u>December 31, 2016</u>
Net Tangible Assets	₱1,589,320,453	₱1,606,246,898
Less: Preferred Stock	(59,474,100)	(59,474,100)
Share Premium on Preferred Stock	<u>(535,266,900)</u>	<u>(535,266,900)</u>
Net Tangible Assets Attributable To Common Stock	₱994,579,453	₱1,011,505,898
Number of Common Stock, net of Treasury shares (2,801,000)	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱3.38	₱3.44

- 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 4.35% as of end of second quarter of 2017 as compared to 2016.

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Current Assets (a)	₱286,809,997	₱304,021,399
Current Liabilities (b)	₱131,848,805	₱130,939,028
Working Capital Ratio (a/b)	2.2 : 1	2.3 : 1

## FINANCIAL SOUNDNESS INDICATORS

### Financial Ratios

	As At	June 2017 Unaudited	December 2016 Audited
Liquidity Ratio	Current assets over current liabilities	2.2:1	2.3:1
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 2017 Unaudited	June 2016 Unaudited
Return on Assets	Net Loss after tax over total assets at beginning	(0.59%)	(0.44%)
Return on Equity	Net loss after tax over total equity	(0.64%)	(0.48%)
Loss per share	Net loss over number of common stock outstanding	₱0.035	₱0.026



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

- a) As at 30 June 2017:
- There are no known material commitments for capital expenditures.
  - 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.
  - There are no significant elements of income or loss that did not arise from the Company's continuing operations.
  - 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 :  \_\_\_\_\_

Oh Lock Soon  
President

Date : 8 August 2017

Principal Financial/Accounting Officer/Controller

Signature and Title :  \_\_\_\_\_

Pang Chan Fan  
Financial Controller

Date : 8 August 2017

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

(Amounts in Philippine Peso)

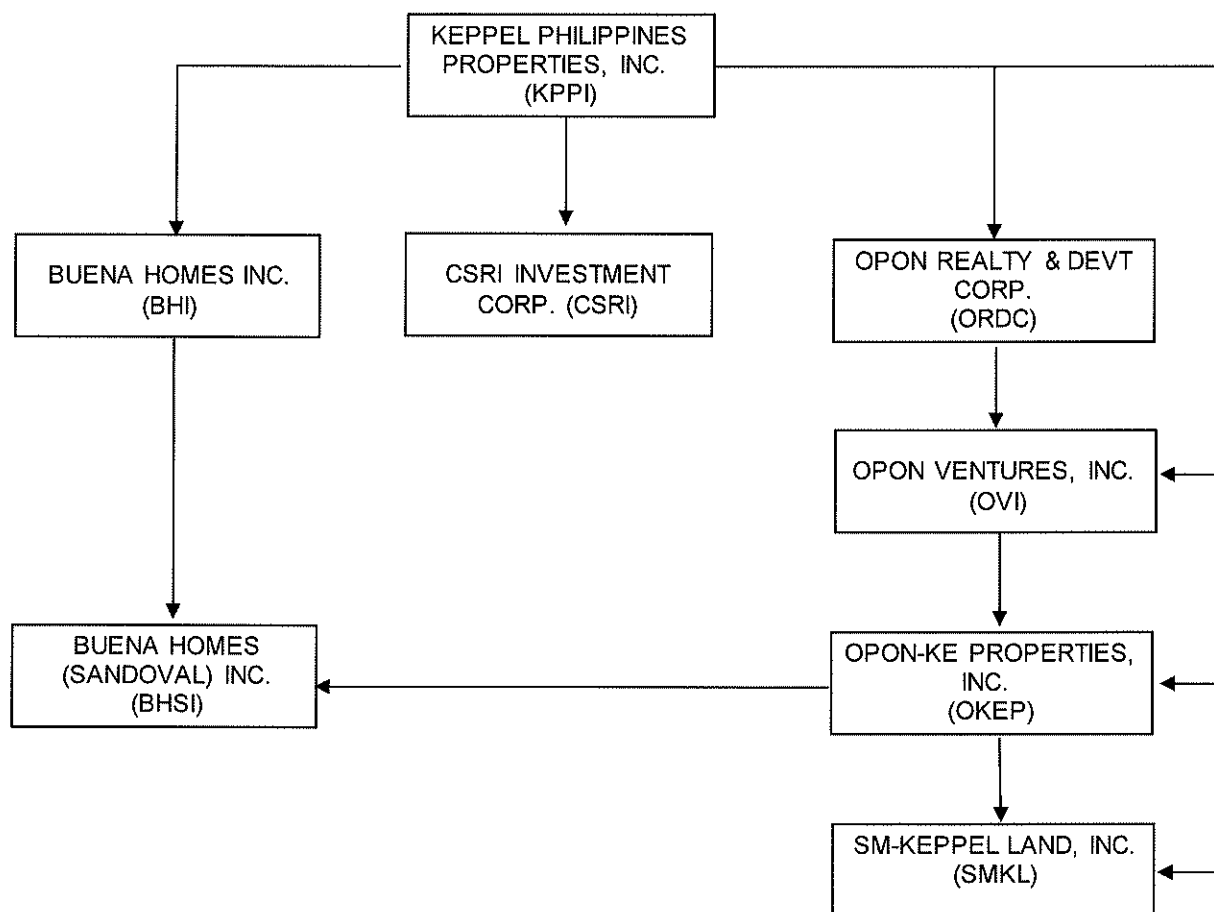
AGING OF RECEIVABLES									
As of		30-Jun-17							
Type of Accounts Receivable	TOTAL	1 Month	2 - 3 Mos.	4 - 6 Mos	7 mos to 1 Year	1 - 2 Years	3 - 5 Years	5 Years - above	Past due accounts & Items in Litigation
	P	P	P	P	P				
<b>A. Trade Receivables</b>	-	-	-	-	-	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
<b>Net Trade Receivable</b>	-	-	-	-	-	-	-	-	-
<b>B. Non-Trade Receivables</b>									
1 Non-trade	2,666,664	-	-	-	2,666,664	-	-	-	-
2 Accrued revenue	405,498	405,498	-	-	-	-	-	-	-
3 Receivables from employees	151,205	114,205	20,000	17,000	-	-	-	-	-
2 Accrued interest receivable	380,152	380,152	-	-	-	-	-	-	-
3 Others	377,816	17,669	-	360,147	-	-	-	-	-
Subtotal	3,981,335	917,524	20,000	377,147	2,666,664	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
<b>Net Non-Trade Receivables</b>	<b>3,981,335</b>	<b>917,524</b>	<b>20,000</b>	<b>377,147</b>	<b>2,666,664</b>	-	-	-	-
<b>Net Receivables</b>	<b>3,981,335</b>								

**Receivables Description**

Type of Receivable	Nature / Description	Collection Status
<b>A. Trade Receivables</b>		
<b>B. Non-Trade Receivables</b>		
1 Non-trade	Installment collection on the sale of investment property.	Collectible within the year
2 Accrued revenue	Management and franchise fee revenue	Collectible the following month
3 Receivables from employees	Staff loans	Regularly settled through deduction from payroll
4 Accrued interest receivable	Interest on short term placement	Collectible the following month
5 Other	Reimbursements from related party	Collectible within the month/year

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

As at June 30, 2017



**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