111142019001066

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
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COVER SHEET

PW-305
SEC Registration Number

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES
(Company's Full Name)

18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City
(Business Address: No. Street City/Town/Province)

Pang Chan Fan
(Contact Person)

584-6170
(Company Telephone Number)

09 30
Month *Day*
(Fiscal Year)

17-Q
(Form Type)

06 13
Month *Day*
(Annual Meeting)

N/A
(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

1,242 as at 30 September 2019
Total No. of Stockholders

Domestic	Foreign
–	–

To be accomplished by SEC Personnel concerned

File Number

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Document ID

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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 September 2019**

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)

18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong 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
Common	**293,828,900**
Debt Outstanding	**Nil**

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

Name of stock exchange: **Philippine Stock Exchange**
Class of securities listed: **Common Stock**

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

Interim Consolidated Statements of Financial Position
As at September 30, 2019
(With comparative figures as at December 31, 2018)
(All amounts in Philippine Peso)

	Notes	Unaudited 30 September 2019	Audited 31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents		119,850,199	138,059,462
Receivables		1,577,491	1,394,693
Due from related parties	5	75,261,304	99,841,251
Prepayments and other current assets		35,846,134	23,954,364
Total current assets		232,535,128	263,249,770
Non-current assets			
Financial assets at fair value through other comprehensive income	2	79,512,230	79,512,230
Investments in associates and a joint venture	2	1,126,988,466	1,185,757,851
Property and equipment, net	3	13,805,433	976,172
Right-of-use asset	4	12,367,439	-
Refundable deposits		1,358,623	72,300
Retirement benefits asset	9	238,091	238,091
Deferred income tax assets, net		1,500,046	1,830,558
Total non-current assets		1,235,770,328	1,268,387,202
Total assets		1,468,305,456	1,531,636,972
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities		31,698,534	23,079,422
Due to related parties	5	61,796,624	57,989,202
Lease liability, current portion	4	4,409,327	-
Income tax payable		46,517	38,084
Total current liabilities		97,951,002	81,106,708
Non-current liability			
Lease liability, net of current portion	4	8,257,192	-
Total liabilities		106,208,194	81,106,708
Equity			
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	8	1,008,581	1,008,581
Retained earnings		404,766,809	493,199,811
Total equity		1,362,097,262	1,450,530,264
Total liabilities and equity		1,468,305,456	1,531,636,972

The notes from pages 5 to 22 are an integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Comprehensive Income
For each of the nine months ended September 30, 2019
(All amounts in Philippine Peso)

	Notes	Quarters Ended 30 September (Unaudited) 2019	2018	Nine Months Ended 30 September (Unaudited) 2019	2018
Revenue and income (loss)					
Management consultancy and franchise fees	5	3,242,827	2,397,254	10,725,796	7,051,797
Interest income		850,733	965,871	3,581,166	2,805,548
Share in results of associated companies	2	(23,849,681)	(38,878,327)	(58,769,385)	(58,646,493)
Total revenue and income (loss)		(19,756,121)	(35,515,202)	(44,462,423)	(48,789,148)
General and administrative expenses	6	(16,514,262)	(22,739,375)	(41,871,804)	(46,320,505)
Other income (expense), net		(258,888)	12,013	(314,549)	170,484
Loss before income tax		(36,529,271)	(58,242,564)	(86,648,776)	(94,939,169)
Income tax expense		(226,848)	(98,960)	(1,784,226)	(745,607)
Net loss/Total comprehensive loss		(36,756,119)	(58,341,524)	(88,433,002)	(95,684,776)
Basic loss per share	7	(0.13)	(0.20)	(0.30)	(0.33)

The notes from pages 5 to 22 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Changes in Equity
For each of the nine months ended September 30, 2019
(All amounts in Philippine Peso)

	Share capital		Share	Treasury	Other reserves	Retained	
	Common	Preferred	premium	Shares	(Note 8)	earnings	Total equity
Balances at January 1, 2019	296,629,900	59,474,100	602,885,517	(2,667,645)	1,008,581	493,199,811	1,450,530,264
Net loss/Total comprehensive loss	-	-	-	-	-	(88,433,002)	(88,433,002)
Balances at September 30, 2019	296,629,900	59,474,100	602,885,517	(2,667,645)	1,008,581	404,766,809	1,362,097,262
Balances at January 1, 2018	296,629,900	59,474,100	602,885,517	(2,667,645)	353,667	611,396,676	1,568,072,215
Net loss/Total comprehensive loss	-	-	-	-	-	(95,684,776)	(95,684,776)
Balances at September 30, 2018	296,629,900	59,474,100	602,885,517	(2,667,645)	353,667	515,711,900	1,472,387,439

The notes on pages 5 to 22 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Cash Flows
For each of the nine months ended September 30, 2019
(All amounts in Philippine Peso)

	Notes	Unaudited 2019	Unaudited 2018
Cash flows from operating activities			
Loss before income tax		(86,648,776)	(94,939,169)
Adjustments for:			
Share in results of associated companies	2	58,769,385	58,646,493
Depreciation expense	3, 4, 6	4,288,603	266,940
Foreign exchange loss (gain), net		16,048	(32,559)
Gain on reversal of liabilities		(128,042)	(103,255)
Interest expense on lease liability	4	444,870	-
Interest income		(3,581,166)	(2,805,548)
Gain on disposal of property and equipment		(7,127)	-
Operating loss before working capital changes		(26,846,205)	(38,967,098)
Decrease (increase) in:			
Receivables		(541,488)	(213,163)
Due from related parties		24,579,947	323,536
Prepayments and other current assets		(11,891,770)	(1,526,163)
Increase in:			
Accounts payable and other current liabilities		3,327,055	5,746,100
Due to related parties		3,807,422	7,580,134
Net cash used in operations		(7,565,039)	(27,056,654)
Interest income received		4,029,529	3,029,960
Income taxes paid		(1,534,955)	(1,040,660)
Net cash used in operating activities		(5,070,465)	(25,067,354)
Cash flows from investing activities			
Acquisitions of property and equipment	3	(9,703,032)	(116,071)
Increase in refundable deposits		(1,286,323)	-
Proceeds from disposal of property and equipment		7,143	-
Return of investments from an associate	5	-	265,553
Net cash generated from (used in) investing activities		(10,982,212)	149,482
Cash flows from financing activities			
Payment of principal portion of lease liability	4	(1,695,668)	-
Payment of interest portion of lease liability	4	(444,870)	-
Net cash used in financing activities		(2,140,538)	-
Net decrease in cash and cash equivalents		(18,193,215)	(24,917,872)
Effect of exchange rate changes on cash and cash equivalents		(16,048)	32,559
Cash and cash equivalents at January 1		138,059,462	178,689,036
Cash and cash equivalents at September 30		119,850,199	153,803,723

The notes on pages 5 to 22 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Notes to Interim Consolidated Financial Statements
As at and for the nine months ended September 30, 2019
(With comparative figures as at and for the nine months ended September 30, 2018)
(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 primarily to invest or acquire interest in, purchase, own or hold, directly or indirectly, shares of stocks and to undertake in property development activities through its associates and joint venture. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968. On June 11, 2016, the shareholders approved the amendment of the Parent Company's Articles of Incorporation to further 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) through initial public offering (IPO) in 1989. There was no further follow on offering after the IPO. 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 September 30, 2019 and December 31, 2018, the top five shareholders of the Parent Company are the following:

	Effective ownership interest	
Shareholders	2019	2018
KLL	50%	50%
Kepwealth, Inc.	17%	17%
KCL	12%	12%
Molten Pte Ltd.	7%	7%
Public*	14%	14%

**8% direct ownership and 6% through PCD Nominee Corporation*

As at September 30, 2019 and December 31, 2018, 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
Subsidiaries			
CSRI Investment Corporation (CSRI)	100%	100%	Investment holding
Buena Homes, Inc. (BHI)	100	100	Investment holding
Associates			
Opon Realty and Development Corporation (ORDC)	40	40	Investment holding
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
Joint venture			
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. On February 28, 2019, the Group moved back to its principal office in 18th Floor, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The Group holds investments in associates and joint venture involved in property and development (Note 2) and renders management consultancy services to associates (Note 5).

Note 2 - Investments in associates and a joint venture

Details of investments in associates and a joint venture as at September 30, 2019 and 2018, and December 31, 2018 are as follows:

	For the nine months ended 30 September 2019	2018	For the year ended 31 December 2018
Cost			
At January 1 and at period end	683,243,174	683,243,174	683,243,174
Accumulated share in results of associated companies presented in profit or loss			
At January 1	502,184,246	559,267,334	559,267,334
Share in results of associated companies	(58,769,385)	(58,646,493)	(57,083,088)
At period end	443,414,861	500,620,841	502,184,246
Presented in other comprehensive income			
At January 1	330,431	119,211	119,211
Share in other comprehensive loss	-	-	211,220
At period end	330,431	119,211	330,431
	1,126,988,466	1,183,983,226	1,185,757,851

The carrying values of the Group's investments in associates and joint venture and the related percentages of ownership as at September 30, 2019 and December 31, 2018 are shown below:

	Percentage of ownership		Carrying amount	
	2019	2018	2019	2018
Associates				
BHSI	40%	40%	30,498,848	33,092,817
OKEP	40%	40%	78,767,948	83,891,065
OVI	40%	40%	15,650,072	18,761,317
ORDC	40%	40%	10,920,934	12,831,450
Joint venture				
SMKL	40%	40%	991,150,664	1,037,181,202
			1,126,988,466	1,185,757,851

The associates and joint venture were accounted for using the equity method. There were no dividends received from the associates and joint venture in 2019 and 2018. As at September 30, 2019 and December 31, 2018, 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 2019 and 2018 involved the sale of these condominium units. As at September 30, 2019, only three (3) units remain unsold. 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 to operate and maintain office and shopping center spaces for rent, carpark and cinema. SMKL is involved in a mixed-use development comprising of retail spaces in "The Podium Mall"and office spaces in "The Podium West Tower" that is located in Ortigas Center, Mandaluyong

City. The Podium Mall consist of a five-level retail mall with an approximate gross leasable area of 46,000 sqm and a six-level basement carpark with a gross leasable area of 75,300 sqm. The construction of The Podium West Tower, with an approximate gross leasable area of 100,100 sqm, started in 2014 and was completed in September 2019.

The Group has preferred equity securities pertaining to investments in redeemable preferred shares of OVI and OKEP, totalling to P79.3 million, which were acquired in 2012 at ten pesos (P10) per share. These investments are classified as financial assets at fair value through other comprehensive income (FVOCI) as the characteristics of the investment do not affect the significant influence of the Group over OVI and OKEP. In addition, these investments are carried at cost less impairment as they do not have a quoted market price in an active market and their fair values cannot be reliably measured. The Group's investment in club shares amounting to P0.2 million is also classified as financial assets at FVOCI.

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. 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 shares.

Note 3 - Property and equipment, net

Details of property and equipment are as follows:

	Notes	Office equipment	Furniture and fixtures	Leasehold Improvements	Total
Cost					
At January 1, 2018		2,962,121	2,479,885	-	5,442,006
Additions		116,071	-	-	116,071
At December 31, 2018		3,078,192	2,479,885	-	5,558,077
Additions		228,490	1,873,891	13,020,751	15,123,132
Disposals		(12,946)	(2,293,965)	-	(2,306,911)
At September 30, 2019		3,293,736	2,059,811	13,020,751	18,374,298
Accumulated depreciation					
At January 1, 2018		1,798,124	2,432,676	-	4,230,800
Depreciation		330,521	20,584	-	351,105
At December 31, 2018		2,128,645	2,453,260	-	4,581,905
Depreciation	6	249,086	273,676	1,771,093	2,293,855
Disposals		(12,945)	(2,293,950)	-	(2,306,895)
At September 30, 2019		2,364,786	432,986	1,771,093	4,568,865
Net carrying amount					
At December 31, 2018		949,547	26,625	-	976,172
At September 30, 2019		928,950	1,626,825	11,249,658	13,805,433

The cost of fully depreciated property and equipment still in use in operations amounted to P1.7 million as at September 30, 2019 (2018 – P4.0 million).

Note to Statement of Cash Flows

Non-cash investing activity for the nine months ended September 30, 2019 pertain to the outstanding balance amounting to P5.4 million from the acquisition of property and equipment.

Note 4 – Right-of-use asset and lease liability

In 2019, the Parent Company entered into an operating lease agreement with SMKL for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to terms and conditions to be mutually agreed upon by both parties. The lease is accounted for under PFRS 16 which is effective January 2019.

Details and movement of right-of-use asset as at September 30, 2019 are as follows:

	Notes	Office premises
Cost		
Adoption of PFRS at January 1, 2019		14,362,187
Less: Amortization	6	1,994,748
Net carrying amount at September 30, 2019		12,367,439

Lease liability as at September 30, 2019 consist of:

	2019
Current portion	4,409,327
Non-current portion	8,257,192
	12,666,519

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

Total payments to the lease liability for the nine months ended September 30, 2019 amounted to P2.1 million.

Total interest expense charged to profit or loss related to the lease liability for the nine months ended September 30, 2019 amounted to P0.4 million.

Note 5 - 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 nine months ended September 30, 2019 and 2018 and outstanding balances as at September 30, 2019 and December 31, 2018 are as follows:

	2019		2018		
Related party	Transaction amount (9 months)	Outstanding receivable	Transaction amount (9 months)	Outstanding receivable	Terms and conditions
Parent company					
KLL					
Operating advances (d)	-	-	289,867	-	Non-interest-bearing, unsecured, 30-60 days, collectible in cash
Shareholder					
MPL					
Operating advances (e)	-	-	148,195	-	Non-interest-bearing, unsecured, 30-60 days, collectible in cash
Associates					
OKEP					
Operating advances (a)	(25,599,959)	44,732,388	97,829	70,332,347	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI					
Operating advances (a)	111,043	2,307,693	98,774	2,196,650	Non-interest-bearing, unsecured, collectible in cash upon demand

Related party	2019 Transaction amount (9 months)	2019 Outstanding receivable (payable)	2018 Transaction amount (9 months)	2018 Outstanding receivable (payable)	Terms and conditions
ORDC					
Operating advances (a)	137,698	859,348	127,314	721,650	Non-interest-bearing, unsecured, collectible in cash upon demand
BHSI					
Operating advances (a)	325,581	386,658	357,046	401,901	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Return of investment (c)	-	24,569,604	265,553	24,569,604	Non-interest-bearing, unsecured, collectible in cash upon demand
Joint venture					
SMKL					
Operating advances (a)	15,843,146	2,405,613	10,189,998	1,376,642	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Management fee (b)	7,661,283	-	5,036,998	-	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Franchise fee (b)	3,064,513	-	2,014,799	-	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Entity under common control					
Wiseland Investment Myanmar, Ltd Operating advances (f)	(242,457)	-	-	242,457	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
		75,261,304		99,841,251	
Associates					
OKEP					
Advances (c)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable in cash upon demand
Entities under common control					
SMPM					
Management fee (h)	2,661,674	(21,498,117)	14,952,999	(17,690,695)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KLIL					
Operating advances (g)	-	-	1,802	-	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KL(RI)					
Operating advances (g)	772,569	-	497,514	-	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KL(RE)					
Operating advances (g)	4,852	-	-	-	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KLI(M)					
Operating advances (g)	81,960	-	108,941	-	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
Joint Venture					
SMKL					
Rentals (a)	2,140,538	-	-	-	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
		(61,796,624)		(57,989,202)	

(a) The Group made operating advances for expenses incurred by associates and joint venture during the third quarter of 2019 and 2018. These operating advances represents expenses incurred in the normal operations paid on behalf of the Group's associates and joint venture.

In 2019, the Parent Company entered into an operating lease agreement with SMKL for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to terms and conditions to be mutually agreed upon by both parties. Total payments to the lease liability for the nine months ended September 30, 2019 amounted to P2.1 million. (Note 4)

(b) The Group provides management, advisory and consultancy services to SMKL. The amount of management fee charged by the Group to SMKL amounted to P2.3 million in the third quarter of 2019 (2018 - P1.7 million). The amount of franchise fee charged amounted to P0.9 million in the third quarter of 2019 (2018 - P0.7 million). Management fee and franchise fee is charged at 2.5% and 1.0%, respectively, of annual net revenues of SMKL.

(c) On December 22, 2011, the BOD of BHSI approved BHSI's plan to decrease its authorized share capital. In relation to this and pending the SEC's approval of such plan, BHSI made partial advance return of the investments to its shareholders which include BHI and OKEP of P59.7 million and P40.3 million, respectively. The P40.3 million was received by the Group on behalf of OKEP. In 2014, the Group received additional advances of P24.0 million from BHSI, thereby increasing the Group's liabilities to BHSI to P83.7 million as at December 31, 2016.

On September 15, 2017, the SEC approved the amendments of BHSI's Articles of Incorporation and By-laws which include the decrease in its authorized, and issued and outstanding share capital, thereby decreasing BHSI's share capital. As a result, the Group's investment in BHSI decreased by P123.1, million. The settlement of return of investment consists of offsetting of prior year advances from BHSI amounting to P83.7 million, as discussed above, and cash proceeds of P14.5 million resulting to unpaid balance amounting to P24.9 million as at December 31, 2017.

The Group collected P0.3 million from BHSI in 2018, thereby decreasing the outstanding balance to P24.6 million as at December 31, 2018. There was no collection as at the third quarter of 2019.

(d) In 2018, the Group charged KLL, its immediate parent company, for the amount paid on behalf of KLL for legal fees amounting to P0.2 million. This was fully collected in 2018.

(e) In 2018, the Group charged Molten Pte Ltd (MPL) for professional fees amounting to P0.1 million related to the transfer of the Group's shares from a retired management personnel to MPL. This was fully collected in 2018.

(f) In 2017, the Group charged Wiseland Investment Myanmar Ltd (WIML), an entity under common control, an amount representing the employee benefits for the period in service to WIML prior to the transfer of a management personnel to the Group. This was fully collected in 2019.

(g) Keppel Land International Limited (KLIL), Keppel Land (Regional Investments), Ltd. (KL(RI)), Keppel Land Real Estate Services Pte. Ltd. (KL(RE)) and Keppel Land International (Management), Ltd. (KLI(M)), entities under common control, provides support services to the Group. Operating advances for expenses incurred by the Group from theses entities amounted to P0.8 million in the third quarter of 2019 (2018 – P0.3 million). These are recharged at cost.

(h) 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, which is based on the time spent by SMPM personnel in rendering services to the Group, amounted to P0.8 million in the third quarter of 2019, (2018 – P12.7 million). Outstanding payables to SMPM related to the consultancy fees amounted to P21.5 million and P17.7 million as at September 30, 2019 and December 31, 2018, respectively.

(i) Transactions related to key management personnel of the Group for the nine months ended September 30, 2019 and 2018 are as follows:

	2019	2018
Salaries and other short-term employee benefits	13,645,832	12,702,259
Bonuses and allowances	4,520,522	3,155,417
	18,166,354	15,857,676

There were neither stock options nor other long-term benefits given to key management personnel as at September 30, 2019 and December 31, 2018. There were no outstanding balances with key management personnel as at September 30, 2019 and December 31, 2018.

Details of related party transactions for the nine months ended September 30, 2019 and 2018 and outstanding balances as at September 30, 2019 and December 31, 2018 that were eliminated during consolidation are as follows:

	2019		2018		
Subsidiary	Transaction amount (9 months)	Outstanding balance	Transaction amount (9 months)	Outstanding balance	Terms and conditions
Due from subsidiaries					
BHI (a)	109,450	393,970	100,606	284,520	Non-interest-bearing, unsecured, collectible in cash upon demand
CSRI (a)	99,778	406,129	96,049	306,351	Non-interest-bearing, unsecured, collectible in cash upon demand
		800,099		590,871	
Due to a subsidiary					
BHI (c)	-	59,701,493	-	59,701,493	Non-interest-bearing, unsecured, payable in cash upon demand

Note 6 - General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2019 and 2018 are as follows:

	Notes	2019	2018
Salaries, wages and employee benefits		24,628,537	20,473,147
Depreciation	3, 4	4,288,603	266,940
Management consultancy fees	5	2,661,674	14,952,999
Professional fees		2,472,126	1,471,552
Transportation and travel		1,206,492	2,905,469
Membership and dues		1,121,185	570,522
Office equipment expense and supplies		914,651	191,452
Rental		825,102	2,052,346
Utilities		717,455	389,903
Taxes and licenses		543,018	190,341
Insurance		539,618	860,850
Repairs and maintenance		448,337	232,449
Postage, printing and advertising		397,524	348,798
Staff recreation and others		321,446	378,269
Outside services		191,423	131,839
Bank and other charges		56,508	52,054
Others		538,105	851,575
		41,871,804	46,320,505

Other expenses mainly consist of trainings and seminars, storage costs, photocopy charges and notarial fees.

Note 7 - Earnings (loss) per share

Loss per share for the nine months ended September 30, 2019 and 2018 are as follows:

	2019	2018
Net loss	88,433,002	95,684,776
Divided by: Weighted average number of shares outstanding	293,828,900	293,828,900
Basic loss per share	0.30	0.33

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 September 30, 2019 and 2018 is computed as follows:

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

Note 8 - 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 P0.7 million as at September 30, 2019 and December 31, 2018, and share in actuarial gain of an associate and a joint venture amounting to P0.3 million as at September 30, 2019 and December 31, 2018 (Notes 2 and 9).

Note 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 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.

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 latest actuarial valuation date of the Group's retirement plan is as at December 31, 2018.

The net retirement benefit asset recognized in the interim consolidated statements of financial position as at September 30, 2019 and December 31, 2018 is determined as follows:

Fair value of plan assets	2,240,514
Present value of defined benefit obligation	(2,002,423)
	238,091

The Group's net retirement benefit asset reflected in the interim consolidated financial statements represents the Parent Company's retirement plan since 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 benefit asset recognized in the interim consolidated statements of financial position for the year ended December 31, 2018 are as follows:

At January 1	58,823
Retirement expense recognized in profit or loss	(521,220)
Transfer of employees from an associate	(375,670)
Remeasurements recognized in other comprehensive income	
Changes in financial assumptions	265,067
Deviations of experience from assumptions	490,564
Loss on plan assets	(121,783)
Contributions to the retirement fund	442,310
At December 31	238,091

The components of retirement benefit expense and net interest expense recognized in profit or loss for the year ended December 31, 2018 are as follows:

Current service cost presented as retirement expense	504,142
Net interest expense	17,078
	521,220

The remeasurements recognized in other comprehensive income for the year ended December 31, 2018 are determined as follows:

Remeasurements on defined benefit obligation	755,631
Remeasurements on plan assets	(121,783)
Remeasurements gain	633,848
Deferred income tax benefit	(190,154)
Remeasurements gain, net of tax	443,694

(a) Defined benefit obligation

Changes in the present value of the defined benefit obligation for the year ended December 31, 2018 are as follows:

At January 1	1,762,969
Current service cost included in retirement expense	504,142
Interest cost included in retirement expense	115,273
Transfer of employees from an associate	375,670
Remeasurements in other comprehensive income:	
Actuarial gain on obligation resulting from:	
Changes in financial assumptions	(265,067)
Deviations of experience from assumptions	(490,564)
At December 31	2,002,423

As at December 31, 2018, the average duration of the defined benefit obligation is 21 years.

Below is the maturity analysis of the undiscounted benefit payments as at December 31, 2018:

Less than 10 years	1,303,486
More than 10 years to 15 years	1,023,143
More than 15 years to 20 years	6,756,334
More than 20 years	36,977,046
	46,060,009

(b) Plan assets

The major categories of plan assets as at December 31, 2018 are as follows:

Cash	976,265
Government securities	1,237,213
Investment in unit investments in trust funds (UITF)	17,804
Receivables	11,510
Trust fee payable	(2,278)
	2,240,514

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 asset durations.

Changes in the fair value of plan assets for the year ended December 31, 2018 are as follows:

At January 1	1,821,792
Interest income presented as net of retirement expense	98,195
Remeasurement in other comprehensive income:	
Loss on plan assets	(121,783)
Contributions to the retirement fund	442,310
At December 31	2,240,514

There are no plan assets invested in any entity within the Group as at and for the year ended December 31, 2018. The Group's transactions with the retirement fund for 2018 is limited to contributions and benefits payments. The fair value of the plan assets approximates their carrying amount as at December 31, 2018.

The Group's annual contribution to the fund 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 Group expects to contribute P0.4 million to the retirement fund in 2019.

There was no plan amendment, curtailment, or settlement for the year ended December 31, 2018.

Actuarial assumptions

The principal assumptions used in determining the Group's retirement obligation as at December 31, 2018 are shown below:

Discount rate	8.93%
Future salary increase rate	5.00%

In determining the appropriate discount rate, the independent actuary 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, 2018:

	Rates	Increase (Decrease)
Discount rate	+1.0%	(40,316)
	-1.0%	51,081
Salary increase rate	+1.0%	51,567
	-1.0%	(41,310)

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 interim consolidated statement of financial position.

Note 10 - 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 September 30, 2019 and December 31, 2018 are as follows:

	2019	2018
Operating assets	1,468,305,456	1,531,636,972
Operating liabilities	106,208,194	81,106,708
Revenue and income (loss)	(44,462,423)	(43,228,569)
Other income (expense), net	(314,549)	238,708
General and administrative expenses	(41,871,804)	(74,235,415)
Segment net loss	(88,433,002)	(118,196,865)

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 net loss as it pertains to a single operating segment.

Note 11 - Financial risk and capital management

11.1 Financial risk management

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, financial assets at fair value through other comprehensive income (FVOCI), amounts due to and from related parties and refundable deposits. The Group has various other financial assets and financial liabilities such as receivables and payables and other current liabilities, which arise from its operations.

The main risks arising from the Group's financial instruments are market risk (mainly 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 rate. The Group's exposure to foreign currency arises from consultancy fees due to SMPM as at September 30, 2019 and from SG-dollar denominated cash on hand and consultancy fees due to SMPM as at December 31, 2018.

The Group's foreign currency-denominated monetary assets and liabilities as at September 30, 2019 and December 31, 2018 are as follows:

	2019	2018
Cash and cash equivalents	-	500
Due to related parties	(556,514)	(456,704)
Net assets (liabilities)	(556,514)	(456,204)
Exchange rates	37.68	38.47
PHP equivalent	(20,969,448)	(17,550,168)

The Group manages its foreign currency exposure risk by matching 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 loss before tax. There is no impact on the Group's equity other than those already affecting the net loss.

	Currency	Change in variable	Effect on income before tax increase (decrease)
September 30, 2019	SGD	+2.05%	(429,873)
		-2.05%	429,873
December 31, 2018	SGD	+3.08%	(540,545)
		-3.08%	540,545

In 2019 and 2018, 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 and refundable deposits.

As at September 30, 2019 and December 31, 2018, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

There were no amounts that are offset 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 at September 30, 2019 and December 31, 2018.

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 99% of total receivables as at September 30, 2019 and December 31, 2018.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days when they fall due.

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

	Neither past due nor impaired	Impaired	Total
September 30, 2019			
Cash and cash equivalents*	119,775,199	-	119,775,199
Receivables**	1,359,831	2,666,664	4,026,495
Due from related parties	75,261,304	-	75,261,304
Refundable deposits	1,358,623	-	1,358,623
	197,754,957	2,666,664	200,421,621
December 31, 2018			
Cash and cash equivalents*	137,966,967	-	137,966,967
Receivables**	1,394,693	2,666,664	4,061,357
Due from related parties	99,841,251	-	99,841,251
Refundable deposits	72,300	-	72,300
	239,275,211	2,666,664	241,941,875

**Cash and cash equivalents exclude cash on hand.*
***Receivables exclude amounts due from employees.*

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 September 30, 2019 and December 31, 2018.

The Group's receivable amounting to P2.7 million as at September 30, 2019 and December 31, 2018 is determined to be impaired and was provided with allowance for doubtful accounts 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 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 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.

The maximum credit risk exposure is equal to the carrying amount as at September 30, 2019 and December 31, 2018.

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.

As at September 30, 2019 and December 31, 2018, the Group's receivable amounting to P2.7 million is determined to be impaired and was provided with allowance for doubtful accounts in 2017.

(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
September 30, 2019			
Accounts payable and other current liabilities*	553,981	19,171,063	19,725,044
Due to related parties	60,548,925	1,247,699	61,796,624
	61,102,906	20,418,762	81,521,668
December 31, 2018			
Accounts payable and other current liabilities*	553,981	12,770,746	13,324,727
Due to related parties	52,234,206	5,754,996	57,989,202
	52,788,187	18,525,742	71,313,929

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

11.2 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 liabilities 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 September 30, 2019 and December 31, 2018 are as follows:

	2019	2018
Liabilities	106,208,194	81,106,708
Equity	1,362,097,262	1,450,530,264
Percentage of debt to equity	7.80%	5.59%

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.

11.3 Fair value estimation

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at September 30, 2019 and December 31, 2018, except for financial assets at FVOCI.

The financial assets pertaining to investment in preferred equity shares and unquoted club shares are valued at FVOCI. The management has assessed that the cost less any impairment, if any, is the best estimate for fair value because these do not have a quoted market price in an active market and fair value cannot be measured reliably.

Fair value hierarchy

During the reporting period ended September 30, 2019 and December 31, 2018, 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 12 – Event after the reporting period

On October 11, 2019, the Group sold its 61% effective ownership or 49,000,000 shares in BHSI which are held by BHI and OKEP at 29,253,731 shares and 19,746,269 shares, respectively. As a consequence of the sale, BHSI ceases to be an associate of the Group.

Note 13 - Basis of Preparation and Statement of Compliance

13.1 Basis of preparation

The 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 interim consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at FVOCI and 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

Amendments and improvements to existing standards and interpretations adopted by the Group

The Group has applied the following standard for the first time for its interim reporting period ended September 30, 2019:

- *PFRS 16, Leases* (effective January 1, 2019). The standard affects primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

  The Group has adopted the modified retrospective method, with no restatement in the comparative information.

  On adoption of PFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of date of adoption. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 7.80%.

  No other standards, amendments or interpretations that are effective beginning January 1, 2019 are expected to have a material impact on the Group.

13.2 Consolidation

The interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at September 30, 2019 and December 31, 2018 and for each of the period ended. 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 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 period and 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.

13.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognizes a financial instrument in the statement of financial position, when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), FVOCI and amortized cost. The Group did not hold financial assets under the category financial assets at FVPL as at September 30, 2019 and December 31, 2018.

(i) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of total comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group's financial assets measured at amortized cost comprise cash and cash equivalents, receivables, due from related parties and refundable deposits in the interim consolidated statement of financial position.

(ii) Fair value through other comprehensive income

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group's financial assets measured at FVOCI represent unquoted preferred shares of related parties and unquoted investments in club shares. These are classified in the statement of financial position.

(b) Recognition and measurement

(i) Initial recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(ii) Subsequent measurement

Loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method.

Equity investments

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

(c) Impairment

For trade receivables and due from related parties, the Group applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables.

Equity investments

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments, a significant or prolonged decline in the fair value of security below its cost is also evidence that the assets are impaired.

If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through profit or loss.

(d) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

<u>Financial liabilities</u>

(a) Classification

The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at FVPL. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI. The Group did not measure its financial liabilities at FVPL as at September 30, 2019 and December 31, 2018.

The Group classifies its financial liabilities in the following categories: financial liabilities at FVPL (including financial liabilities held for trading and those that designated at fair value); and other financial liabilities. The Group's financial liabilities are limited to other financial liabilities at amortized cost.

Financial liabilities at amortized cost pertains to issued financial instruments that are not classified as at FVPL and contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. These are included in current liabilities, except for maturities greater than twelve (12) months after the reporting period which are classified as non-current liabilities.

The Group's trade and other payables (excluding payable to government agencies) and due to related parties are classified under other financial liabilities at amortized cost.

(b) Recognition and derecognition

Financial liabilities not carried at FVPL are initially recognized at fair value plus transaction costs. Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

(c) Measurement

Other financial liabilities are carried at amortized cost using the effective interest method.

(d) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. As at September 30, 2019 and December 31, 2018, there were no offsetting of financial assets and liabilities.

13.4 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the consolidated financial statements when material.

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

FINANCIAL CONDITION

TOTAL ASSETS declined by ₱63.3 million from ₱1,531.6 million in 2018 to ₱1,468.3 million in 2019. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱18.2 million due to the cash used in operating, investing and financing activities mainly from general and administrative expenses and payments for acquisitions of property and equipment, offset by collections of intercompany receivables.

- **DUE FROM RELATED PARTIES** decreased by ₱24.6 million due to partial collection of long outstanding intercompany receivables in 2019.

- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱11.9 million due to deposits made for the fit-out of the Parent Company's new office, advances for rentals and input VAT on leasehold improvements.

- **INVESTMENTS IN ASSOCIATES AND JOINT VENTURE** decreased by ₱58.8 million due to the negative share in results of associated companies for the nine months ended September 30, 2019.

- **PROPERTY AND EQUIPMENT, NET** increased by ₱12.8 million due to the leasehold improvements on the Parent Company's new office and acquisitions of computer equipment.

- **RIGHT-OF-USE ASSET** increased by ₱12.4 million due to the recognition of asset on the leased premises under PFRS 16.

- **REFUNDABLE DEPOSITS** increased by ₱1.3 million due to the required deposits made for the new leased premises.

TOTAL LIABILITES increased by ₱25.1 million from ₱81.1 million in 2018 to ₱106.2 million in 2019 mainly due to the recognition of lease liability under PFRS 16, consultancy fees charged by SMPM for the nine months ended September 2019 and payables to contractor for the fit-out of the Parent Company's new office.

TOTAL EQUITY decreased by ₱88.4 million from ₱1,450.5 million in 2018 to ₱1,362.1 million in 2019 due to the net loss incurred during the nine months ended September 30, 2019.

RESULTS OF OPERATIONS

The Group holds investments in associates and a joint venture involved in property development. It derives its revenue from rendering management consultancy services to its joint venture.

THIRD QUARTER 2019 COMPARED TO SAME PERIOD IN 2018

TOTAL REVENUE AND INCOME (LOSS) registered a loss of ₱19.8 million in the third quarter of 2019, which is lower by ₱15.7 million than the ₱35.5 million loss incurred in the same period in 2018. This is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. The third quarter of 2019 showed a share in net loss of ₱23.8 million which is lower than the share in net loss of ₱38.9 million in the same quarter in 2018. The decrease in net loss is attributable to the higher rental income of SMKL's The Podium Mall, the opening of directors' club cinemas and the launching of The Podium West Tower.

- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱0.8 million or 33% to ₱3.2 million in the third quarter of 2019 from ₱2.4 million in the same period of 2018 is due to the increase in The Podium Mall's rental income on which these fees from SMKL are based.

GENERAL AND ADMINISTRATIVE EXPENSES decreased by ₱6.2 million or 27.3% to ₱16.5 million in the third quarter of 2019 from ₱22.7 million in the same period of 2018 mainly due to higher consultancy fees charged by SMPM in 2018 offset by higher depreciation on leasehold improvements in 2019.

As a result, net loss for the **Third Quarter 2019** decreased by ₱21.5 million to ₱36.8 million in 2019 from ₱58.3 million in 2018.

KEY PERFORMANCE INDICATORS

For The Quarter Ended	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)	% Change
Return On Assets	(2.40%)	(3.59%)	(33.15%)
Basic Loss Per Share	(₱0.13)	(₱0.20)	(35%)
As At	**30 September 2019 (Unaudited)**	**31 December 2018 (Audited)**	**% Change**
Net Tangible Asset Value Per Share	₱2.61	₱2.91	(10.30%)
Working Capital Ratio	2.4:1	3.2:1	(25%)

A. Return On Assets - It indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax for the third quarter of 2019 amounted to ₱36.8 million which decreased by ₱21.5 million from ₱58.3 million net loss in the same period in 2018. This favorable return was due to the significant improvement in share in results of associated companies and lower general and administrative expenses.

	Third Quarter 2019	Third Quarter 2018
Net Loss After Tax (a)	(₱36,756,119)	(₱58,341,524)
Total Assets At Beginning (b)	₱1,531,636,972	₱1,627,357,787
Return On Assets (a/b)	(2.40%)	(3.59%)

B. Basic Loss Per Share - It represents the equivalent apportionment of net loss to each share of common stock outstanding. For the third quarter of 2019 and 2018, basic loss per share amounted to ₱0.13 and ₱0.20, respectively. This favorable performance is due to the lower net loss incurred in the third quarter of 2019 as compared to the same period in 2018.

	Third Quarter 2019	Third Quarter 2018
Net Loss After Tax (a)	(₱36,756,119)	(₱58,341,524)
Number of Common Stock (b)	293,828,900	293,828,900
Basic Loss Per Share (a/b)	(₱0.13)	(₱0.20)

C. **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 decreased by 9.97% compared to the previous year due to the decrease in retained earnings resulting from the net loss incurred as of the third quarter of 2019.

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.

	September 30, 2019	December 31, 2018
Net Tangible Assets	₱1,362,097,262	₱1,450,530,264
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock	₱767,356,262	₱855,789,264
Number of Common Stock, net of Treasury shares (2,801,000)	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱2.61	₱2.91

D. **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 25% as at the end of third quarter of 2019 as compared to December 31, 2018.

	September 30, 2019	December 31, 2018
Current Assets (a)	₱232,535,128	₱263,249,770
Current Liabilities (b)	₱97,951,002	₱81,106,708
Working Capital Ratio (a/b)	2.4 : 1	3.2 : 1

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios

	As At	September 2019 Unaudited	December 2018 Audited
Liquidity Ratio	Current assets over current liabilities	2.4:1	3.2:1
Debt to equity ratio	Total liabilities over total equity	0.08:1	0.06:1
Asset to equity ratio	Total assets over total equity	1.08:1	1.06:1

Profitability Ratios

	For Quarters Ended	September 2019 Unaudited	September 2018 Unaudited
Return on Assets	Net loss after tax over total assets at beginning	(2.40%)	(3.59%)
Return on Equity	Net loss after tax over total equity	(2.70%)	(3.96%)
Basic loss per share	Net loss over number of common stock outstanding	(₱0.13)	(₱0.20)

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

a) As at 30 September 2019:

   - 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 Group's continuing operations.
   - There are no seasonal aspects that had a material impact on the results of operations of the Group.

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 not a party to certain lawsuits or claims arising from the ordinary course of business.

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 in the country.

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	:	13 November 2019

Principal Financial/Accounting Officer/Controller

Signature and Title	:	________________
		Pang Chan Fan Financial Controller
Date	:	13 November 2019

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

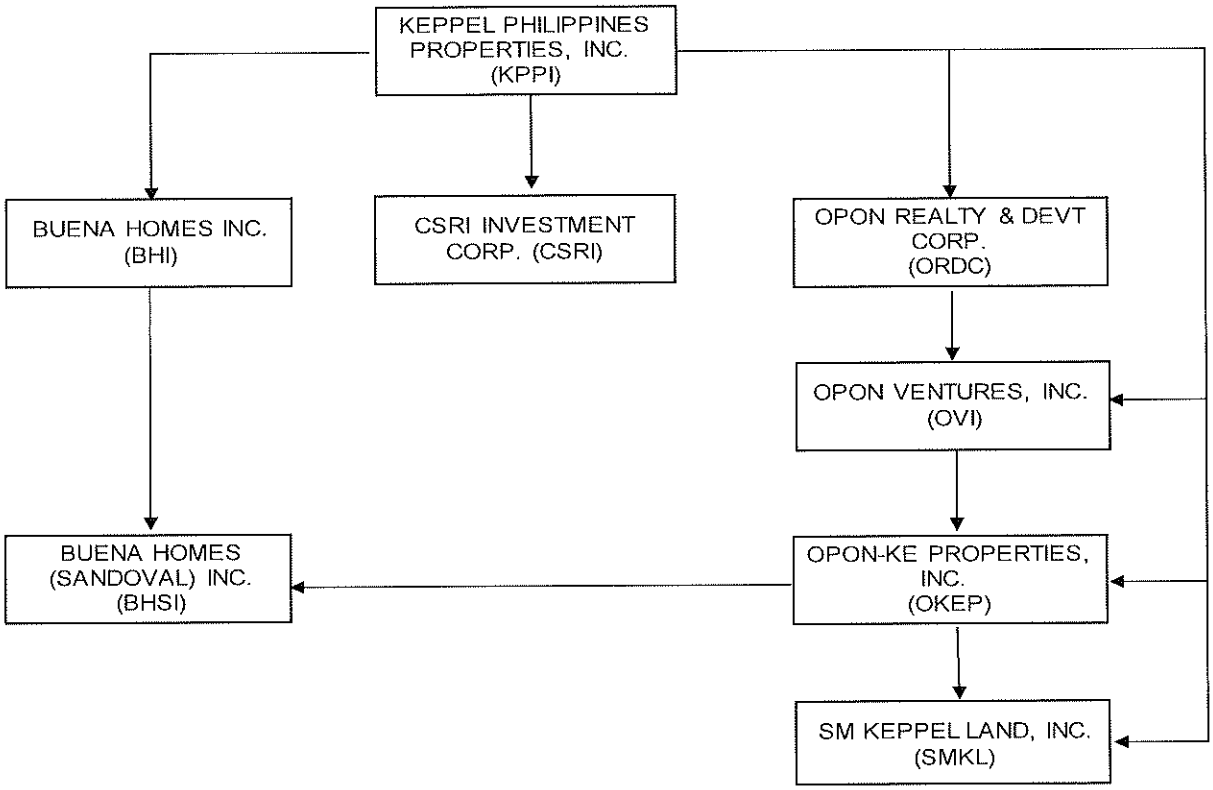
AGING OF RECEIVABLES
As of September 30, 2019

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				
A. Trade Receivables	-	-	-	-	-	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
Net Trade Receivable	-	-	-	-	-	-	-	-	-
B. Non-Trade Receivables									
1 Non-trade	2,666,664	-	-	-	-	-	-	-	2,666,664
2 Accrued revenue	1,264,353	1,264,353	-	-	-	-	-	-	-
3 Receivables from employees	217,660	217,660	-	-	-	-	-	-	-
4 Accrued interest receivable	95,478	95,478	-	-	-	-	-	-	-
5 Others	-	-	-	-	-	-	-	-	-
Subtotal	4,244,155	1,577,491	-	-	-	-	-	-	2,666,664
Less: Allowance for Doubtful Accounts	(2,666,664)	-	-	-	-	-	-	-	(2,666,664)
Net Non-Trade Receivables	1,577,491	1,577,491	-	-	-	-	-	-	-
Net Receivables	1,577,491								

Receivables Description

Type of Receivable	Nature / Description	Collection Status
B. Non-Trade Receivables		
1 Non-trade	Installment collection on the sale of investment property	Past due account
2 Accrued revenue	Management consultancy and franchise fees revenue	Collectible the following month
3 Receivables from employees	Staff loans	Regularly settled through deduction from payroll
4 Accrued interest receivable	Interest on money market placements	Collectible upon maturity within 30-60 days
5 Others		

KEPPEL PHILIPPINES PROPERTIES, INC.
SUBSIDIARIES AND ASSOCIATES
AS AT SEPTEMBER 30, 2019



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

Associates	Percentage of Ownership	Nature of Business
Buena Homes (Sandoval), Inc. (BHSI)	40%	Property holding and development
Opon Realty and Development Corp. (ORDC)	40%	Property holding and development
Opon-KE Properties, Inc. (OKEP)	40%	Property holding and development
SM-Keppel Land, Inc. (SMKL)	40%	Property holding and development
Opon Ventures, Inc.(OVI)	40%	Property holding and development