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SECURITIES AND EXCHANGE COMMISSION

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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 2018
2. Commission identification number PW305
3. BIR Tax Identification No. 000-067-618 VAT

4. KEPPEL PHILIPPINES PROPERTIES, INC.
Exact name of issuer as specified in its charter

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

6. Industry Classification Code: (SEC Use Only)

7. 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) Postal Code
(02) 584-6170

8. Registrant's telephone number, including area code

9. Not applicable
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 []

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, 2018
(With comparative figures as at December 31, 2017)
(All amounts in Philippine Peso)

	Notes	Unaudited 30 September 2018	Audited 31 December 2017
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		153,803,723	178,689,036
Receivables		1,048,125	1,014,492
Due from related parties	4	99,742,503	100,331,592
Prepayments and other current assets		23,882,573	22,356,410
Total current assets		278,476,924	302,391,530
Non-current assets			
Available-for-sale financial assets	2	79,512,230	79,512,230
Investments in associates and a joint venture	2	1,183,983,226	1,242,629,719
Property and equipment, net	3	1,060,338	1,211,206
Retirement benefits asset	8	58,823	58,823
Refundable deposits		72,300	72,300
Deferred income tax assets, net		1,623,176	1,481,979
Total non-current assets		1,266,310,093	1,324,966,257
Total assets		1,544,787,017	1,627,357,787
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accounts payable and other current liabilities		17,083,432	11,559,677
Due to related parties	4	55,281,712	47,701,578
Income tax payable		34,434	24,317
Total liabilities		72,399,578	59,285,572
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	7	353,667	353,667
Retained earnings		515,711,900	611,396,676
Total equity		1,472,387,439	1,568,072,215
Total liabilities and equity		1,544,787,017	1,627,357,787

The notes from pages 5 to 20 are an integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Comprehensive Income
For the nine months ended September 30, 2018
(With comparative figures for the nine months ended September 30, 2017)
(All amounts in Philippine Peso)

	Notes	Quarter Ended		Nine Months Ended	
		30 September (Unaudited) 2018	30 September (Unaudited) 2017	30 September (Unaudited) 2018	30 September (Unaudited) 2017
Revenue and income (loss)					
Management consultancy and franchise fees	4	2,397,254	1,363,732	7,051,797	4,079,351
Interest income		965,871	816,382	2,805,548	2,388,964
Share in results of associated companies	2	(38,878,327)	20,981,960	(58,646,493)	22,012,245
Total revenue and income (loss)		(35,515,202)	23,162,074	(48,789,148)	28,480,560
General and administrative expenses	5	(22,739,375)	(12,493,016)	(46,320,505)	(34,371,160)
Other income, net		12,013	193,604	170,484	256,580
Income (loss) before income tax		(58,242,564)	10,862,662	(94,939,169)	(5,634,020)
Income tax expense		(98,960)	(127,323)	(745,607)	(557,086)
Net income (loss)/Total comprehensive income (loss)		(58,341,524)	10,735,339	(95,684,776)	(6,191,106)
Basic earnings (loss) per share	6	(0.199)	0.037	(0.326)	(0.021)

The notes from pages 5 to 20 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Changes in Equity
 For the nine months ended September 30, 2018
 (With comparative figures for the nine months ended September 30, 2017)
 (All amounts in Philippine Peso)

	Share capital		Share premium	Treasury shares	Other reserves		Retained earnings	Total equity
	Common	Preferred			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)		
Balances at January 1, 2018	296,629,900	59,474,100	602,885,517	(2,667,645)	234,456	119,211	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)	234,456	119,211	515,711,900	1,472,387,439
Balances at January 1, 2017	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	-	-	-	-	-	-	(6,191,106)	(6,191,106)
Balances at September 30, 2017	296,629,900	59,474,100	602,885,517	(2,667,645)	354,988	324,422	643,054,510	1,600,055,792

The notes on pages 5 to 20 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2018
(With comparative figures for the nine months ended September 30, 2017)
(All amounts in Philippine Peso)

	Notes	Unaudited 2018	Unaudited 2017
Cash flows from operating activities			
Loss before income tax		(94,939,169)	(5,634,020)
Adjustments for:			
Share in results of associated companies	2	58,646,493	(22,012,245)
Depreciation expense	3,5	266,940	230,391
Foreign exchange gain, net		(32,559)	(8,295)
Gain on reversal of liabilities		(103,255)	(105,332)
Interest income		(2,805,548)	(2,388,964)
Gain on disposal of vehicle		-	(140,000)
Operating loss before working capital changes		(38,967,098)	(30,058,465)
Decrease (increase) in:			
Receivables		(213,163)	573,870
Due from related parties		323,536	(2,137,909)
Prepayments and other current assets		(1,526,163)	(1,246,851)
Increase in:			
Accounts payable and other current liabilities		5,746,100	1,456,366
Due to related parties		7,580,134	12,217,733
Net cash used in operations		(27,056,654)	(19,195,256)
Interest income received		3,029,961	2,382,712
Income taxes paid		(1,040,660)	(805,273)
Net cash used in operating activities		(25,067,353)	(17,617,817)
Cash flows from investing activities			
Return of investments from an associate	4	265,553	-
Acquisitions of property and equipment	3	(116,072)	(366,385)
Proceeds from disposal of vehicle		-	140,000
Net cash generated from (used in) investing activities		149,481	(226,385)
Net decrease in cash and cash equivalents		(24,917,872)	(17,844,202)
Effect of exchange rate changes on cash and cash equivalents		32,559	8,295
Cash and cash equivalents at January 1		178,689,036	203,870,854
Cash and cash equivalents at September 30		153,803,723	186,034,947

The notes on pages 5 to 20 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, 2018

(With comparative figures as at and for the nine months ended September 30, 2017)

(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 Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968.

On June 11, 2015, 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). 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, 2018 and December 31, 2017, the top five shareholders of the Parent Company are the following:

Shareholders	Effective ownership interest	
	2018	2017
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

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.

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 September 30, 2018 and 2017, and December 31, 2017 are as follows:

	For the nine months ended 30 September		For the year ended
	2018	2017	31 December 2017
Cost			
At January 1	683,243,174	806,321,443	806,321,443
Return of investments	-	-	(123,078,269)
At period end	683,243,174	806,321,443	683,243,174
Accumulated share in results of associated companies presented in profit or loss			
At January 1	559,267,334	545,524,227	545,524,227
Share in results of associated companies	(58,646,493)	548,960	13,743,107
At period end	500,620,841	546,073,187	559,267,334
Presented in other comprehensive income			
At January 1	119,211	324,422	324,422
Share in other comprehensive loss	-	-	(205,211)
At period end	119,211	324,422	119,211
	1,183,983,226	1,352,719,052	1,242,629,719

The carrying values of the Group's investments in associates and a joint venture and the related percentages of ownership as at September 30, 2018 and December 31, 2017 are shown below:

	Percentage of ownership		Carrying amount	
	2018	2017	2018	2017
Associates				
BHSI	40%	40%	33,300,038	33,655,724
OKEP	40%	40%	86,344,294	91,168,886
OVI	40%	40%	20,243,122	23,171,311
ORDC	40%	40%	13,731,550	15,529,067
Joint venture				
SMKL	40%	40%	1,030,364,222	1,079,104,731
			1,183,983,226	1,242,629,719

The associates and joint venture were accounted for using the equity method. There were no dividends received from the associates and joint venture in 2018 and 2017. As at September 30, 2018 and December 31, 2017, 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 2018 and 2017 involved the sale of these condominium units. As at September 30, 2018, only four (4) 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. In 2014, SMKL started the construction of SMKL Phase 2, which comprise 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, located in Ortigas Center, Pasig City.

The project is being constructed on a parcel of land with an area of 12,932 sqm registered in the name of SMKL. The construction of the retail mall expansion and carpark were completed in October 2017 while the construction of the office tower is ongoing and is expected to be completed in 2nd quarter of 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 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
Cost					
At January 1, 2017		686,323	2,709,871	2,479,885	5,876,079
Additions		-	517,280	-	517,280
Disposals		(686,323)	-	-	(686,323)
Write-offs		-	(265,030)	-	(265,030)
At December 31, 2017		-	2,962,121	2,479,885	5,442,006
Additions		-	116,072	-	116,072
At September 30, 2018		-	3,078,193	2,479,885	5,558,078
Accumulated depreciation					
At January 1, 2017		686,323	1,766,329	2,412,085	4,864,737
Depreciation		-	296,825	20,591	317,416
Disposals		(686,323)	-	-	(686,323)
Write-offs		-	(265,030)	-	(265,030)
At December 31, 2017		-	1,798,124	2,432,676	4,230,800
Depreciation	5	-	251,502	15,438	266,940
At September 30, 2018		-	2,049,626	2,448,114	4,497,740
Net carrying amount					
At December 31, 2017		-	1,163,997	47,209	1,211,206
At September 30, 2018		-	1,028,567	31,771	1,060,338

In 2017, obsolete office equipment amounting to Pp0.3 million were written-off.

The cost of fully depreciated property and equipment still in use in operations amounted to P4.4 million as at September 30, 2018 (2017 – P3.8 million).

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 nine months ended September 30, 2018 and 2017 and outstanding balances as at September 30, 2018 and December 31, 2017 are as follows:

Related party	2018		2017		Terms and conditions
	Transaction amount (9 months)	Outstanding receivable (payable)	Transaction amount (9 months)	Outstanding receivable (payable)	
Due from related parties					
Immediate parent company KLL (d)	289,867	-	590,904	230,756	Non-interest-bearing, unsecured, 30-60 days, collectible in cash
Shareholder					
Molten Pte Ltd (e)	148,195	-	447,725	447,725	Non-interest-bearing, unsecured, 30-60 days, collectible in cash
Associates					
OKEP (a)	97,829	70,316,258	125,489	70,218,429	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI (a)	98,774	2,180,185	118,993	2,081,411	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC (a)	127,314	708,498	163,015	581,184	Non-interest-bearing, unsecured, collectible in cash upon demand
BHSI Operating advances (a)	357,046	21,758	1,333,878	201,821	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Return of investment (c)	265,553	24,569,605	-	24,835,158	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Joint venture					
SMKL Operating advances (a)	10,189,998	1,703,742	11,247,257	1,492,651	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Management fee (b)	5,036,998	-	2,913,822	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Franchise fee (b)	2,014,799	-	1,165,529	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Entity under common control					
Wiseland Investment Myanmar, Ltd (f)	-	242,457	242,457	242,457	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		99,742,503		100,331,592	
Due to related parties					
Associates					
OKEP (c)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable on demand
Entities under common control					
SMPM (h) Management fee	17,225,499	(14,983,205)	9,499,109	(7,403,071)	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KLIL (g) Operating advances	1,802	-	126,886	-	Non-interest-bearing, unsecured, payable in cash upon demand
Keppel Land (Regional Investments), Ltd (g) Operating advances	497,514	-	-	-	Non-interest-bearing, unsecured, payable in cash upon demand
Keppel Land International (Management), Ltd (g) Operating advances	108,941	-	-	-	Non-interest-bearing, unsecured, payable in cash upon demand
		(55,281,712)		(47,701,578)	

- (a) The Group made operating advances for expenses incurred by associates and joint venture in the third quarter of 2018 and 2017. These operating advances represents expenses incurred in the normal operations paid on behalf of the Group's associates and joint venture.
- (b) The Group provides management, advisory and consultancy services to SMKL. The amount of management fee charged by the Group to SMKL amounted to P1.7 million in the third quarter of 2018 (2017 - P1.0 million). The amount of franchise fee charged amounted to P0.7 million in the third quarter of 2018 (2017 - 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.
- (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 59.7 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. These were approved by SEC on September 15, 2017, thereby decreasing BHSI's share capital. As a result, the Group's investment in BHSI decreased by P123.1, million (Note 2). 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 presented as due from related parties in the statement of financial position as at December 31, 2017.

In the first quarter of 2018, P0.3 million was collected from BHSI, thereby decreasing the outstanding balance to P24.6 million as at September 30, 2018.

- (d) The Group charged KLL for the amount paid on behalf of KLL for legal fees amounting to P0.1 million in 2018 (2017 - P0.2 million) pertaining to Court of Tax Appeals filing for redemption of preferred shares.
- (e) In 2017, the Group charged Molten Pte Ltd (MPL), a shareholder, for the amount paid on behalf of MPL for taxes amounting to P0.4 million related to the transfer of the Parent Company's shares from a retired management personnel to MPL.
- (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 remains as part of receivables as at September 30, 2018.
- (g) Keppel Land International Limited (KLIL), Keppel Land (Regional Investments), Ltd. (KL(RI)) and Keppel Land International (Management), Ltd. (KLI(M)), entities under common control, provides support services to the Group. In the third quarter of 2018, KLIL, KL(RI) and KLI(M) made operating advances for expenses incurred by Group amounting to P0.3 million (2017 - P0.1 million).
- (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 to the Group amounted to P13.5 million in the third quarter of 2018, (2017 - P3.2 million). The basis of management fee is the time spent by SMPM personnel in rendering services. Outstanding payables to SMPM related to the consultancy fees amounted to P15.0 million and P7.4 million as at September 30, 2018 and December 31, 2017, respectively.

Details of the compensation of key management personnel of the Group for the nine months ended September 30, 2018 and 2017 are as follows:

	2018	2017
Salaries and other short-term employee benefits	12,483,717	12,960,537
Bonuses and allowances	3,155,417	3,041,832
Retirement benefits	218,542	120,346
	15,857,676	16,122,715

There were neither stock options nor other long-term benefits given to key management personnel as at September 30, 2018 and December 31, 2017. There were no outstanding balances with key management personnel as at September 30, 2018 and December 31, 2017.

Details of related party transactions for the nine months ended September 30, 2018 and 2017 and outstanding balances as at September 30, 2018 and December 31, 2017 that were eliminated during consolidation are as follows:

Subsidiary	2018		2017		Terms and conditions
	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	
Due from subsidiaries					
BHI (a)	100,606	271,275	116,522	170,669	Non-interest-bearing, unsecured, due and demandable, collectible in cash
CSRI (a)	96,049	303,461	168,460	207,412	Non-interest-bearing, unsecured, due and demandable, collectible in cash
		574,736		378,081	
Due to a subsidiary					
BHI (c)	-	59,701,493	-	59,701,493	Non-interest-bearing, unsecured, due and demandable

Note 5 - General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2018 and 2017 are as follows:

	Notes	2018	2017
Salaries, wages and employee benefits		20,473,147	19,600,131
Management consultancy fees	4	14,952,999	4,954,109
Transportation and travel		2,905,469	1,366,817
Rental		2,052,346	2,157,330
Professional fees		1,471,552	2,143,529
Insurance		860,850	329,080
Membership and dues		570,522	550,982
Utilities		389,903	357,222
Staff recreation and others		378,269	155,922
Postage, printing and advertising		348,798	314,312
Depreciation	3	266,940	230,391
Repairs and maintenance		232,449	141,727
Office equipment expense and supplies		191,452	193,874
Taxes and licenses		190,341	1,303,739
Outside services		131,839	10,409
Bank and other charges		52,054	40,083
Others		851,575	521,503
		46,320,505	34,371,160

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

Note 6 - Basic loss per share

Loss per share for the nine months ended September 30, 2018 and 2017 are as follows:

	2018	2017
Net loss	95,684,776	6,191,106
Divided by: Weighted average number of shares outstanding	293,828,900	293,828,900
Basic loss per share	0.326	0.021

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, 2018 and 2017 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.2 million as at September 30, 2018 (2017 - Po.4 million), and share in actuarial gain of an associate and a joint venture amounting to Po.1 million as at September 30, 2018 (2017 - Po.3 million) (Notes 2 and 8).

Note 8 - 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, 2017.

The net retirement benefit asset recognized in the interim consolidated statements of financial position as at September 30, 2018 and December 31, 2017 is determined as follows:

Fair value of plan assets	1,821,792
Present value of defined benefit obligation	(1,762,969)
	58,823

The Group's net retirement benefit asset reflected in the 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 statements of financial position for the year ended December 31, 2017 are as follows:

At January 1	420,164
Retirement expense recognized in profit or loss	(328,438)
Remeasurements recognized in other comprehensive income	
Changes in financial assumptions	(17,322)
Deviations of experience from assumptions	(32,267)
Loss on plan assets	(122,600)
Contributions to the retirement fund	139,286
At December 31	58,823

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

Current service cost presented as retirement expense	350,622
Net interest income	(22,184)
	328,438

The remeasurements recognized in other comprehensive income for the year ended December 31, 2017 are determined as follows:

Remeasurements on defined benefit obligation	(49,589)
Remeasurements on plan assets	(122,600)
Remeasurements loss	(172,189)
Deferred income tax benefit	51,657
Remeasurements loss, net of tax	(120,532)

(a) Defined benefits obligation

Changes in the present value of the defined benefit obligation for the year ended December 31, 2017 are as follows:

At January 1	1,421,621
Current service cost included in retirement expense	350,622
Interest cost included in retirement expense	75,062
Remeasurements in other comprehensive income:	
Actuarial loss (gain) on obligation resulting from:	
Changes in financial assumptions	17,322
Deviations of experience from assumptions	32,267
Benefits paid	(133,925)
At December 31	1,762,969

As at December 31, 2017, the average duration of the defined benefit obligation is 22 years.

Below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017:

Less than 10 years	-
More than 10 years to 15 years	2,002,619
More than 15 years to 20 years	9,984,370
More than 20 years	4,213,969
	16,200,958

(b) *Plan assets*

The major categories of plan assets as at December 31, 2017 are as follows:

Cash	5,605
Government securities	1,049,359
Investment in unit investments in trust funds (UITF)	761,516
Receivables	7,572
Trust fee payable	(2,260)
	<u>1,821,792</u>

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, 2017 are as follows:

At January 1	1,841,785
Interest income presented as net of retirement expense	97,246
Remeasurement in other comprehensive income:	
Loss on plan assets	(122,600)
Contributions to the retirement fund	139,286
Benefits paid	(133,925)
At December 31	<u>1,821,792</u>

The fair value of the plan assets approximates their carrying amount as at December 31, 2017.

There are no plan assets invested in any entity within the Group as at and for the year ended December 31, 2017. The Group's transactions with the retirement fund for the years are limited to contributions and benefits payments. The fair value of the plan assets approximates their carrying amount as at December 31, 2017.

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 P0.5 million to the retirement fund in 2018.

There was no plan amendment, curtailment, or settlement for the years ended December 31, 2017.

Actuarial assumptions

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

The principal assumptions used in determining the Group's retirement obligation as at December 31, 2017 are shown below:

Discount rate	5.39%
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, 2017:

	Rates	Increase (Decrease)
Discount rate	+1.0%	(140,783)
	-1.0%	180,511
Salary increase rate	+1.0%	172,634
	-1.0%	(138,790)

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 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 September 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Operating assets	1,544,787,017	1,627,357,787
Operating liabilities	72,399,578	59,285,572
Revenue and income (loss)	(48,789,148)	22,363,552
Other income, net	170,484	1,891,135
General and administrative expenses	46,320,505	58,815,764
Segment net loss	95,684,776	37,848,940

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, 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 US-dollar denominated bank accounts and SG-dollar denominated consultancy fees due to SMPM.

The Group's foreign currency-denominated monetary assets and liabilities as at September 30, 2018 and December 31, 2017 are as follows:

	2018		2017	
	SGD	USD	SGD	USD
Cash and cash equivalents	500	-	500	1,233
Due to related party	383,553	-	(188,721)	-
Net assets (liabilities)	(383,053)	-	(188,221)	1,233
Exchange rates	39.67	54.25	37.32	50.74
PHP equivalent	(15,195,713)	62,661	(7,024,408)	62,562

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

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before tax. There is no impact on the Group's equity other than those already affecting the net income.

	Currency	Change in variable	Effect on income before tax increase (decrease)
September 30, 2018	SGD	+6.30%	(942,375)
		-6.30%	942,375
December 31, 2017	SGD	+7.67%	(538,772)
		-7.67%	538,772
	USD	+2.01%	1,258
		-2.01%	(1,258)

In 2018 and 2017, 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 September 30, 2018 and December 31, 2017, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

There were no amounts that are set-off in accordance with the entities in PAS 32, *Financial Instruments: Presentation*. There were no amounts subject to an enforceable master netting arrangement or similar agreement as at September 30, 2018 and December 31, 2017.

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, 2018 and December 31, 2017.

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

	Neither past due nor impaired			Past due but not Impaired	Impaired	Total
	High grade	Low grade	Total			
<i>September 30, 2018</i>						
Cash and cash equivalents*	153,711,228	-	153,711,228	-	-	153,711,228
Receivables**	927,763	-	927,763	-	2,666,664	3,594,427
Due from related parties	99,742,503	-	99,742,503	-	-	99,742,503
Refundable deposits	72,300	-	72,300	-	-	72,300
	254,453,794	-	254,453,794	-	2,666,664	257,120,458
<i>December 31, 2017</i>						
Cash and cash equivalents*	178,596,541	-	178,596,541	-	-	178,596,541
Receivables**	850,199	-	850,199	-	2,666,664	3,516,863
Due from related parties	100,331,592	-	100,331,592	-	-	100,331,592
Refundable deposits	72,300	-	72,300	-	-	72,300
	279,850,632	-	279,850,632	-	2,666,664	282,517,296

*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, 2018 and December 31, 2017.

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

(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 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.

The maximum credit risk exposure is equal to the carrying amount as at September 30, 2018 and December 31, 2017.

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, 2018, the Group's receivable amounting to P2.7 million is determined to be impaired and was provided with allowance for doubtful accounts.

(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, 2018			
Accounts payable and other current liabilities*	553,981	8,888,096	9,442,077
Due to related parties	42,464,617	12,817,095	55,281,712
	43,018,598	21,705,191	64,723,789
December 31, 2017			
Accounts payable and other current liabilities*	553,981	8,187,695	8,741,676
Due to related parties	43,473,046	4,228,532	47,701,578
	44,027,027	12,416,227	56,443,254

* *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 September 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Liabilities	72,399,578	59,285,572
Equity	1,472,387,439	1,568,072,215
Percentage of debt to equity	4.92%	3.78%

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 September 30, 2018 and December 31, 2017, 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 September 30, 2018 and December 31, 2017, the Group has no financial instrument measured at fair value. During the reporting period ended September 30, 2018 and December 31, 2017, 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 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 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

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 January 1, 2018, and have not been applied in preparing these interim consolidated financial statements. None of these is expected to have an effect on the Group's interim consolidated financial statements, except the following as set out below:

- PFRS 9, *Financial Instruments* (effective January 1, 2018). PFRS 9 deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting. PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. 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 fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI. Currently, the Group has certain investments in equity securities amounting to P79.3 million that are carried at cost may potentially be reclassified to financial assets at fair value through profit or loss upon adoption.

The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39. The Group may recognize allowance for doubtful accounts amounting to approximately less than 1.0% of total receivables upon its adoption.

- PFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Under the new standard, the notion of control replaces the existing notion of risks and rewards. The standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, and related interpretations. A five-step process must be applied before revenue can be recognized which include: (i) identification of contracts with customers; (ii) identification of the separate performance obligation; (iii) determination of the transaction price of the contract; (iv) allocation of the transaction price to each of the separate performance obligations; and (v) recognition of revenue as each performance obligation is satisfied. Revenue may also be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) - minimum amounts must be recognized if they are not at significant risk of reversal. Further, the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa. The Group has assessed the full impact of the standard as at December 31, 2017, and does not expect to have material changes on its current revenue recognition from contracts with customers and on its financial statements as a result of adoption of this standard.
- PFRS 16, *Leases* (effective January 1, 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Earlier application is permitted, but only in conjunction with PFRS 15, Revenue from Contracts with Customers. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Group will continue to assess the impact of PFRS 16 closer to the date of mandatory adoption (Parent Company as lessor) but has initially assessed a possible recognition of the right-of-use asset under this standard pertaining to its non-cancellable operating lease commitments of P1.0 million. The adoption of this standard is not expected to have a significant impact in the Group's financial statements as the remaining lease periods of existing lease agreements are less than twelve months.

11.2 Consolidation

The interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at September 30, 2018 and December 31, 2017 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 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 (OCI) 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

TOTAL ASSETS declined by ₱82.6 million from ₱1,627.4 million in 2017 to ₱1,544.8 million in 2018. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱24.9 million due to the net cash used for operating activities mainly from general administrative expenses, offset by interest income received and collections from intercompany receivables and return of investments from an associate.
- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱1.5 million due to the renewal of leases in 2018 that required prepayments and advances for rentals.
- **INVESTMENTS IN ASSOCIATES AND JOINT VENTURE** decreased by ₱58.6 million due to the negative share in results of associated companies for the nine months ended 2018.

RESULTS OF OPERATIONS

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

THIRD QUARTER 2018 COMPARED TO SAME PERIOD IN 2017

TOTAL REVENUE AND INCOME (LOSS) registered a ₱58.7 million reversal from an income of ₱23.2 million in 2017 to a loss of ₱35.5 million in 2018. The net decrease 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 2018 showed a share in net loss of ₱38.9 million as compared to a share in net income of ₱21.0 million in the same quarter in 2017. The said share in loss relates mainly to the net loss reported by SMKL during the third quarter of 2018, and which net loss resulted mainly from significant depreciation charge (relating to the capitalized renovation costs of The Podium expansion which was opened in October 2017) and interest expense incurred by the said associated company during the quarter. Further, the closure of The Podium old wing in October 2017 for renovation contributed to the loss for the quarter resulting from overheads exceeding revenues earned.
- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱1.0 million or 76% from ₱1.4 million in 2017 to ₱2.4 million in 2018 due to the increase in The Podium's rental income on which these fees from SMKL are based.

GENERAL AND ADMINISTRATIVE EXPENSES increased by ₱10.2 million or 82% from ₱12.5 million in 2017 to ₱22.7 million in 2018 mainly due to timing of consultancy fees charges related to SM-KL Mixed-use Development Project.

As a result, **Third Quarter 2018** registered a ₱69.0 million reversal from a net income of ₱10.7 million in 2017 to a net loss of ₱58.3 million in 2018.

KEY PERFORMANCE INDICATORS

For The Quarter Ended	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	% Change
Return On Assets	(3.59%)	0.62%	(679%)
Earnings (Loss) Per Share	(₱0.199)	₱0.037	(638%)
As At	30 September 2018 (Unaudited)	31 December 2017 (Audited)	% Change
Net Tangible Asset Value Per Share	₱2.99	₱3.31	(9.67%)
Working Capital Ratio	3.8:1	5.1:1	(25.49%)

A. Return On Assets - It indicates how effectively the assets of the Group are utilized in generating profit. The Group registered a ₱69.0 million reversal from a net income result of ₱10.7 million in 2017 as compared to a net loss result of ₱58.3 million in 2018. This unfavorable return was due to the significant decrease in share in results of associated companies, coupled with the increase in general and administrative expenses.

	<u>Third Quarter 2018</u>	<u>Third Quarter 2017</u>
Net Income (Loss) After Tax (a)	(₱58,341,524)	₱10,735,339
Total Assets At Beginning (b)	₱1,627,357,787	₱1,737,255,335
Return On Assets (a/b)	(3.59%)	0.62%

B. Earnings (Loss) Per Share - It represents the equivalent apportionment of net earnings (loss) to each share of common stock outstanding. For the third quarter of 2018 and 2017, earnings (loss) per share amounted to (₱0.199) and ₱0.037, respectively. This unfavorable performance was due to the net loss results of operations in 2018 as compared to net profit results of operations in 2017.

	<u>Third Quarter 2018</u>	<u>Third Quarter 2017</u>
Net Income (Loss) After Tax (a)	(₱58,341,524)	₱10,735,339
Number of Common Stock (b)	293,828,900	293,828,900
Earnings (Loss) Per Share (a/b)	(₱0.199)	₱0.037

- 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 9.67% compared to the previous year due to the decrease in retained earnings resulting from loss incurred as at third quarter of 2018.

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>September 30, 2018</u>	<u>December 31, 2017</u>
Net Tangible Assets	₱1,472,387,439	₱1,568,072,215
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	₱877,646,439	₱973,331,215
Number of Common Stock, net of Treasury shares (2,801,000)	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱2.99	₱3.31

- 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 13.04% as at end of third quarter of 2018 as compared to 2017.

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Current Assets (a)	₱278,476,924	₱302,391,530
Current Liabilities (b)	₱72,399,578	₱59,285,572
Working Capital Ratio (a/b)	3.8 : 1	5.1 : 1

FINANCIAL SOUNDNESS INDICATORS

Financial Ratios

	As At	September 2018 Unaudited	December 2017 Audited
Liquidity Ratio	Current assets over current liabilities	3.8:1	5.1:1
Debt to equity ratio	Total liabilities over total equity	0.05:1	0.04:1
Asset to equity ratio	Total assets over total equity	1.05:1	1.04:1

Profitability Ratios

	For Quarters Ended	September 2018 Unaudited	September 2017 Unaudited
Return on Assets	Net income (loss) after tax over total assets at beginning	(3.59%)	0.62%
Return on Equity	Net income (loss) after tax over total equity	(3.96%)	0.67%
Earnings (Loss) per share	Net income (loss) over number of common stock outstanding	(₱0.199)	₱0.037

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

- a) As at 30 September 2018:
- 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 : 12 November 2018

Principal Financial/Accounting Officer/Controller

Signature and Title :



Pang Chan Fan
Financial Controller

Date : 12 November 2018

AGING OF RECEIVABLES

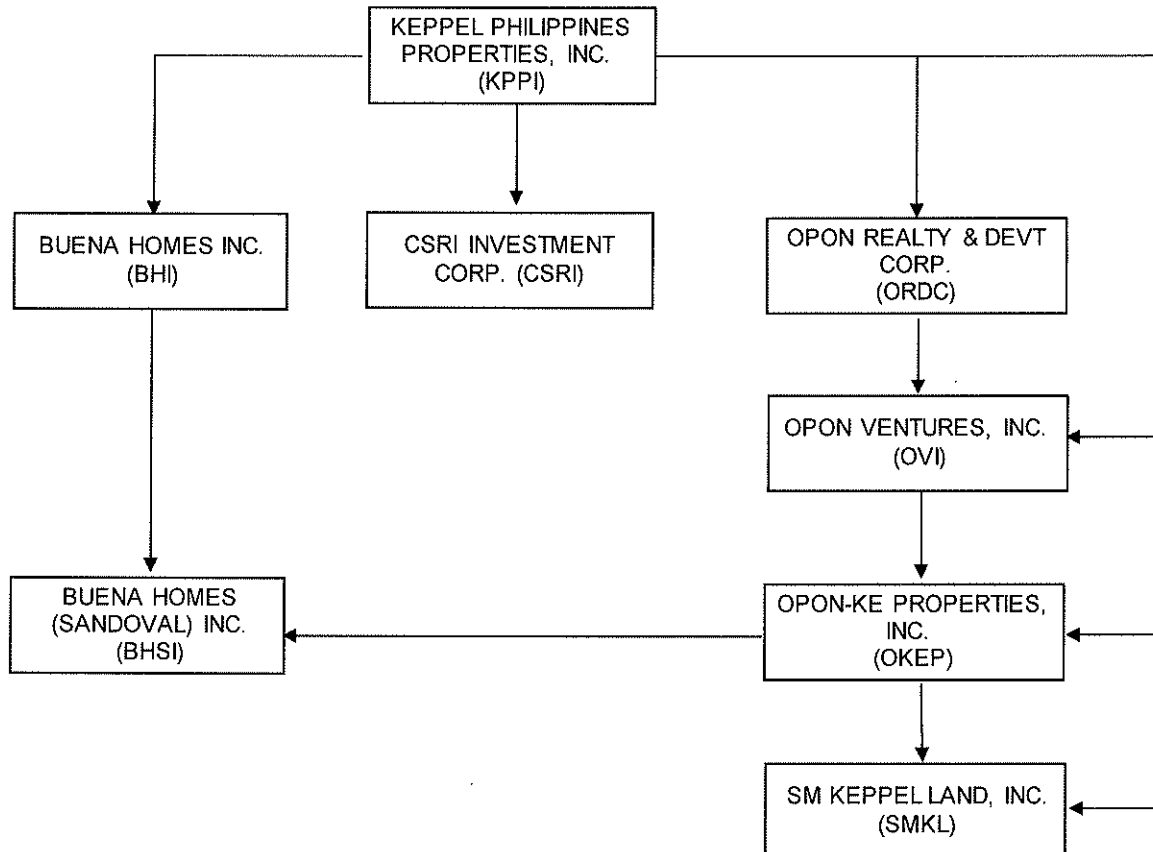
As of September 30, 2018

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	727,339	727,339	-	-	-	-	-	-	-
3 Receivables from employees	120,362	120,362	-	-	-	-	-	-	-
4 Accrued interest receivable	200,424	200,424	-	-	-	-	-	-	-
5 Others	-	-	-	-	-	-	-	-	-
Subtotal	3,714,789	1,048,125	-	-	-	-	-	-	2,666,664
Less: Allowance for Doubtful Accounts	(2,666,664)	-	-	-	-	-	-	-	(2,666,664)
Net Non-Trade Receivables	1,048,125	1,048,125	-	-	-	-	-	-	-
Net Receivables	1,048,125								

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 60 days
5 Others		

KEPPEL PHILIPPINES PROPERTIES, INC.
SUBSIDIARIES AND ASSOCIATES
AS AT SEPTEMBER 30, 2018



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

<u>Associates</u>	<u>Percentage of Ownership</u>	<u>Nature of Business</u>
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