

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 3 0 5

Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

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

Form Type

1 7 - A

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

keppel.prop@kepland.com.ph

Company's Telephone Number/s

(632) 584-6170

Mobile Number

0917-8500380

No. of Stockholders

1,243

Annual Meeting
Month/Day

06/08

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Mr. Pang Chan Fan

Email Address

James.Pang@kepland.com.ph

Telephone Number/s

(632) 584-6170

Mobile Number

0917-8500380

Contact Person's Address

Units 2203-2204, Raffles Corporate Center, F. Ortigas Jr. Road, Ortigas Center, Pasig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION



SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES CODE AND SECTION 141
OF THE CORPORATION CODE

1. For the fiscal year ended December 31, 2017
2. SEC Identification Number PW305
3. BIR Tax Identification No. 000-067-618 VAT

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

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

6. Industry Classification Code: (SEC Use Only)

12 ADB Ave, Ortigas Center, Mandaluyong City 1550 (business office temporarily moved to Units 2203-2204 Raffles Corporate Center F. Ortigas Jr. Avenue (formerly Emerald Ave.) OrtigasCenter, PasigCity)
7. Address of registrant's principal office Postal Code

8. (632) 584-6170 to 71
Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of each Class</u>	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock	293,828,900 (Exclusive of Treasury Shares)
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 Section 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 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 []
13. Aggregate market value of the voting stock held by non-affiliates of the registrant:
₱160,585,109

DOCUMENTS INCORPORATED BY REFERENCE

14. 2017 Audited Consolidated Financial Statements (incorporated as reference to item 7 of SEC Form 17-A)

KEPPEL PHILIPPINES PROPERTIES, INC.
TABLE OF CONTENTS
SEC FORM 17-A

Page No.

Part I- BUSINESS AND GENERAL INFORMATION

Item 1	Business	1-4
Item 2	Properties	4
Item 3	Legal Proceedings	5
Item 4	Submission of Matters to a Vote of Security Holders	5

Part II- OPERATIONAL AND FINANCIAL INFORMATION

Item 5	Market for Registrant's Common Equity and Related Stockholders' Matters	6
Item 6	Management's Discussion and Analysis or Plan of Operations	7-11
Item 7	Trend, Events or Uncertainties that have had or that are Reasonably Expected to Affect Revenue or Income	12
Item 8	Information On Independent Accountant	12
Item 9	Financial Statements	12
Item 10	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	12

Part III- CONTROL AND COMPENSATION INFORMATION

Item 11	Directors and Executive Officers of the Registrant	13-16
Item 12	Executive Compensation	17-18
Item 13	Security Ownership of Certain Beneficial Owners and Management	18-19
Item 14	Certain Relationships and Related Transactions	20

Part IV- CORPORATE GOVERNANCE

Item 15	Corporate Governance	20-21
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Part V- EXHIBITS AND SCHEDULES

Item 16	a. Exhibits	21
	b. Reports on SEC Form 17-C (Current Report)	21-22

SIGNATURES		23
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES		24
INDEX TO EXHIBITS		90

PART I- BUSINESS AND GENERAL INFORMATION

1. BUSINESS

The Company

Keppel Philippines Properties, Inc. ("Parent Company" or "KPPI"), is a stock corporation organized under the laws of the Philippines. The Parent Company was first incorporated on February 7, 1918 under the name Hoa Hin Co., Inc., then renamed Cebu Shipyard and Engineering Works, Inc. in 1957, and then to its present name Keppel Philippines Properties Inc. in 1998.

The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918. Its corporate life was extended for another fifty (50) years starting February 7, 1968. On May 5, 2017, the Philippine SEC approved the Parent Company's Articles of Incorporation to further extend its corporate life for another 50 years starting February 6, 2018.

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.

Subsidiaries

CSRI Investment Corporation ("CSRI") was incorporated in the Philippines on 25 October 1990. CSRI, a wholly owned subsidiary of KPPI, is a holding company with investments in marketable equity securities and other investments. CSRI's source of income is solely from investment in securities.

Buena Homes, Inc. ("BHI") was incorporated in the Philippines on 25 May 2000. BHI, a wholly owned subsidiary of KPPI, is engaged in property holding and development. It is presently developing Palmdale Heights, a residential condominium project in Pasig City through Buena Homes (Sandoval) Inc. ("BHSI"), 40% owned by BHI.

Associates

The Parent Company is not directly involved in property development. The associated companies' completed projects are as follows:

Associates	Ownership	Project
SMKL	40%	The Podium Mall
BHSI	40% owned through BHI	Palmdale Heights Residential Condominium

Business

The Parent Company and its subsidiary, BHI, hold investments in associates involved in property holding and development, and renders property management consultancy services to these associates.

At the same time, the Parent Company, through its associated companies, is engaged in real estate development of residential, office and commercial buildings.

i) Residential

Palmdale Heights

The project is a suburban middle-income residential development located on a 23,924 square meters (“sqm”) site in Sandoval Avenue, Brgy. Pinagbuhatan, Pasig City, Metro Manila. The project comprises six residential blocks (with a total of 828 units at 138 units per block), two-storey clubhouse, swimming pools, parks, playgrounds and parking areas for sale with a total of 232 parking slots. Each residential unit has a floor area of 40 to 50 sqm.

As at December 31 2017, 99% (824 units) of the 828 launched units and 64% (149 units) of the 232 parking lots have been sold.

ii) Office/Retail

The Podium – Phase 1 and Phase 2

The Podium is the retail component in the mixed-use development. It is located in the central business district of Ortigas, Mandaluyong City, Manila. The Podium offers a first-class shopping experience with a mix of specialty stores featuring well known international and local labels. It also has a wide selection of fine restaurants, services outlets and cinemas.

The first phase of The Podium, a five-storey mall, is under retrofitting from October 2017 and is expected to be completed in October 2018. Meanwhile, the second phase of The Podium, a six-storey mall with six-level basement carpark, has commenced its operations in October 2017, other than the sixth level of the mall which is for the cinemas that is expected to be completed in July 2018. The operations of the malls are handled by Shopping Center Management Corporation, an entity under the control of Banco de Oro Unibank, Inc., joint venture partner in SMK L.

Competition

As a property developer through its associated companies, KPPI considers the following property developers as the industry’s key players in terms of end products:

	Comprehensive Income YTD 3Q2017 <i>In Php Billions</i>
Ayala Land Inc.	20.7
SM Prime Holdings, Inc.	20.5
Robinson’s Land Corporation	4.6

Source: Published corporate disclosures.

Competitive pressures are expected to remain as new players have embarked on aggressive developments.

In the residential sector, BHSI faces stiff competition from other developers who have set their targets on the middle income, a market segment that has also been the focus of BHSI. With its track record as a developer of quality housing projects, BHSI will remain competitive in this sector.

In the retail sector, the market is expected to remain competitive as more developers venture into, or expand in this sector. The Podium has established its presence since its launch in August 2002. With its unique design and spacious ambiance, The Podium has become the preferred meeting place for young professionals and also the venue of choice for gala events.

Related Party Transactions

In the normal course of business, significant transactions with related and associated companies consist of the following:

- a. The Parent Company has a Consultancy Agreement with Straits Mansfield Property Marketing Pte Ltd (SMPM) based on agreed rates.
- b. The Parent Company provides management advisory and consultancy services to SMKL. Management consultancy fees are computed based on agreed rates.
- c. The Parent Company grants advances to certain associated companies.

Government Approvals/Regulations

The Philippine real estate industry is regulated by numerous Government policies and guidelines, commencing from land acquisition and title issuance, development planning, design and construction up to mortgage financing/refinancing to pre-selling.

The Company, through its associated companies, has complied with the application and approval process required by the Government, which are described below:

After the developer has identified and finalized the project development plan, an application is made for a development permit. The developer is required to submit as part of each application for a development permit an Environmental Impact Statement (EIS) prepared by a qualified environmental consultant. Where a project or property is classified as “environmentally critical” the developer is required to obtain an Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR). As a requirement for the issuance of ECC, an Environmental Geological and Geo hazard Assessment Report (EGGAR) should be submitted.

After a development permit is obtained, an application is made for a license to sell the individual subdivision units from Housing and Land Use Regulatory Board. Approval may also be required from the Land Management Bureau (for industrial use land) or the Land Registration Authority (for residential use land) for the relevant subdivision plan.

The Company, through its associated companies, has complied with all applicable Philippine governmental and environmental laws and regulations.

Employees

The Company had 12 employees as at December 31, 2017. No significant hiring or recruitment is expected in 2018.

	No. of Employees
Senior Management	2
Human Resources	3
Finance and Administration	5
Legal and Compliance	1
Information Technology	1
Total	12

Risks

The Parent Company's business activities are conducted in the Philippines and its revenues and operating profits are derived from its investments and the activities of its associates, SMKL and BHSI, which exposes the Parent Company to changes in the Philippine economy.

The Group is also exposed to financial, operating and administrative risks which are normal in the course of business.

To manage these risks, management is highly committed in ensuring that business processes are clearly defined, in compliance with the Parent Company's policies and procedures, and are performed effectively and efficiently in satisfying stakeholders' needs.

Moreover, SMKL and BHSI obtain updates on markets/prices and current economic and political developments. An assessment is then made of the financial viability of the proposed projects in the light of current economic, political and industry indicators.

Projects Under Development

SMKL Phase 2 Mixed Use Development – Office Tower

The project site for the Office Tower is a 12,540 sqm plot beside The Podium Phase 1 and is being constructed on top of The Podium Phase 2. When completed, it will have a 42-storey Grade A, LEED Gold certified office tower with estimated gross floor area of 112,500 sqm.

Construction of the Office Tower began in 2017 and is expected to be completed in March 2019.

Consultants and main contractor appointed for this project include the following:

Type of Works	Consultants
Concept Architect	Arquitectonica
Design Architect	FSL & Associate Co.
Construction and Cost Manager	Design Coordinates, Inc.
Structural Engineer	Eccruz Corporation
Quantity Surveyor	Langdon & Seah Philippines
Main Contractor	DDT Kontract, Inc.

2. PROPERTIES

As of December 31, 2017, the associated companies' investments in real estate properties are as follows:

Type Of Property	Location	Description	Remarks
a. Land & Buildings	ADB Avenue, Ortigas Center, Mandaluyong City	20,000 sq. m site on which stands The Podium Mall	40% owned by the Company through its associate, SMKL. SMKL Phase 2 land area of 12,932 sq. m is mortgaged to BDO Unibank, Inc.
b. Land	Sandoval Avenue, Pasig City.	Land consisting of five (5) contiguous lots containing an aggregate of 17,830 sq. m, the undeveloped site of Palmdale Heights	40% owned by the Company through its associate, BHSI. Not mortgaged.

3. LEGAL PROCEEDINGS

The Company and its subsidiaries are not parties to any lawsuit.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no other matters submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDERS’ MATTERS

The common equity of the Company is traded in the Philippine Stock Exchange. There is no restriction for any cash dividends declaration. However, no cash dividends were declared from 2003 to 2017.

STOCK PRICES	2018		2017		2016	
	High	Low	High	Low	High	Low
First Quarter	₱4.30	₱4.28	₱4.21	₱4.02	₱6.75	₱3.50
Second Quarter	-	-	4.20	4.14	6.70	4.01
Third Quarter	-	-	4.50	4.12	5.49	4.22
Fourth Quarter	-	-	4.16	4.15	5.60	4.01

The Company has no acquisition, business combination, or other reorganization planned in the near future which involves issuance of securities.

There were no recent sales of unregistered or exempt securities.

The Company’s common shares were last traded on March 8, 2018 (the latest practicable trading date) at ₱4.28 per share.

As of December 31, 2017, the number of shareholders on record was 1,243 and common shares outstanding were 293,828,900. Following is the table of the Company’s top 20 stockholders as of December 31, 2017:

	<u>Name</u>	No. of Shares Held	% to Total
1.	Keppel Land Limited	148,365,050	50.49
2.	Kepwealth, Inc	51,033,178	17.37
3.	Keppel Corporation Limited	35,783,742	12.18
4.	Molten Pte Ltd	19,951,723	6.79
5.	PCD Nominee Corporation - Filipino	12,537,714	4.27
6.	PCD Nominee Corporation – Foreign	4,447,139	1.51
7.	International Container Terminal Services Inc.	4,265,171	1.45
8.	George S. Dee, Jr.	3,442,891	1.17
9.	PNOC Shipping and Transport Corporation	2,227,511	0.76
10.	Visayan Surety & Insurance Corporation	1,671,664	0.57
11.	Sulpicio Lines, Inc.	694,719	0.24
12.	Augusto Go	410,423	0.14
13.	Negros Navigation Company, Inc.	357,777	0.12
14.	Eduardo Go Hayco	269,277	0.09
15.	Ho Tong Hardware, Inc.	248,018	0.08
16.	Adrienne Gotian Chu	236,795	0.08
17.	Mary Margaret G. Dee	236,788	0.08
18.	Tessa L. Navera	225,005	0.08
19.	Janette Nellie Go Chiu	200,055	0.07
20.	Rafanan/Antonio Diosdado	181,453	0.06

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

A. Results of Operations

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

Year Ended 31 December 2017 Compared To 2016

REVENUE. The Group generated total gross revenues of ₱22.4 million, an increase of ₱8.2 million or 58% from ₱14.2 million in 2016. The increase was due to higher share of results of associated companies and interest income, offset by a slight decrease in management consultancy and franchise fees.

- **SHARE OF RESULTS OF ASSOCIATED COMPANIES** increased by ₱6.9 million or 101% from ₱6.8 million in 2016 to ₱13.7 million in 2017. This account represents the Group's share in the net income/loss of its associated companies. Changes in share of results from period to period are dependent upon the results of the operations of the associated companies. The increase was mainly attributed to SMKL operations due to the reversal of provision that is no longer required, deferred income from straight-lining of rental revenue and deferred income tax benefit from net operating loss carryover, offset by increase in depreciation, interest expense, repairs and maintenance and advertising and promotions related to the commencement of operations of Phase 2 of The Podium retail mall in October 2017.
- **INTEREST INCOME** increased by ₱1.3 million or 68% from ₱1.9 million in 2016 to ₱3.2 million in 2017 due to higher interest rates on deposit placements.

GENERAL AND ADMINISTRATIVE EXPENSES increased by ₱13.8 million or 31% from ₱45.0 million in 2016 to ₱58.8 million in 2016 mainly due to the increase in supervision and oversight costs relating to the ongoing construction of SMKL mixed-use development, that are deemed non-capitalizable by the Company.

OTHER INCOME (EXPENSE), NET. In contrast with the ₱1.3 million Other Income, net reported in 2016, there was a ₱1.9 million Other Expense, net shown in 2017 mainly due to a significant provision for doubtful account set up in the current year.

As a result, the Group's operations posted a net loss for the year amounting to ₱37.8 million, an increase of ₱7.6 million or 25% from the ₱30.2 million net loss in 2016.

Year Ended 31 December 2016 Compared To 2015

REVENUE. The Company generated total gross revenues of ₱14.2 million, a decrease of ₱4.4 million or 24% from ₱18.6 million in 2015. The decrease was due to lower share of results of associated companies, partially offset by a light increase in management consultancy and franchise fees and interest income.

- **SHARE OF RESULTS OF ASSOCIATED COMPANIES** decreased by ₱5.8 million or 46% from ₱12.6 million in 2015 to ₱6.8 million in 2016. This account represents Group's share in the net income/loss of its associated companies. Changes in share in net earnings from period to period are dependent upon the results of the operations of the associated companies. The decrease is due to net loss incurred by BHSI in 2016 as compared to net income earned in 2015. This was brought about by lower sales resulting in overheads exceeding gross profit. On the other hand, SMKL showed a gradual increase in net income resulting from higher occupancy rate in 2016 as compared to 2015.

- **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** increased by ₱0.4 million or 8% from ₱5.1 million in 2015 to ₱5.5 million in 2016 due to the higher revenue of SMKL in 2016, on which these fees are based, as compared to 2015.
- **INTEREST INCOME** increased by ₱0.9 million or 90% from ₱1.0 million in 2015 to ₱1.9 million in 2016 due to higher interest rates on money market placements.

GENERAL AND ADMINISTRATIVE EXPENSES increased by ₱8.7 million or 24% from ₱36.3 million in 2015 to ₱45.0 million in 2016 due to increase in staff cost resulting from increase in headcount for the year.

As a result, the Group's operations posted a net loss for the year amounting to ₱30.2 million, an increase of ₱16.1 million or 114% from the ₱14.1 million net loss in 2015.

Year Ended 31 December 2015 Compared To 2014

REVENUE. The Company generated total gross revenues of ₱18.6 million, a decrease of ₱9.1 million or 33% from ₱27.7 million in 2014. This is due to the combined effects of the following:

- **SHARE OF RESULTS OF ASSOCIATED COMPANIES** decreased by ₱7.7 million or 38% from ₱20.3 million in 2014 to ₱12.6 million in 2015. This account represents Group's share in the net income/loss of its associated companies. Changes in share in net earnings from period to period are dependent upon the results of the operations of the associated companies. The decrease is due to the combined effects of BHSI loss on disposal of its land coupled with SMKL's lower net income due to Podium's lower occupancy and rental rates. The Podium's mall operations was affected by the on-going major renovation in its retail spaces.
- **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** decreased by ₱1.6 million or 24% from ₱6.7 million in 2014 to ₱5.1 million in 2015 due to the decrease in The Podium's rental income on which these fees from SMKL are based.
- **INTEREST INCOME** increased by ₱0.4 million or 67% from ₱0.6 million in 2014 to ₱1.0 million in 2015 due to higher level of cash and cash equivalents.

GENERAL AND ADMINISTRATIVE EXPENSES increased by ₱10.8 million or 42% from ₱25.5 million in 2014 to ₱36.3 million in 2015 due to increase in salaries and professional fees.

As a result, the Group's operations posted a net loss for the year amounting to ₱14.1 million, a complete reversed from net income of ₱2.3 million in 2014.

KEY PERFORMANCE INDICATORS

For The Years Ended	December 2017	December 2016	% Change
Return On Assets	(2.18%)	(1.71%)	27%
Loss Per Share	₱0.13	₱0.10	30%
Operating Expense Ratio	263.00%	317.47%	-17%
Net Tangible Asset Value Per Share	₱3.31	₱3.44	-4%
Working Capital Ratio	5.1:1	2.3:1	122%

- a. **Return On Assets** – It indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax amounted to ₱37.8 million in 2017 which increased by ₱7.6 million from ₱30.2 million in 2016. The higher net loss is due to a significant increase in general and administrative expenses and other expenses, net, offset with increase in revenue.

	<u>2017</u>	<u>2016</u>
Net Loss After Tax (a)	₱37,848,940	₱30,174,609
Total Assets At Beginning (b)	1,737,255,335	1,767,973,179
Return On Assets (a/b)	(2.18%)	(1.71%)

- b. **Loss Per Share** – It represents the equivalent apportionment of net loss to each share of common stock outstanding. This unfavorable performance is due to higher net loss incurred in 2017 as compared to 2016.

	<u>2017</u>	<u>2016</u>
Net Loss After Tax (a)	₱37,848,940	₱30,174,609
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	₱0.13	₱0.10

- c. **Operating Expense Ratio** – It measures operating expenses as a percentage of revenue. The operating expense ratio decreased by 17% due to the 58% increase in revenues coupled with a 31% increase in operating expenses.

	<u>2017</u>	<u>2016</u>
Operating Expenses (a)	₱58,815,764	₱44,996,312
Revenues (b)	22,363,552	14,173,488
Operating Expense Ratio (a/b)	263.00%	317.47%

- d. **Net Tangible Asset Value Per Share** – It measures the equivalent entitlement of each share of common stock outstanding in the tangible assets. The tangible value per share decreased by 0.4% compared to 2016 to the decrease in retained earnings resulting from loss incurred during the current year.

Note: Net Tangible Assets include ₱594.7 million subscription proceeds for Preferred Stock. As these Preferred Stocks are redeemable, the subscription proceeds have been excluded from Net Tangible Assets in the computation of Net Tangible Asset Per Share.

	<u>2017</u>	<u>2016</u>
Net Tangible Assets	₱1,568,072,215	₱1,606,246,898
Less : Preferred Stock	594,741,000	594,741,000
Net Tangible Assets Attributable To Common Stock	973,331,215	1,011,505,898
Number of Common Stock	293,828,900	293,828,900
Net Tangible Asset Value Per Share	₱3.31	₱3.44

- e. **Working Capital Ratio** – The Group's ability to meet current obligations is measured by determining current assets over current obligations. The Working Capital ratio increased by 122% as compared to 2016.

	<u>2017</u>	<u>2016</u>
Current Assets (a)	₱302,391,530	₱304,021,399
Current Liabilities (b)	59,285,572	130,939,028
Working Capital Ratio (a/b)	5.1:1	2.3:1

B. Financial Condition

Year Ended 31 December 2017 Compared To 2016

TOTAL ASSETS declined by ₱109.9 million from ₱1,737.3 million in 2016 to ₱1,627.4 million in 2017. The significant changes in account balances from period to period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱25.2 million due to the net cash used in operating activities, partially offset by cash from investing activities.
- **RECEIVABLES** decreased by ₱3.1 million due to the provision for doubtful accounts in 2017 and realization of accrued revenue.
- **DUE FROM RELATED PARTIES** increased by ₱26.7 million which is mainly accounted for by the unpaid balance from the approved reduction over BHSI's share capital.
- **INVESTMENT IN ASSOCIATES AND JOINT VENTURE** decreased by ₱109.5 million due to the approved reduction over BHSI's share capital, partially offset by the increase in share of results of associated companies.
- **DEFERED INCOME TAX ASSETS, NET** increased by ₱1.5 million related to the increase in tax base on accruals in 2017.

Year Ended 31 December 2016 Compared To 2015

TOTAL ASSETS declined by ₱30.7 million from ₱1,768.0 million in 2015 to ₱1,737.3 million in 2016. The significant changes in account balances from period to period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱3.0 million due to net cash used in operating activities, partly offset by collection of intercompany advances.
- **RECEIVABLES** decreased by ₱2.5 million resulting from collections from third parties.
- **DUE FROM RELATED PARTIES** decreased by ₱35.0 million due to collection from associated companies.
- **INVESTMENT IN ASSOCIATES AND JOINT VENTURE** increased by ₱6.6 million due to the share of results of associated companies.

7. TRENDS, EVENTS OR UNCERTAINTIES THAT HAVE AFFECTED OR THAT ARE REASONABLY EXPECTED TO AFFECT REVENUES OR INCOME

a) As of December 31, 2017:

- o There are no known material commitments for capital expenditures.
- o There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.
- o There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- o There are no seasonal aspects that had a material impact on the results of operations of the Company.

b) There are no events nor any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company.

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 any lawsuit or claim arising from the ordinary course of business.

e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions. Property values in the Philippines are affected by the general supply and demand of real estate.

8. INFORMATION ON EXTERNAL AUDITORS

Audit fees and other audit related fees paid by the Group to the External Auditors amounted to ₱400,000 in 2017 and 2016. There were no other fees paid.

The Audit Committee's approval policies and procedures included assessing the proposed scope of audit work to be conducted by the independent auditor, evaluating if there are material audit issues to be resolved, and then determining whether the fee charged is commensurate with the work carried out.

9. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 24) are filed as part of this Form 17-A (pages 26 to 83).

10. CHANGES IN AND DISAGREEMENTS WITH EXTERNAL AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in and/or disagreements with the Company's external auditors on accounting and financial disclosures.

PART III- CONTROL AND COMPENSATION INFORMATION

11. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Board of Directors

(1) Sam Moon Thong, 52

Mr. Sam Moon Thong, 52, was elected Director/Chairman on 27 April 2017 to replace Mr. Ng Ooi Hooi. Mr. Sam joined the Keppel Land Group in 2003 and is currently President, Regional Investments, overseeing the Group's business in India, Thailand, Myanmar, Malaysia, Philippines, Sri Lanka and Middle East. His previous appointments include President, Indonesia, overseeing the Group development and investments in Indonesia as well as General Manager, Investment, overseeing business development and asset management activities outside China and Singapore. Mr. Sam has over 20 years of experience in investing and managing real estate projects in the Asia Pacific region.

Prior to joining Keppel Land Group, Mr. Sam was Vice-President, Real Estate Development and Investment at Ascendas Pte Ltd and Business Development Manager at Fraser Centrepoint Limited, overseeing business development and investment in South-East Asia, South Asia and China. He started his career with the Urban Redevelopment Authority where he held responsibilities in the Land Management and Sale of Sites Departments.

Mr. Sam is a Director of a number of subsidiaries and associates in the Keppel Land Group.

He holds a Bachelor of Science (Estate Management) (Honours) Degree from National University of Singapore, and a Master of Business Administration Degree from the University of Dubuque, Iowa USA.

(2) Ramon J. Abejuela, 68

Mr. Ramon J. Abejuela, 68 years old, Filipino, has been an Independent Director of the Company from November 1999 to June 2008. He was re-elected in June 2009 and is currently the Chairman of the Audit Committee of the Company. He is also an Independent Director of Keppel Philippines Holdings, Inc. since 14 September 2017.

Mr. Abejuela has more than 40 years of experience in the field of financial planning, control and consultancy.

Mr. Abejuela also serves as Director and Vice Chairman of the Board of Philippine Nutri-Foods Corporation and NCP Publishing Inc. since 2004.

Mr. Abejuela holds a Bachelor of Science in Chemical Engineering (Cum Laude) Degree from De La Salle University and Master's Degree in Business Management-General Management Curriculum from Asian Institute of Management.

(3) Celso P. Vivas, 71

Mr. Celso P. Vivas, 71, Filipino, has been an Independent Director of the Company since November 2004 and is a member of the Company's Audit Committee.

Mr. Vivas has over 50 years of experience in audit, finance, enterprise risk management and corporate governance.

Mr. Vivas is a Certified Public Accountant and is currently a member of Marubeni Foundation's Board of Trustees. He is also an Independent Director and Chairman of the Audit Committee of Keppel Philippines Marine, Inc., as well as an Independent Director and is currently the Chairman

and Lead Independent Director of the Audit & Risk Management Committee of Keppel Philippines Holdings, Inc. He also serves as an Independent Director of Republic Glass Holdings since June 2017 and is a Director of Goodsoil Marine Realty, Inc. and Goodwealth Realty Development, Inc., subsidiaries of Keppel Philippines Holdings, Inc., and Keppel Subic Shipyard, Inc. He was Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Company until his retirement in 2001.

Mr. Vivas holds a Bachelor of Business Administration (Cum Laude) Degree from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (SGV & Co. Scholar). He is also a graduate of Company Directors' Course from Australian Institute of Company Directors (ICD Scholar).

(4) Stefan Tong Wai Mun, 45

Mr. Stefan Tong Wai Mun, 45, Malaysian, was elected as a Director of the Company in June 2007. He is currently Director and member of the Audit and Risk Management Committee of Keppel Philippines Holdings, Inc. He is also the Executive Vice President, Director and member of the Audit Committee of Keppel Philippines Marine, Inc. as well as Director of Keppel Subic Shipyard, Inc. He is also Director of various Keppel companies in the Philippines.

Mr. Tong has more than 20 years of experience in banking, finance and real estate.

Mr. Tong holds a Bachelor of Commerce Degree in Accounting and Finance (Honours) from University of Western Australia. He is a Chartered Accountant and a member of the Institute of Chartered Accountants in Australia.

(5) Oh Lock Soon, 58

Mr. Oh Lock Soon, 58, Singaporean, was elected as a Director and President of the Company to replace Mr. Lee Foo Tuck on 31 March 2017. Prior to his election, Mr. Oh Lock Soon served as the President of Keppel Thai Properties Public Company Limited from Jan. 2012 until June 2016. He served as an Executive Director at Keppel Thai Properties Public Company Limited from December 2011 until June 2016. Further, under Keppel Land International Ltd, Mr. Oh served as President (Thailand) under the Regional Investments Division.

Prior to joining Keppel Land International Ltd, Mr. Oh served as Director for Qingjian Realty Pte Ltd He also served as General Manager for Acacio Concept Singapore Pte Ltd in 2010. In 2009, he sat as General Manager of Qingjian Precast Pte Ltd. Mr Oh was the Chief Operating Officer of TCCCapitalland (Thailand) Limited, a joint venture between Capital Land (Singapore) Limited and TCC Land (Thailand) Limited from Nov 2006 until Dec 2008.

Mr. Oh holds a Bachelor of Science degree in Civil Engineering, Honors from University of Southampton and Master of Science degree in Concrete Structure from the Imperial College of Science, Technology and Medicine, University of London, U.K.

(6) Lim Kei Hin, 60

Mr. Lim Kei Hin, 60, Singaporean, was elected a Director of the Company in June 2011. Mr. Lim joined the Keppel Land Group as Chief Financial Officer in July 2007.

Prior to joining the Keppel Land Group, he was with Singapore Airlines Limited and has more than 20 years of diverse experience having served in different financial and general management roles in Singapore, the Philippines, Australia and the United States. His last appointment was Chief Financial Officer of Singapore Airport Terminal Services Limited.

Mr. Lim is a Director several subsidiaries and associated companies of the Keppel Land Group.

Mr. Lim holds a Bachelor of Science (Economics) Degree in Accounting & Finance (Honours) from London School of Economics & Political Science, UK.

(7) Tan Siew Ngok, 61

Ms. Tan Siew Ngok, 61, Singaporean, was elected as a Director of the Company in March 2015. Ms. Tan is the General Manager (Finance and Administration) of Keppel Land International (Management) Pte Ltd. She is also a Director of subsidiaries and associated companies of the Keppel Land Group.

Ms. Tan holds a Bachelor in Commerce (Accountancy) Degree from Nanyang University, Singapore. She is a Fellow of CPA, Australia and a Fellow of Institute of Singapore Chartered Accountants.

Key Officers

Oh Lock Soon, 58, Singaporean. *(See foregoing director's profile)*

Pang Chan Fan, 36, Singaporean, was appointed Treasurer of the Company to replace Ms. Almira Afioneuvo on 9 October 2017. He joined Keppel Land Group under Keppel Land Hospitality Management Pte Ltd. and was assigned as the Financial Controller of Wiseland Investment (Myanmar) Ltd in October 2015. He was then transferred to Keppel Land International Limited and was assigned as Financial Controller of the Company in April 2017. Prior to joining Keppel, he has held positions as a Finance Manager and has started his professional career in audit firms in Singapore.

Atty. Ma. Melva E. Valdez, 58, Filipino, has been the Corporate Secretary of the Company since 1999. She also served as Director of the Company from 24 June 2008 to 11 June 2009. She was elected director of Keppel Philippines Holdings (KPH) in 2001. Atty. Valdez is also the Corporate Secretary of KPH since 1998. She is a Senior Partner and Chairman of the law firm of Bello Valdez Caluya & Fernandez (JGLaw). She is also the Corporate Secretary of Keppel Philippines Marine, Inc. (KPMI), Mabuhay Vinyl Corporation (listed corporation), Subic Shipyard & Engineering Works, Inc., EMS Components Assembly Inc., EMS Resources Technology Inc., EMS Land Services Inc., Alliance Mansols Inc., Creotec Philippines Inc., EMS Services Philippines Inc., EMS Services International Inc., Wartsila Philippines Inc. and Asian Institute of Management. She is also a member of the Board of Directors of Leighton Contractors (Philippines), Inc., Servier Philippines, Inc., Buena Homes (Sandoval), Inc., Cambe Dental Inc., Suretrac Holdings Inc., and Asia Contractors Holdings, Inc. She holds directorship positions in the following companies: Logwin Air + Ocean Philippines, Inc., KPSI Property, Inc., Opon Realty & Development Corp., Opon-Ke Properties, Inc., KP Capital, Inc., Bridex Electric Philippines, Inc., Asia Control Systems Philippines, Inc., Kepwealth Property Philippines, Inc., Trisilco Folec Philippines, Inc. and Norfolk International, Inc. Atty. Valdez graduated from the University of the Philippines with a Bachelor of Arts Degree in Political Science and a Bachelor's Degree in Law. She has 29 years of working experience in her field of profession as a lawyer.

Atty. Myla Gloria A. Amboy, 47, Filipino, was elected as the Company's Assistant Corporate Secretary on 31 March 2007. She is a Senior Associate of the law firm of Bello Valdez Caluya & Fernandez (JG Law). She is also the Assistant Corporate Secretary of SM Keppel Land, Inc., Mabuhay Vinyl Corporation (listed corporation), MVC Properties Inc., CSRI Investment Corporation, Creotec Philippines Inc., Buena Homes (Sandoval) Inc., and Opon Ventures Inc. and the Corporate Secretary of Opon Realty Development Corporation, Buena Homes Inc., Opon-KE Properties, Inc., Creotec Philippines Inc., Suretrac Holdings Inc., Cambe Dental Clinic Inc., and Servier International Philippines, Inc. She graduated from San Beda College of Law with a Bachelor's Degree in Law and San Sebastian College with a Bachelor's Degree in Political Science (Cum Laude).

The members of the Board of Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Officers are elected/appointed annually by the Board of Directors at its organizational meeting following the Annual Meeting of the Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected/appointed and shall have qualified.

As stated in this report, the business experience of the Company's directors and officers covers the past five years.

Significant Employees

There are no other employees other than the officers mentioned herein as executive officers who are expected to make a significant contribution to the business.

Directorships in Other Reporting Companies

The following are directorships held by Directors in other reporting companies:

Ramon J. Abejuela

Name of Corporation	Position
Keppel Philippines Holdings, Inc.	Independent Director

Celso P. Vivas

Name of Corporation	Position
Keppel Philippines Holdings, Inc.	Independent Director and Chairman and Lead Independent Director of the Audit & Risk Management Committee
Keppel Philippines Marine, Inc.....	Independent Director

Stefan Tong Wai Mun

Name of Corporation	Position
Keppel Philippines Holdings, Inc.....	Director
Keppel Philippines Marine, Inc.....	Director and Executive Vice President

Family Relationship

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the company to become directors or executive officers, any security holder of certain record, beneficial owner or management.

Legal Proceedings

To the knowledge and/or information of the Company, none of the directors and officers/nominees was involved during the past five (5) years in any litigation nor any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

12. EXECUTIVE COMPENSATION

The Company has six executive officers as of 31 December 2017:

Name	Principal Position
Oh Lock Soon	President
Pang Chan Fan	Finance Controller
Joseph Paul Pelaez	Manager – Legal & Compliance
Michelle G. Curiano	Manager – Human Resources
Sally Ann Vale	Deputy Manager – Finance & Administration
Jan Michael Velasco	Asst. Manager – Finance & Administration

- a. The aggregate annual compensation (including salary and benefits) paid to the executive officers is summarized in the table below:

Top four executive officers as a group unnamed	Salary	Bonus	Others	Total
	In Php Millions			
2018 (Estimate)	21.05	5.69	0.07	26.81
2017	17.55	4.82	0.03	22.40
2016	6.21	0.21	0.00	6.42

Other officers and directors as a group unnamed	Salary	Bonus	Others	Total
	In Php Millions			
2018 (Estimate)	2.42	0.18	0.02	2.62
2017	2.87	0.10	0.06	3.03
2016	1.18	0.00	0.00	1.18

Executive Officers do not receive any other form of remuneration aside from the above compensation. There are no arrangements and/or employment contracts between the Company and executive officers providing for any compensatory plan or arrangement for payment upon resignation, retirement, termination or cessation of employment.

- b. The Company's By-Laws provide that, by resolution of the Board, each Director shall receive a per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten (10%) of the net income before tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders. With respect to directors' remuneration, the directors are being paid directors' fees of ₱80,000 each per annum. Payment of directors' fee of ₱80,000 per director for 2017 will be presented to the stockholders for approval at the annual stockholders' meeting. Each director also receives an amount of ₱10,000 per diem for attendance at every board meeting.
- c. There are no other standard or special arrangements and no special consulting contracts awarded to any director or officer of the Company by which they were compensated, or to be compensated, directly or indirectly, and there are no amounts payable to any of the directors arising from participation in any working committee or special assignments in the current fiscal year or in the coming year.

- d. There are no employment contract/s, termination and change in control arrangements including pension/s or retirement plan/s in which any of the directors and officers will participate.
- e. There are no outstanding warrants or options held by the registrant's chief executive officers, executive officers and all officers and directors as a group.

1. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Record and Beneficial Owners:

As of 31 December 2017, the Company has no knowledge of any individual or any party who beneficially owns Keppel Philippines Properties, Inc. stock in excess of 5% of the Company's common stock except as set forth in the table below:

Title of Class	Name and Address of Record Owner and relationship with The Company	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Shares of Stock	Keppel Land Limited ¹ 230 Victoria Street, #15-05 Bugis Junction Towers, Singapore 188024 (Stockholder)	Same as Record Owner	Singaporean	148,365,050	50.49%
Common Shares of Stock	Kepwealth, Inc. ² Unit 3-B Country Space I Bldg., Sen. Gil Puyat Avenue, Makati City (Stockholder)	Same as Record Owner	Filipino	51,033,178	17.37%
Common Shares of Stock	Keppel Corporation Limited ³ 1 HarbourFront Avenue #18-01 Keppel Bay Tower, Singapore 098632 (Stockholder)	Same as Record Owner	Singaporean	35,783,742	12.18%
Common Shares of Stock	PCD Nominee Corp. – Filipino ⁴ 37/F Enterprise Bldg. Ayala Avenue, Makati City 1226	Various ⁵	Filipino	31,033,730	10.56%

- Mr. Sam Moon Thong; is authorized as proxy to vote for the shareholdings of Keppel Land Limited.
- Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote in the shares of Kepwealth in the Company.
- Mr. Stefan Tong Wai Mun, or in his absence, the Chairman of the meeting is duly authorized as proxy to vote for the shareholdings of KCL in the Company.
- PCD Nominee Corporation (PCNC) is a wholly owned subsidiary of the Philippine Central Depository, a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all shares lodged in the PCD system, where trades effected on the Philippine Stock Exchange are finally settled with the PCD. However, while PCNC is the actual shareholder in the said company, shares held by PCNC do not grant voting powers to it as beneficial ownership of the shares still remain with the lodging stockholder. By policy, PCNC does not vote the shares it was entrusted with in its name.
- Molten Pte. Ltd is the beneficial owner of the following shares of the Company as of 31 December 2017:

	<u>No. of shares held</u>	<u>% of class</u>
Molten Pte. Ltd	18,496,016	6.29%

(b) Security Ownership of Directors and Management:

As of 31 December 2017, the shareholdings of all Directors of Keppel Philippines Properties, Inc. are set forth in the table below:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares of Stock	Lim Kei Hin	1	Singaporean	0.00%
Common Shares of Stock	Ramon J. Abejuela	1	Filipino	0.00%
Common Shares of Stock	Celso P. Vivas	1	Filipino	0.00%
Common Shares of Stock	Sam Moon Thong*	1	Singaporean	0.00%
Common Shares of Stock	Stefan Tong Wai Mun	10,000	Malaysian	0.00%
Common Shares of Stock	Oh Lock Soon	1	Singaporean	0.00%
Common Shares of Stock	Tan Siew Ngok	1	Singaporean	0.00%

* Elected on 27 April 2017 to replace Mr. Ng Ooi Hooi

* Elected on 31 March 2017 to replace Mr. Lee Foo Tuck

As disclosed above, apart from the President, who is also a director of the Company, none of the compensated executive officers have Security Ownership in the Company as shown in the list of shareholders' purchases provided by the Company's transfer agent.

(c) Voting Trust Holders of 5% or more

As of December 31, 2017, there are no individuals or parties who hold 5% or more of the Company's common stock under a voting trust or similar agreement.

(d) Changes in control

There were no events or arrangements which may result in a change in control of the Company.

14. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

- a) During the last two (2) years, no director of the Company has received or become entitled to receive any benefit by reason of any contract with the Company, a related corporation, a firm of which the director is a member or a company of which a director has a substantial financial interest.

There are no transactions in the last two (2) years or proposed transactions to which the registrant was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

- i. Any director or executive officer of the Corporation
 - ii. Any nominee for election as a director;
 - iii. Any security holders;
 - iv. Any member of the immediate family of the preceding persons.
- b) The parent company of the registrant is Keppel Land Limited (KLL). KLL owns 50.49% of the Company's capital stock.

Details of the Company's related party transactions are explained in Note 10 of the Notes to the Audited Financial Statements of the Company (Pages 46-48).

PART IV – CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The Parent Company complies with the principles and practices of good corporate governance by adherence to its Amended Manual on Corporate Governance (“the Amended Manual”).

The Parent Company has a Compliance Officer who diligently performs the duties and responsibilities under the Amended Manual, by reporting to Directors and Officers the pertinent requirements on corporate governance from time to time, and monitoring the compliance of such requirements. The Amended Manual is updated by incorporating new and improved governance and management practices, obtained through attendance at corporate governance seminars conducted by institutions accredited by SEC. The appointment/designation of the Compliance Officer has been immediately disclosed to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Board of Directors (“The Board”) has continued to observe the Parent Company's corporate missions and visions to ensure the long-term success of the Corporation and its continued competitiveness in the industry.

The Compliance Officer ensures that the Board of Directors, its officers and employees comply with all the leading practices and principles on good corporate governance as embodied in the Parent Company's Amended Manual. The Parent Company also complies with the appropriate self-rating assessment and performance evaluation system to determine and measure compliance in accordance with the Amended Manual.

The Parent Company has created committees required under the Amended Manual, namely, Audit Committee, Nominations/Screening Committee, and Compensation/Remuneration Committee. The creation of said committees and the corresponding members thereof have been immediately disclosed to the SEC and the PSE. Each committee aforementioned performed their functions and responsibilities set forth in the Amended Manual.

The Audit Committee meets regularly to review all financial reports to comply with relevant accounting and regulatory standards, and performs oversight of financial management functions. As required by the Rules, two (2) independent directors are members of the Audit Committee, with one (1) independent director serving as head of said Committee.

The Nomination/Screening Committee complied with the provisions of the Corporation's Amended Manual of Corporate Governance on the pre-screening of all candidates nominated to become a member of the Board of Directors. The qualifications of director mentioned in the Amended Manual have also been strictly followed.

All of the directors of the Parent Company have attended and actively participated in Corporate Governance Seminars.

The Parent Company has submitted its Annual Corporate Governance Report to SEC and PSE on 30 May 2017 and 31 May 2017, respectively.

PART V- EXHIBITS AND SCHEDULES

16. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits- See accompanying Index to Exhibits (page 90)

The following exhibit is filed as a separate section of this report:
No. (18) on Index to Exhibits - Subsidiaries of the Registrant (page 91)

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C


Reports on SEC Form 17-C filed during the last twelve (12) month period covered by this report are as follows:

<u>Date</u>	<u>Events Reported</u>
16 February 2017	Approval and release of Audited Financial Statements and SEC Form 17-A as of 31 December 2016
15 March 2017	Setting of the date of the Corporation's Y2017 Annual Stockholders' Meeting and fixing the record date for Stockholders entitled to notice of and to vote during the Annual Stockholders' Meeting
31 March 2017	Resignation/Election of Director/Officer
18 April 2017	Schedule, venue and agenda of the Y2017 Annual Stockholders' Meeting of the Corporation
27 April 2017	Resignation/Election of Director/Officer
12 May 2017	Amendment of the Fourth Article of Incorporation extending the corporate term to another 50 years
08 June 2017	Approval of Director's remuneration

<u>Date</u>	<u>Events Reported</u>
08 June 2017	Results of the Annual Stockholders' Meeting for Y2017 <ul style="list-style-type: none"> - Appointment of External Auditor - Election of Directors - Presentation and approval of Y2016 Annual Report and Audited Financial Statements as of 31 December 2016 - Approval of Directors' Remuneration for Y2016
08 June 2017	Results of the Organizational Meeting <ul style="list-style-type: none"> - Election of Officers/Appointment of Members of various Committees
09 October 2017	Resignation/Election of Treasurer
23 October 2017	Conclusion of Stock Transfer Agreement
30 October 2017	Conclusion of Stock Transfer Agreement
27 November 2017	Conclusion of Stock Transfer Agreement
29 November 2017	Conclusion of Stock Transfer Agreement <ul style="list-style-type: none"> - Extension of services of stock transfer and dividend paying agent - Appointment of stock transfer and dividend paying agent

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on _____ April 2018.

By:


Oh Lock Soon
President


Pang Chan Fan
Treasurer



Atty. Ma. Melva E. Valdez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day _____ of 2018 affiant
(s) exhibiting to me his/their Tax Identification Numbers, as follows:

APR 13 2018

<u>Names</u>	<u>TIN</u>
Oh Lock Soon	486-612-639
Pang Chan Fan	500-034-655
Ma. Melva E. Valdez	123-493-209

Doc. No. 12
Page No. 3
Book No. II
Series of 2018.


ALFIEDECK C. ARANETA
Notary Public - Pasig City
Appointment No. 209 (2017-2018)
17th Floor, Robinsons Equitable Tower, #4 ADB Ave.,
cor. P. Poveda Drive, Ortigas Center, Pasig City
TBP Lifetime No. 1058377 / 06 January 2017 / Quezon City
PTR No. 3985384/23 January 2018 / Pasig City
MCLE Compliance No.: VI-0000640
Attorney's Roll No. 66096

KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

Financial Statements

Page No.

Statements of Management's Responsibility for Financial Statements	25
Report of Independent Public Accountants	26 - 32
Consolidated Statement of Financial Position as of December 31, 2017 and 2016	34
Consolidated Statements of Comprehensive Income for the Three Years Ended December 31, 2017, 2016 and 2015	35
Consolidated Statements of Changes in Equity as of December 31, 2017, 2016 and 2015	36
Statements of Cash Flows for the Three Years in the Period Ended December 31, 2017, 2016 and 2015	37
Notes to Financial Statements	38-77

Supplementary Schedules

	Report of Independent Public Accountants on Supplementary Schedules	78
A	Financial Assets (Loans and Receivables, Fair Value Through profit and Loss, Held to Maturity Investments, Available for Sale Securities)	79
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	*
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements.	80
D	Intangible Assets- Other Assets	*
E	Long-Term Debt	*
F	Indebtedness to Related Parties	*
G	Guarantees of Securities of Other Issuers	*
H	Capital Stock	81
	Retained Earnings	82
	Financial Soundness Indicators	83
	List of Philippines Financial Reporting Standards Effective as of December 31, 2017	84-89
	Exhibit 18 Subsidiaries of the Registrant	91
	Map of the Relationships of the Company within the Group	92

* These schedules, which are required by Part IV (e) of RSA Rule 48, have been omitted because they are either not applicable, or the information required to be presented is included in the Company's Consolidated Financial Statements or the Notes to Consolidated Financial Statements.



**FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES**

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

CERTIFICATE OF AUTHENTICATION

I, J. ANTHONY A. REYES, Consul of the
Republic of the Philippines in Singapore, duly commissioned and qualified, do
hereby certify that

LIM CHEE KIANG

before whom the annexed instrument has been executed, to wit:

**NOTARIAL CERTIFICATE WITH ANNEXED STATEMENT OF MANAGEMENT'S
RESPONSIBILITY FOR FINANCIAL STATEMENTS**

was at the time he/she signed the same NOTARY PUBLIC
and that his/her signature affixed thereto is genuine.

The Embassy assumes no responsibility for the contents of the annexed
instrument.

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal
of the Embassy of the Philippines in Singapore this day of **11 April 2018**.

Service No.: 02237

O.R. No. : 2-281139

Fee Paid : \$42.50


J. ANTHONY A. REYES
Consul

CERTIFICATE OF NOTARY PUBLIC OF SINGAPORE

BE IT KNOWN

I, **LIM CHEE KIANG**, NOTARY PUBLIC, duly appointed to practise in the Republic of Singapore

CERTIFY

That the document hereunto annexed as produced to me, is an original letter dated 21 March 2018 captioned: "STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS" issued by Keppel Philippines Properties, Inc. and Subsidiaries, and signed on its behalf by its authorized signatories, Sam Moon Thong, Oh Lock Soon and Pang Chan Fan.

IN FAITH AND TESTIMONY whereof I the said notary have hereunto subscribed my name and set and affixed my seal of office at Singapore, this 11th day of April 2018.



A handwritten signature in blue ink, appearing to read "林志强" (Lim Chee Kiang).

**NOTARY PUBLIC
REPUBLIC OF SINGAPORE**

Keppel Philippines Properties, Inc.
Units 2203-2204 Raffles Corporate Center
F. Ortigas Jr. Road, Ortigas Center
Pasig City 1605, Philippines

Tel : (632) 5846170
(632) 5846171
(632) 5843913
Fax: (632) 5843915

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Keppel Philippines Properties, Inc. and Subsidiaries ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


SAM MOON THONG
Chairman of the Board


OH LOCK SOON
President


PANG CHAN FAN
Treasurer



Signed this 21st day of March 2018

APR 13 2018

SUBSCRIBED AND SWORN to before me this _____ at _____, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	ID No.
Oh Lock Soon	TIN 486-612-639
Pang Chan Fan	TIN 500-034-655

DOC. NO. 13
PAGE NO. 3
BOOK NO. 11
SERIES OF 2018



ALFRED MACK C. ARANETA

Notary Public - Pasig City

Appointment No. 209 (2017-2018)

17th Floor, Robinsons Equitable Tower, #4 ADB Ave.,
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BP Lifetime No. 1058377 / 06 January 2017 / Quezon City

PTR No. 3985384/23 January 2018 / Pasig City

MCLE Compliance No.: VI-0000640

Attorney's Roll No. 66096



Independent Auditor's Report

To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Keppel Philippine Properties, Inc. and its subsidiaries (together, the "Group") as at December 31, 2017 and 2016, and their consolidated financial performance and consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2017 and 2016;
- the consolidated statements of total comprehensive income for the years ended December 31, 2017 and 2016;
- the consolidated statements of changes in equity for the years ended December 31, 2017 and 2016;
- the consolidated statements of cash flows for the years ended December 31, 2017 and 2016; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Page 2

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Page 3

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><u>Estimation of share in net earnings of a joint venture</u></p> <p>Refer to Note 19 to the consolidated financial statements.</p> <p>We focused on this balance because of the estimation uncertainty involved in determining the balance.</p> <p>Due to the early year-end closing, management had to estimate the net earnings of a joint venture for the purpose of determining the Group's share in the joint venture's net earnings. At that time, the financial information of the joint venture for the month of December was not yet available. The estimate was based on management's assessment of the historical trend of the joint venture's operations, taking into account the circumstances existing during the period covered by the estimate.</p>	<p>Our audit procedures included obtaining an understanding of the estimation process, reviewing management's basis for the estimate, and performing a retrospective analysis of management's estimate.</p> <p>We have performed an independent assessment of management's assumptions and tested them for reasonableness. One key assumption was that the results of the joint venture's operations for the month of December was substantially consistent with those of November. We tested such assumption by reviewing the significant revenues and expenses of the joint venture and assessing whether there were factors that would cause a significant increase or decrease in December. No such factors were identified.</p>



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Page 4

Key Audit Matter	How our audit addressed the Key Audit Matter
For the years ended December 31, 2017 and 2016, the Group's share in the net earnings of the joint venture amounted to P13.6 million and P8.4 million, respectively.	As part of subsequent events testing, we were able to get the actual results of the joint venture's operations for the month of December 2017. Noted that this has no material variance with the estimated and recognized earnings.
<u>Propriety of accounting treatment on return of investments from Buena Homes (Sandoval), Inc. (BHSI), an associate</u>	
Refer to Note 6 to the consolidated financial statements.	
We focused on this transaction because it is considered non-routine and the amount is material.	Our audit procedures included obtaining an understanding of the nature of the transactions and inspection of relevant documents such as the approval of the Board of Directors of BHSI, proof of settlement and the certificate of approval issued by the Securities and Exchanges Commission. To ensure completeness and accuracy of underlying transaction, we have traced the carrying amount and have likewise inspected the supporting documents and journal entries to validate the consideration and manner of payment which included offsetting of the advances and cash settlement. Based on the procedures we have performed, we have noted that the transaction was completely and correctly recorded in the Group's financial statements.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Page 5

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity with the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Page 6

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity with the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entities to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Page 7

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

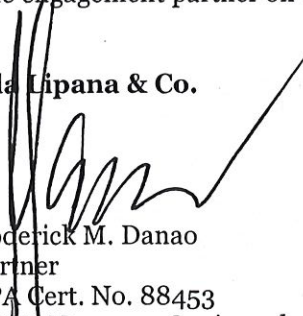
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2015 were audited by another firm of auditors whose report, dated February 23, 2016, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.



Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 10, 2018, Makati City
SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 21, 2018

Keppel Philippines Properties, Inc. and Subsidiaries

**Consolidated Financial Statements
As at and for the years ended December 31, 2017 and 2016
(With comparative figures for the year ended December 31, 2015)**

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2017 and 2016
(All amounts in Philippine Peso)



	Notes	2017	2016
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	178,689,036	203,870,854
Receivables	3	1,014,492	4,163,502
Due from related parties	10	100,331,592	73,675,374
Prepayments and other current assets	4	22,356,410	22,311,669
Total current assets		302,391,530	304,021,399
Non-current assets			
Available-for-sale financial assets	5	79,512,230	79,512,230
Investments in associates and a joint venture	6	1,242,629,719	1,352,170,092
Property and equipment, net	7	1,211,206	1,011,342
Refundable deposits		72,300	120,108
Retirement benefit asset	15	58,823	420,164
Deferred income tax assets, net	13	1,481,979	-
Total non-current assets		1,324,966,257	1,433,233,936
Total assets		1,627,357,787	1,737,255,335
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accounts payable and other current liabilities	8	11,559,677	6,854,079
Due to related parties	10	47,701,578	124,003,885
Income tax payable		24,317	81,064
Total current liabilities		59,285,572	130,939,028
Non-current liability			
Deferred income tax liabilities, net	13	-	69,409
Total liabilities		59,285,572	131,008,437
Equity			
Share capital	9	356,104,000	356,104,000
Share premium		602,885,517	602,885,517
Treasury shares		(2,667,645)	(2,667,645)
Other reserves		353,667	679,410
Retained earnings		611,396,676	649,245,616
Total equity		1,568,072,215	1,606,246,898
Total liabilities and equity		1,627,357,787	1,737,255,335

The notes from pages 1 to 44 are an integral part of these financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For the years ended December 31, 2017 and 2016
(With comparative figures for the year ended December 31, 2015)
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Revenue and income				
Share of results of associated companies	6	13,743,107	6,754,238	12,552,560
Management consultancy and franchise fees	10	5,422,544	5,506,688	5,070,692
Interest income	2	3,197,901	1,912,562	972,204
		22,363,552	14,173,488	18,595,456
General and administrative expenses	11	(58,815,764)	(44,996,312)	(36,322,415)
Other income (expense), net	12	(1,891,135)	1,310,578	4,333,665
Loss before income tax		(38,343,347)	(29,512,246)	(13,393,294)
Income tax benefit (expense)	13	494,407	(662,363)	(668,035)
Net loss for the year		(37,848,940)	(30,174,609)	(14,061,329)
Other comprehensive income (loss)				
Items that will not be subsequently reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plan	15	(172,189)	(149,989)	316,734
Deferred income tax relating to actuarial loss (gain)	15	51,657	44,997	(95,020)
Share in actuarial gains (losses) of an associate and a joint venture	6	(205,211)	(150,656)	66,707
		(325,743)	(255,648)	288,421
Total comprehensive loss for the year		(38,174,683)	(30,430,257)	(13,772,908)
Basic and diluted loss per share	14	(0.13)	(0.10)	(0.05)

The notes from pages 1 to 44 are integral part of these financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
 For the years ended December 31, 2017 and 2016
 (With comparative figures for the year ended December 31, 2015)
 (All amounts in Philippine Peso)

	Share capital		Share premium (Note 9)	Treasury shares (Note 9)	Actuarial gain on defined benefit plan (Notes 9 & 15)	Share in actuarial gain of an associate and a joint venture (Notes 6 & 9)	Retained earnings (Note 9)	Total equity
	Common (Note 9)	Preferred (Note 9)						
Balances at January 1, 2015	296,629,900	59,474,100	602,885,517	(2,667,645)	238,266	408,371	693,481,554	1,650,450,063
Comprehensive income								
Net loss for the year	-	-	-	-	-	-	(14,061,329)	(14,061,329)
Other comprehensive income	-	-	-	-	221,714	66,707	-	288,421
Total comprehensive income (loss) for the year	-	-	-	-	221,714	66,707	(14,061,329)	(13,772,908)
Balances at December 31, 2015	296,629,900	59,474,100	602,885,517	(2,667,645)	459,980	475,078	679,420,225	1,636,677,155
Comprehensive income								
Net loss for the year	-	-	-	-	-	-	(30,174,609)	(30,174,609)
Other comprehensive loss	-	-	-	-	(104,992)	(150,656)	-	(255,648)
Total comprehensive loss for the year	-	-	-	-	(104,992)	(150,656)	(30,174,609)	(30,430,257)
Balances at December 31, 2016	296,629,900	59,474,100	602,885,517	(2,667,645)	354,988	324,422	649,245,616	1,606,246,898
Comprehensive income								
Net loss for the year	-	-	-	-	-	-	(37,848,940)	(37,848,940)
Other comprehensive loss	-	-	-	-	(120,532)	(205,211)	-	(325,743)
Total comprehensive loss for the year	-	-	-	-	(120,532)	(205,211)	(37,848,940)	(38,174,683)
Balances at December 31, 2017	296,629,900	59,474,100	602,885,517	(2,667,645)	234,456	119,211	611,396,676	1,568,072,215

The notes on pages 1 to 44 are integral part of these consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(With comparative figures for the year ended December 31, 2015)
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Cash flows from operating activities				
Loss before income tax		(38,343,347)	(29,512,246)	(13,393,294)
Adjustments for:				
Retirement benefit expense	15	328,438	145,914	214,695
Depreciation expense	7,11	317,416	134,213	139,763
Foreign exchange (gain) loss, net	18.1a	(1,247)	(3,120)	291
Gain on sale of property and equipment	10,12	(140,000)	(100,000)	-
Gain on reversal of liabilities	8,12	(446,198)	(1,279,245)	(4,448,924)
Interest income	2	(3,197,901)	(1,912,562)	(972,204)
Share of results of associated companies	6	(13,743,107)	(6,754,238)	(12,552,560)
Operating loss before working capital changes		(55,225,946)	(39,281,284)	(31,012,233)
Decrease (increase) in:				
Receivables		3,406,715	2,567,964	(1,386,738)
Due from related parties		(1,821,060)	(684,556)	12,674,276
Prepayments and other current assets		(44,741)	(2,589,438)	(335,662)
Increase in:				
Accounts payable and other current liabilities		5,151,796	1,207,159	3,736,599
Due to related parties		7,399,186	3,885	-
Net cash used in operations		(41,134,050)	(38,776,270)	(16,323,758)
Contribution to the retirement plan	15	(139,286)	(139,286)	(176,527)
Interest received		2,940,196	1,827,897	839,903
Income tax paid		(1,062,071)	(819,819)	(371,933)
Net cash used in operating activities		(39,395,211)	(37,907,478)	(16,032,315)
Cash flows from investing activities				
Return of investments from an associate	10	14,541,618	-	-
Decrease (increase) in refundable deposits		47,808	(12,998)	-
Proceeds from sale of property and equipment		140,000	100,000	-
Decrease in amounts due from related parties		-	35,733,200	71,466,800
Payments for acquisition of property and equipment		(517,280)	(961,303)	(16,535)
Net cash provided by investing activities		14,212,146	34,858,899	71,450,265
Net increase (decrease) in cash and cash equivalents		(25,183,065)	(3,048,579)	55,417,950
Cash and cash equivalents at January 1		203,870,854	206,916,313	151,498,654
Effect of exchange rate changes on cash and cash equivalents		1,247	3,120	(291)
Cash and cash equivalents at December 31	2	178,689,036	203,870,854	206,916,313

The notes on pages 1 to 44 are integral part of these consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2017 and 2016

(With comparative figures for the year ended December 31, 2015)

(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. 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 December 31, 2017 and 2016, the top five shareholders of the Parent Company are the following:

Shareholders	Percentage of ownership	
	2017	2016
KLL	50%	50%
Kepwealth, Inc.	17%	17%
KCL	12%	12%
Molten Pte Ltd	7%	-
Public*	14%	21%

*8% direct ownership and 6% through PCD Nominee Corporation as at December 31, 2017 while 9% direct ownership and 12% through PCD Nominee Corporation as at December 31, 2016

As at December 31, 2017 and 2016, 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	Real estate development
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 development (Note 6) and renders management consultancy services to associates (Note 10).

The consolidated financial statements of the Group have been approved and authorized for issuance by the Board of Directors (BOD) on March 21, 2018.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2017	2016
Cash in banks	18,215,016	12,580,758
Cash equivalents	160,381,525	191,237,601
Cash on hand	92,495	52,495
	<u>178,689,036</u>	<u>203,870,854</u>

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates that range from 0.525% to 2.00% per annum in 2017 (2016 - 0.525% to 1.625% per annum; 2015 - 0.525% to 0.875% per annum).

Interest income from cash and cash equivalents amounted P3.2 million in 2017 (2016 - P1.9 million; 2015 - P1.0 million). Accrued interest receivable on money market placements is presented as part of Receivables (Note 3) and will form part of the investment carrying amount upon maturity.

Note 3 - Receivables

Receivables as at December 31 consist of:

	Notes	2017	2016
Non-trade		2,666,664	2,666,664
Accrued income		460,984	757,420
Accrued interest	2	379,954	173,790
Receivables from employees		164,293	205,481
Others	10	9,261	360,147
		<u>3,681,156</u>	<u>4,163,502</u>
Allowance for impairment loss		<u>(2,666,664)</u>	-
		<u>1,014,492</u>	<u>4,163,502</u>

Accrued income pertains to accruals for management and franchise fee revenue and are collectible within one year.

Receivables from employees represent non-interest bearing loans granted to employees that are collected through salary deduction and are collectible within one year.

Non-trade receivable pertains to the receivable arising from an agreement of the Group with a third party entered into on October 24, 2013 to sell the its fully depreciated investment properties. As at December 31, 2017, full allowance was provided for the receivable, subject to reversal until such time management can determine the probable amount to be recovered from the third party.

Note 4 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2017	2016
Prepaid income taxes	17,692,826	17,336,263
Prepayments	2,245,700	3,561,765
Input value added tax	2,417,884	1,413,641
	22,356,410	22,311,669

Prepaid income taxes pertain to the amounts withheld by the Group’s counterparties in relation to management consultancy fees. As at December 31, 2017 and 2016, Management has determined that these are recoverable and can be applied against future income taxes.

Prepayments include advance rental and deposits amounting to P1.9 million as at December 31, 2017 (2016 - P3.0 million), related from the transfer of the Parent Company’s office to a temporary address, and rental of residential properties for Group’s officers (Note 16).

Note 5 - Available-for-sale financial assets

Available-for-sale (AFS) financial assets as at December 31, 2017 and 2016 consist of:

	Note	Amount
Preferred equity securities	6	79,287,230
Club shares		225,000
		79,512,230

Preferred equity securities pertain to investments in redeemable preferred shares of OVI and OKEP 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 do not give the Group significant influence over OVI and OKEP (Note 6). 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 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 6 - Investments in associates and a joint venture

Details of investments in associates and a joint venture as at December 31 are as follows:

	2017	2016	2015
Cost			
At January 1	806,321,443	806,321,443	806,321,443
Return of investments	(123,078,269)	-	-
At December 31	683,243,174	806,321,443	806,321,443
Accumulated share of results of associated companies presented in profit or loss			
At January 1	545,524,227	538,769,989	526,217,429
Share of results of associated companies recognized in profit or loss	13,743,107	6,754,238	12,552,560
At December 31	559,267,334	545,524,227	538,769,989
Presented in other comprehensive income			
At January 1	324,422	475,078	408,371
Share in other comprehensive income (loss)	(205,211)	(150,656)	66,707
At December 31	119,211	324,422	475,078
	1,242,629,719	1,352,170,092	1,345,566,510

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

	Percentage of ownership		Carrying amount	
	2017	2016	2017	2016
Associates				
BHSI	40%	40%	33,655,724	158,619,227
OKEP	40%	40%	91,168,886	90,317,211
OVI	40%	40%	23,171,311	22,696,599
ORDC	40%	40%	15,529,067	14,994,888
Joint venture				
SMKL	40%	40%	1,079,104,731	1,065,542,167
			1,242,629,719	1,352,170,092

The associates and joint venture were accounted for using the equity method. For the years ended December 31, 2017 and 2016, there were no dividends received from the associates and joint venture. As at December 31, 2017 and 2016, there were no quoted prices for these investments.

BHSI is involved in the construction of a residential condominium project which has been completed in 2003. BHSI's primary activity in 2017 and 2016 involved the sale of these condominium units. As at December 31, 2017, 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.

On December 22, 2011, the BOD of BHSI approved the plan to decrease its authorized share capital. In 2012, the Group received from BHSI an amount of P100 million, which represented advances to BHI and OKEP amounting to P59.7 million and P40.3 million, respectively. The P40.3 million was received by the Group in behalf of OKEP. In 2014, the Group received additional advances P24.0 million from BHSI, thereby increasing the Group's advances from BHSI to P83.7 million as at December 31, 2016.

BHSI has filed with SEC the amendments to its articles of incorporation and by-laws to decrease its authorized capital. These amendments were approved by the Philippine SEC on September 15, 2017. In relation to this, the Group recorded the approved reduction over BHSI's share capital amounting to P123.1 million, as an equitable amount over its 40% investment. The settlement of return of investment is consisted of offsetting of prior year advances from BHSI amounting to P83.7 million, as discussed above, and cash proceeds amounting to P14.5 million. The unpaid balance amounting to P24.9 million is presented as due from related parties in the statement of financial position as at December 31, 2017. The return of investment did not result to any gain or loss.

The offsetting of prior year advances to return of investment is presented as non-cash transaction in the statement of cash flows for the year ended December 31, 2017.

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 Phase 2 of the Podium Mall, which is a five-level retail mall with an approximate gross leasable area of 46,000 sqm, a forty-two storey office tower with an approximate gross leasable area of 110,100 sqm, and a six-level basement carpark with an approximate gross leasable area of 75,300 sqm., located in Ortigas Center, Pasig City. This 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 and carpark were completed in October 2017 while the construction of the office tower is ongoing and is expected to be completed in March 2019.

Significant financial information of the associates follows:

<i>(In millions)</i>	BHSI	OKEP	OVI	ORDC
<i>December 31, 2017</i>				
Current assets	151.1	83.5	0.3	4.8
Non-current assets	0.3	255.8	119.8	82.0
Total assets	151.4	339.3	120.1	86.8
Current liabilities	66.3	70.3	2.1	72.7
Non-current liabilities	-	-	-	-
Total liabilities	66.3	70.3	2.1	72.7
Net assets	85.1	269.0	118.0	14.1
Gross revenue	3.2	2.4	-	0.8
Net income (loss) for the year	(4.4)	2.2	(0.1)	0.6
Other comprehensive income (loss)	(0.2)	(0.1)	-	-
Total comprehensive income (loss) for the year	(4.6)	2.1	(0.1)	0.6
<i>December 31, 2016</i>				
Current assets	411.5	56.7	0.3	4.8
Non-current assets	0.9	336.9	119.8	82.0
Total assets	412.4	393.6	120.1	86.8
Current liabilities	15.0	126.6	2.0	73.3
Non-current liabilities	-	-	-	-
Total liabilities	15.0	126.6	2.0	73.3
Net assets	397.4	267.0	118.1	13.5
Gross revenue	20.4	0.9	-	-
Net income (loss) for the year	(4.8)	0.7	(0.1)	(0.2)
Other comprehensive income (loss)	(0.2)	(0.1)	-	-
Total comprehensive income (loss) for the year	(5.0)	0.6	(0.1)	(0.2)

Significant financial information of the joint venture follows:

<i>(In millions)</i>	SMKL	
	2017	2016
Current assets	3,231.2	2,106.5
Cash and cash equivalents	2,261.7	1,180.3
Non-current assets	6,038.6	3,300.0
Investment properties	5,995.9	3,271.2
Current liabilities	1,713.6	597.1
Non-current liabilities	5,227.0	2,512.1
Net assets	2,329.2	2,297.3
Gross revenue	191.3	156.0
Interest income	0.8	1.4
Depreciation and amortization	(38.3)	(29.6)
Interest expense	(11.9)	(0.2)
Income tax (expense) benefit	4.0	(7.3)
Net income for the year	32.0	23.0
Other comprehensive loss	(0.1)	(0.1)
Total comprehensive income for the year	31.9	22.9

The reconciliation of the associates' and joint venture's net assets multiplied by the ownership interest and the carrying amount of each investments is shown in the table below:

	Note	BHSI	OKEP	OVI	ORDC	SMKL
<i>December 31, 2017</i>						
Net assets		85,073,628	269,114,826	118,029,079	14,173,831	2,329,200,428
Ownership interest		40%	40%	40%	40%	40%
Available-for-sale	5	34,029,451	107,645,930	47,211,632	5,669,532	931,680,171
Fair value adjustments		(373,727)	(31,287,230)	(48,000,000)	-	-
		33,655,724	14,810,186	23,959,679	9,859,535	147,424,560
			91,168,886	23,171,311	15,529,067	1,079,104,731
<i>December 31, 2016</i>						
Net assets		397,340,410	266,914,188	118,119,813	13,537,731	2,297,302,171
Ownership interest		40%	40%	40%	40%	40%
Available-for-sale	5	158,936,164	106,765,675	47,247,925	5,415,092	918,920,868
Fair value adjustments		(316,937)	(31,287,230)	(48,000,000)	-	-
		(316,937)	14,838,766	23,448,674	9,579,796	146,621,299
		158,619,227	90,317,211	22,696,599	14,994,888	1,065,542,167

Note 7 - Property and equipment

Details of property and equipment as at and for the years ended December 31 are as follows:

	Notes	Transportation equipment	Office equipment	Furniture and fixtures	Total
Cost					
At January 1, 2016		1,404,506	1,822,808	2,405,645	5,632,959
Additions		-	887,063	74,240	961,303
Disposals	10	(718,183)	-	-	(718,183)
At December 31, 2016		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

Accumulated depreciation					
At January 1, 2016		1,404,506	1,638,574	2,405,627	5,448,707
Depreciation	11	-	127,755	6,458	134,213
Disposals	10	(718,183)	-	-	(718,183)
At December 31, 2016		686,323	1,766,329	2,412,085	4,864,737
Depreciation	11	-	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
Net carrying amount					
At December 31, 2016		-	943,542	67,800	1,011,342
At December 31, 2017		-	1,163,997	47,209	1,211,206

The cost of fully depreciated property and equipment still being used in operations amounted to P3.8 million as of December 31, 2017 (2016 - P4.6 million).

In 2017, damaged office equipment amounting to Php0.3 million were written-off (2016 - nil).

Gains and losses from disposal of property and equipment are disclosed in Note 12.

Based on the results of management assessment, the Group believes that no objective evidence and indicators of impairment exist as at December 31, 2017 and 2016.

Note 8 - Accounts payable and other current liabilities

Accounts payable and other liabilities as at December 31 consist of:

	2017	2016
Accrued expenses	7,916,991	5,022,283
Taxes payable	2,818,001	752,630
Dividends payable	553,981	553,981
Accounts payable	270,704	525,185
	11,559,677	6,854,079

Accrued expenses pertain to accruals on salaries and other employee benefits and professional fees, which are to be settled within 30 to 60 days. In 2017, portion of the accruals for bonus and professional fees made in 2016 totalling to P0.4 million was reversed (2016 - P1.3 million). The gain arising from this reversal is included in "Other income (expense), net" in the statements of comprehensive income (Note 12).

Accounts payable represents payables to suppliers and are normally settled within one year.

Taxes payable pertains to the amount withheld for transactions subject to withholding tax which are to be remitted the following month after the reporting date.

Dividends payable pertains to the dividends declared when the Parent Company's name was still Cebu Shipyard and Engineering Works, Inc. but remains unclaimed by shareholders to date.

Note 9 - Equity

(a) Share capital

Share capital as at December 31, 2017, 2016 and 2015 consist of:

	Number of shares	Amount
Common shares - P1 par value		
Authorized	375,000,000	
Issued	296,629,900	296,629,900
Preferred shares - P1 par value		
Authorized	135,700,000	
Issued	59,474,100	59,474,100
		356,104,000
Treasury shares	2,801,000	(2,667,645)
		353,436,355

The Parent Company has one thousand forty two (1,042) shareholders, each owning one hundred (100) or more shares as at December 31, 2017 (2016 - 1,047).

Preferred shares, which were issued on November 11, 2003 at a price of P10 per share, are redeemable in full or in part at the option of the Parent Company, within a call period of seven (7) years from May 31, 2011, the date of approval of the SEC. The redemption price will be equivalent to the issue price with an annual premium to be approved by the BOD. The fairness of the annual premium rate must be confirmed by an independent financial advisor. No preferred shares have been redeemed in 2017 and 2016.

Preferred shareholders have preference over common shareholders with respect to the distribution of assets upon dissolution but not with respect to the payment of dividends.

Preferred shareholders are not entitled to dividends. Moreover, no voting right is vested on the preferred shareholders, except for the cases provided for under Section 6, Paragraph 6 of the Corporation Code of the Philippines.

(b) Share premium

The details of share premium presented in the consolidated statements of financial position and consolidated statements of changes in equity as at December 31, 2017 and 2016 are as follows:

Common shares	67,618,617
Preferred shares	535,266,900
	602,885,517

(c) Retained earnings

The portion of retained earnings corresponding to the undistributed share of results of associated companies amounted to P559.3 million as at December 31, 2017 (2016 - P545.5 million; 2015 - P538.8 million). These amounts are not available for distribution as dividends until declared by the associates and joint venture (Note 6). Retained earnings are further restricted to the extent of P2.7 million representing the cost of shares held in treasury as at December 31, 2017 and 2016.

(d) 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 P0.2 million as at December 31, 2017 (2016 - P0.4 million; 2015 - P0.5 million) and share in actuarial loss of an associate and a joint venture amounting to P0.1 million as at December 31, 2017 (2016 - P0.3 million loss; 2015 - P0.5 million gain) (Note 6).

(e) Track record of registration of securities

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

	Number of shares registered	Issue/ offer price	Date of approval	Number of holders of securities as at December 31		
				2017	2016	2015
Common	293,828,900	₱1	September 11, 1989	1,243	1,250	1,256

Note 10 - 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 and outstanding balances as at and for the year ended December 31 are as follows:

Related party	2017		2016		Terms and conditions
	Transaction amount	Outstanding receivable (payable)	Transaction amount	Outstanding receivable (payable)	
Parent company					
KLL (d)	230,756	230,756	360,147	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Shareholder					
Molten Pte Ltd (e)	447,725	447,725	-	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Associates					
OKEP (a)	138,903	70,218,429	184,552	70,079,526	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI (a)	132,406	2,081,411	182,172	1,949,005	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC (a)	176,428	581,184	225,534	404,756	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
BHSI					
Operating advances (a)	1,597,830	201,821	1,145,105	53,536	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Return of investment (c)	39,376,776	24,835,158	-	-	Non-interest-bearing, unsecured, collectible in cash upon demand
Joint venture					
SMKL					
Operating advances (a)	14,253,847	1,492,651	18,072,421	1,188,551	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
Management fee (b)	3,873,246	-	3,933,349	-	
Franchise fee (b)	1,549,298	-	1,573,339	-	
Entity under common control					
Wiseland Investment Myanmar, Ltd. (f)	242,457	242,457	-	-	Non-interest-bearing, unsecured, 30-to-60 days, collectible in cash
		100,331,592		73,675,374	
Associates					
OKEP (c)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable on demand
BHSI (c)	83,701,493	-	-	(83,701,493)	Non-interest-bearing, unsecured, payable on demand
Entities under common control					
SMPM (h)					
Management fee	12,155,273	(7,403,071)	12,288,851	-	Non-interest-bearing, unsecured, 30-to-60 days, payable in cash
KLIL (g)					
Operating advances	269,183	-	448,306	(3,885)	Non-interest-bearing, unsecured, payable in cash upon demand
		(47,701,578)		124,003,885	

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

Moreover, the Group extended a non-interest-bearing loan to BHSI. BHSI fully paid its loan to the Group amounting to P16.8 million on April 6, 2016 and P18.9 million on October 7, 2016.

- (b) The Group provides management, advisory and consultancy services to SMK. The amount of management fee charged by the Group to SMK amounted to P3.9 million in 2017 (2016 - P3.9 million; 2015 - P3.6 million). The amount of franchise fee charged amounted to P1.5 million in 2017 (2016 - P1.6 million; 2015 - P1.4 million). Management fee is charged at 2.5% of annual net revenues of SMK and franchise fee is charged at 1.0% of net revenues of SMK. There were no outstanding receivables from SMK for management and franchise fees as at December 31, 2017 and 2016.
- (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 returns 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 in 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 P123,078,269 (Note 6). The settlement of return of investment is consisted of offsetting of prior year advances from BHSI amounting to P83.7 million, as discussed above, and cash proceeds of P14.5 million. The unpaid balance amounting to P24.9 million is presented as due from related parties in the statement of financial position as at December 31, 2017.

The offsetting of prior year advances to return of investment is presented as non-cash transaction in the statement of cash flows for the year ended December 31, 2017.

- (d) The Group charged Keppel Land Limited (KLL), its immediate parent company, for the amount paid on behalf of KLL for legal fees amounting to P0.2 million (2016 - P0.4 million) pertaining to Court of Tax Appeals filing for redemption of preferred shares. Outstanding receivables from KLL amounted to P0.2 million as at December 31, 2017 (2016 - P0.4 million). The outstanding receivables for 2016 were presented as "Others" in Note 3.
- (e) During the year, 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. This receivable remains outstanding as at December 31, 2017.
- (f) 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 during the year. This receivable is to be collected within 60 to 90 days from the reporting period.
- (g) Keppel Land International Limited (KLIL), an entity under common control, provides support services to the Group. Operating advances for the expenses incurred by the Group amounted to P0.3 million for the year ended December 31, 2017 (2016 - P0.4 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, which is based on the time spent by SMPM personnel in rendering services to the Group, amounted to P12.2 million in 2017, (2016 - P12.3 million; 2015 - P14.1 million). Outstanding payables to SMPM amounted to P7.4 million as at December 31, 2017 (2016 - nil).

	Notes	2017	2016	2015
Salaries and other short-term employee benefits		19,615,557	13,045,415	7,049,066
Bonuses and allowances	11	8,724,235	3,503,841	1,103,561
Retirement benefits	15	312,697	153,176	175,649
		28,652,489	16,702,432	8,328,276

In 2016, the Group sold one of its fully depreciated vehicles to its management personnel for a consideration amounting to P0.1 million. The resulting gain is presented as "Gain on sale of equipment" in "Other income (expense), net" in the consolidated statement of total comprehensive income

(Note 12). This has been fully collected in 2016.

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

Transactions with the retirement fund pertain to contributions amounting to P0.1 million (2016 - P0.1 million) (Note 15).

Details of related party transactions and balances eliminated during consolidation are as follows:

Subsidiary	2017		2016		Terms and conditions
	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	
Due from subsidiaries					
BHI (a)	130,069	170,669	178,156	40,600	Non-interest-bearing, unsecured, due and demandable, collectible in cash
CSRI (a)	178,460	207,412	152,843	28,952	Non-interest-bearing, unsecured, due and demandable, collectible in cash
		378,081		69,552	
Due to a subsidiary					
BHI (c)	-	59,701,493	-	59,701,493	Non-interest-bearing, unsecured, due and demandable

Note 11 - General and administrative expenses

General and administrative expenses for the years ended December 31 are as follows:

	Notes	2017	2016	2015
Salaries, wages and employee benefits		32,498,979	20,603,678	11,251,521
Management consultancy fee	10	12,155,273	12,288,851	15,965,008
Transportation and travel		3,115,296	3,510,191	1,257,452
Professional fees		3,025,992	2,299,507	2,523,589
Rental	16	2,753,956	2,123,601	1,570,985
Taxes and licenses		1,303,739	228,619	421,749
Membership and dues		620,927	602,160	553,280
Utilities		538,986	487,577	465,285
Insurance		402,491	522,409	548,865
Postage, printing and advertising		352,499	464,884	519,020
Retirement benefits	15	328,438	145,914	214,695
Depreciation	7	317,416	134,213	139,763
Staff recreation and others		210,863	438,941	149,221
Supplies		188,066	101,492	175,379
Repairs and maintenance		181,590	336,273	234,437
Bank and other charges		50,179	75,756	78,161
Others		771,074	632,246	254,005
		58,815,764	44,996,312	36,322,415

Other expenses pertain to various expenses such as storage costs, photocopy charges, notarial fee and out-of-pocket expenses for professional services.

Note 12 - Other income (expense), net

Other income (expense), net for the years ended December 31 consist of:

	Notes	2017	2016	2015
Gain on reversal of liabilities	8	446,198	1,279,245	4,448,924
Gain on sale of equipment	10	140,000	100,000	-
Foreign exchange losses, net	18.1a	33,329	(68,667)	(115,439)
Provision for doubtful accounts	3	(2,666,664)	-	-
Others		156,002	-	180
		(1,891,135)	1,310,578	4,333,665

Note 13 - Income taxes

The details of the income tax expense (benefit) for the years ended December 31 are as follows:

	2017	2016	2015
Current	1,005,324	843,769	472,440
Deferred	(1,499,731)	(181,406)	195,595
	(494,407)	662,363	668,035

The reconciliation between the statutory income tax and the effective income tax is as follows:

	2017	2016	2015
Statutory income tax benefit	(11,503,004)	(8,853,674)	(4,017,988)
Add (deduct) tax effects of:			
Unrecognized deferred taxes on NOLCO and MCIT	15,202,741	11,506,577	9,578,457
Non-deductible expenses	543,669	710,822	415,192
Income subjected to final tax	(501,547)	(278,834)	(200,899)
Non-taxable income	(113,334)	(396,257)	(1,340,959)
Share of results of associated companies	(4,122,932)	(2,026,271)	(3,765,768)
Effective income tax expense (benefit)	(494,407)	662,363	668,035

(a) Current tax

The details of the current tax expense for the years ended December 31 are as follows:

	2017	2016	2015
Final tax	919,375	762,705	398,393
Minimum Corporate Income Tax (MCIT)	85,949	81,064	74,047
	1,005,324	843,769	472,440

(b) Deferred income tax

The components of deferred income tax asset (liabilities), net as at December 31 are as follows:

	2017	2016
Deferred income tax assets		
Accrued expenses	1,500,000	771,862
Deferred income tax liabilities		
Retirement benefit asset	(17,647)	(126,050)
Unrealized foreign exchange gain, net	(374)	(936)
Accrued income	-	(714,285)
	(18,021)	(841,271)
	1,481,979	(69,409)

Deferred income tax assets (liabilities) as at December 31 are expected to be realized (settled) as follows:

	2017	2016
Deferred income tax assets:		
Expected to be realized within 12 months	1,500,000	771,862
Deferred income tax liabilities:		
Expected to be settled within 12 months	(374)	(715,221)
Expected to be settled after 12 months	(17,647)	(126,050)
	(18,021)	(841,271)
	1,481,979	(69,409)

	Note	2017	2016
At January 1		(69,409)	(295,812)
Credited to profit or loss		1,499,731	181,406
Credited to other comprehensive income	15	51,657	44,997
At December 31		1,481,979	(69,409)

Deferred income tax assets were not recognized because management believes that future taxable profit will not be available against which the carry-forward benefits of net operating loss carry-over (NOLCO) and excess MCIT can be applied. Details of unrecognized deferred income tax assets as at December 31 are as follows:

	2017	2016
NOLCO	120,309,202	89,753,759
Tax rate	30%	30%
	36,092,761	26,926,128
MCIT	241,060	258,948
	36,333,821	27,185,076

The movements in NOLCO and MCIT as at December 31 are as follows:

	2017	2016
NOLCO		
At January 1	89,753,759	65,797,734
Additions	50,389,307	38,085,049
Expirations	(19,833,864)	(14,129,024)
At December 31	120,309,202	89,753,759
MCIT		
At January 1	258,948	349,741
Additions	85,949	81,064
Expirations	(103,837)	(171,857)
At December 31	241,060	258,948

Details of NOLCO at December 31, which could be carried over as deduction from taxable income for three consecutive years following the year of incurrence, follow:

Year incurred	Year of Expiry	2017	2016
2014	2017	-	19,833,864
2015	2018	31,834,846	31,834,846
2016	2019	38,085,049	38,085,049
2017	2020	50,389,307	-
		120,309,202	89,753,759

The Group is subject to MCIT equivalent to 2% of gross income, as defined in the tax regulations. The details of the Group's excess MCIT over normal income tax are as follows:

Year incurred	Year of Expiry	2017	2016
2014	2017	-	103,837
2015	2018	74,047	74,047
2016	2019	81,064	81,064
2017	2020	85,949	-
		241,060	258,948

Note 14 - Earnings (loss) per share

Earnings (loss) per share for the years ended December 31 was determined as follows:

	2017	2016	2015
Net loss	(37,848,940)	(30,174,609)	(14,061,329)
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900	293,828,900
Basic/Diluted loss per share	(0.13)	(0.10)	(0.05)

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 December 31, 2017, 2016 and 2015 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 15 - 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 statement of financial position as at December 31 is determined as follows:

	2017	2016
Fair value of plan assets	1,821,792	1,841,785
Present value of defined benefit obligation	(1,762,969)	(1,421,621)
	58,823	420,164

The Group's net retirement benefit asset reflected in the consolidated financial statements represents the Parent Company's retirement plan because 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 consolidated statements of financial position for the years ended December 31 are as follows:

	2017	2016
At January 1	420,164	576,781
Retirement expense recognized in profit or loss	(328,438)	(145,914)
Remeasurements recognized in other comprehensive income		
Changes in demographic assumptions	-	53,916
Changes in financial assumptions	(17,322)	24,853
Deviations of experience from assumptions	(32,267)	(190,817)
Loss on plan assets	(122,600)	(37,941)
Contributions to the retirement fund	139,286	139,286
At December 31	58,823	420,164

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

	2017	2016	2015
Current service cost presented as retirement expense	350,622	175,733	228,115
Net interest income	(22,184)	(29,819)	(13,420)
	328,438	145,914	214,695

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

	Note	2017	2016	2015
Remeasurements on defined benefit obligation		(49,589)	(112,048)	356,259
Remeasurements on plan assets		(122,600)	(37,941)	(39,525)
Remeasurement gain (loss)		(172,189)	(149,989)	316,734
Deferred income tax benefit (expense)	13	51,657	44,997	(95,020)
Remeasurement gain (loss), net of tax		(120,532)	(104,992)	221,714

(a) *Defined benefit obligation*

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

	2017	2016
At January 1	1,421,621	1,078,102
Current service cost included in retirement expense	350,622	175,733
Interest cost included in retirement expense	75,062	55,738
Remeasurements in other comprehensive income:		
Actuarial loss (gain) on obligation resulting from:		
Changes in demographic assumptions	-	(53,916)
Changes in financial assumptions	17,322	(24,853)
Deviations of experience from assumptions	32,267	190,817
Benefits paid	(133,925)	-
At December 31	1,762,969	1,421,621

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

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2017	2016
Less than 10 years	-	498,778
More than 10 years to 15 years	2,002,619	2,011,630
More than 15 years to 20 years	9,984,370	4,428,311
More than 20 years	4,213,969	3,730,954
	16,200,958	10,669,673

(b) *Plan assets*

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

	2017	2016
Cash	5,605	139,700
Government securities	1,049,359	963,882
Investment in unit investments in trust funds (UITF)	761,516	59,658
Receivables	7,572	680,668
Trust fee payable	(2,260)	(2,123)
	1,821,792	1,841,785

The funds are administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the trustee. These funds are subject to the investment objectives and guidelines established by the trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The trustee is responsible for the investment strategy of the plan.

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

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

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

	2017	2016
At January 1	1,841,785	1,654,883
Interest income presented as net of retirement expense	97,246	85,557
Remeasurements in other comprehensive income:		
Loss on plan assets	(122,600)	(37,941)
Contributions to the retirement fund	139,286	139,286
Benefits paid	(133,925)	-
At December 31	1,821,792	1,841,785

There are no plan assets invested in any entity within the Group as at and for the years ended December 31, 2017 and 2016. The Group's transactions with the retirement fund for the years are limited to contributions and benefit payments. The fair value of the plan assets approximates their carrying amount as at December 31, 2017 and 2016.

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 and 2016.

Actuarial assumptions

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

	2017	2016
Discount rate	5.39%	5.28%
Future salary increase rate	5.00%	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:

	Rates		Increase (Decrease)	
	2017	2016	2017	2016
Discount rate	+1.0%	+1.0%	(140,783)	(177,772)
	-1.0%	-1.0%	180,511	210,380
Salary increase rate	+1.0%	+1.0%	172,634	208,574
	-1.0%	-1.0%	(138,790)	(180,218)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Note 16 - Leases

The Group has the following operating lease contracts for years ended December 31, 2017, 2016 and 2015:

- (a) Office space - The Group entered into an operating lease contract for its office space related to the transfer of the Parent Company's office to a temporary address due to the ongoing construction by the lessor of the Group's principal office. The lease agreement has expired on June 14, 2017 and was renewed for one year until June 13, 2018. Total rent expense charged to operations amounted to P2.1 million in 2017 (2016 - P1.9 million; 2015 - P1.6 million) (Note 11).

As at December 31, 2017, the required advance rentals and deposit amounted to P1.4 million (2016 - P 0.9 million). These are included under "Prepayments and other current assets" in the consolidated statements of financial position (Note 4).

- (b) Staff house - The Group entered into operating lease contracts for its officers' housing. These agreements will expire on various dates in 2018. Total rent expense charged to operations amounted to P3.5 million in 2017 (2016 - 1.2 million; 2015 - nil). Rent expense for staff house is presented as part of "Salaries, wages and employee benefits" in the "General and administrative expenses" (Note 11).

As at December 31, 2017, the required advance rentals and deposit amounted to P0.5 million (2016 - P2.1 million). These are included under "Prepayments and other current assets" in the consolidated statement of financial position (Note 4).

The future minimum lease payments under the above leases are as follows:

	2017	2016
Not later than one year	1,019,458	-

Note 17 - 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 is as follows:

	2017	2016
Operating assets	1,627,357,787	1,737,255,335
Operating liabilities	59,285,572	130,939,028
Revenue and income	22,363,552	14,173,488
Other income (loss)	1,891,135	1,310,578
General and administrative expenses	58,815,764	44,996,312
Segment net loss	37,848,940	30,174,609

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

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

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

Note 18 - Financial risk and capital management

18.1 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 cash on hand and consultancy fees due to SMPM.

The Group's foreign currency-denominated monetary assets and liabilities as at December 31 are as follow:

	2017		2016	
	SGD	USD	SGD	USD
Cash and cash equivalents	500	1,233	500	1,233
Due to related parties	(188,721)	-	(112)	-
Net assets (liabilities)	(188,221)	1,233	388	1,233
Year-end exchange rate	37.32	50.74	34.66	49.74
PHP equivalent	(7,024,408)	62,562	13,448	61,330

Net foreign exchange gains (losses) for the years ended December 31 are as follows:

	Note	2017	2016	2015
Unrealized		1,247	3,120	(291)
Realized		32,082	(71,787)	(115,148)
	12	33,329	(68,667)	(115,439)

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)
December 31, 2017	USD	+2.01%	1,258
		-2.01%	(1,258)
	SGD	+7.67%	(538,772)
		-7.67%	538,772
December 31, 2016	USD	+2.36%	1,447
		-2.36%	(1,447)
	SGD	-	-
		-	-

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

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 December 31, 2017 and 2016, 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 December 31, 2017 and 2016.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group. The Group's due from related parties are approximately ninety-nine percent (99%) of total receivables as at December 31, 2017 (2016 - 95%).

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

	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High grade	Low grade	Total			
<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
<i>December 31, 2016</i>						
Cash and cash equivalents*	203,818,359	-	203,818,359	-	-	203,818,359
Receivables**	1,291,357	-	1,291,357	2,666,664	-	3,958,021
Due from related parties	73,675,374	-	73,675,374	-	-	73,675,374
Refundable deposits	120,108	-	120,108	-	-	120,108
	278,905,198	-	278,905,198	2,666,664	-	281,571,862

*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 December 31, 2017 and 2016.

The Group's receivable amounting to P2.7 million as at December 31, 2017 is determined to be impaired and was provided with allowance for doubtful accounts during the year (2016 - nil) (Note 3).

(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 consolidated statement 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.

As at December 31, 2017, the Group's receivable amounting to P2.7 million is determined to be impaired and was provided with allowance for doubtful accounts during the year (Note 3).

The maximum credit risk exposure is equal to the carrying amount as at December 31, 2017 and 2016.

Receivables from third parties

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

None of the financial assets that are fully performing has been renegotiated in the last year.

(b) 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	More than 3 months to 1 year	More than one year	Total
<i>December 31, 2017</i>					
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
<i>December 31, 2016</i>					
Accounts payable and other current liabilities*	553,981	5,547,468	-	-	6,101,449
Due to related parties	124,003,885	-	-	-	124,003,885
	124,557,866	5,547,468	-	-	130,105,334

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

18.2 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 December 31, 2017 and 2016 are as follows:

	2017	2016
Liabilities	59,285,572	130,939,028
Equity	1,568,072,215	1,606,246,898
Percentage of debt to equity	3.78%	8.15%

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

18.3 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 December 31, 2017 and 2016, except for AFS financial assets.

The AFS financial assets pertaining to investment in preferred equity shares and unquoted club shares are valued at cost less any impairment in value because these do not have a quoted market price in an active market and 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 December 31, 2017 and 2016, the Group has no financial instrument measured at fair value. During the reporting period ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Note 19 - Critical accounting estimates, assumptions and judgments

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimates, assumptions, and judgments used in the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

The estimates, assumptions, and judgments that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

19.1 Critical judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Assessment of control, joint control and significant influence

The Group has determined that it has no control over its investments in associates as it has no power over these investees or it is not exposed or does not have rights to variable returns from its involvement with these investees and it does not have the ability to effect the amount of these variable returns. However, the Group determined that it has significant influence over these investments, thus these investments are classified as associates and is continuously accounted for by the Group using the equity

method in its consolidated financial statements. Moreover, the Group is a part owner of an investment in a joint venture where the Group has determined that it does not have sole control the investee and the ownership is shared with the other owner. The Group and the other owner have joint control and rights over the net assets of the investment.

The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement) classified its interest as joint ventures, thus the Group account for its investment in associates and joint venture using the equity method.

The carrying value of investment in associates and joint venture as at December 31, 2017 amounted to P1,242.6 million (2016 - P1,352.2 million) (Note 6).

(b) Impairment of AFS financial assets not quoted in an active market

The Group assesses impairment on its AFS financial assets not quoted in an active market whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Group considers important which could trigger an impairment review on its investment in unquoted securities include the following:

- Deteriorating or poor financial condition
- Recurring net losses; and,
- Significant changes with an adverse effect on the associate have taken place during the period, or will take place in the near future, on the technological, market, economic, or legal environment in which the investees operate.

No impairment indicators were identified in 2017 and 2016. The carrying values of AFS financial assets not quoted in an active market amounted to P79.5 million as at December 31, 2017 and 2016.

(c) Assessment of impairment of investment in associates and joint venture

The Group assesses impairment on its investments in associates and joint venture whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As at December 31, 2017 and 2016, the Group did not recognize any impairment loss on its investment in associates and joint ventures since there are no impairment indicators identified in 2017 and 2016. The carrying value of investments in associates and joint venture as at December 31, 2017 amounted to P1,242.6 million (2016 - P1,352.2 million) (Note 6).

(d) Impairment of receivables

The Group maintains allowance for doubtful accounts on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts on receivables would increase the Group's recorded expenses and decrease current assets.

Receivables amounted to P1.0 million as at December 31, 2017 (2016 - P4.2 million). Due from related parties amounted to P100.3 million as at December 31, 2017 (2016 - P73.7 million). Allowance was provided for the Group's P2.7 million receivable from third party as at December 31, 2017 (2016 - nil) (Notes 3 and 10).

(e) Recognition of deferred income tax assets

Deferred income tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the tax losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As at December 31, 2017, recognized deferred income tax assets amounted to P1.5 million (2016 - P0.8 million). The amount of unrecognized deferred income tax assets as at December 31, 2017 amounted to P36.7 million (2016 - P27.2 million) (Note 13).

(f) Recoverability of prepaid income taxes and input VAT

The Group assesses impairment on prepaid income taxes and input VAT whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Based on management's assessment, the prepaid income taxes and input VAT will be fully utilized in the future by applying it to applicable taxes.

Note 20 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

20.1 Basis of preparation

The 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.

These 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.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 19.

Changes in accounting policy and disclosures

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

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

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

A number of new standards, amendments to existing standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have an effect on the Group's 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 Company may recognize allowance for doubtful accounts amounting to approximately less than 1.0% of total receivables upon its adoption of PFRS 9 effective January 1, 2018.

PFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the 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 on January 1, 2018.

- *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 (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 Parent Company's financial statements as the remaining lease periods of existing lease agreements are less than twelve months (Note 16).

20.2 Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017. 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.

20.3 Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value. Cash and cash equivalents are recognized and carried at nominal amounts.

20.4 Receivables

Receivables arising from rendering of services with average credit term of 30 to 60 days are measured at the original invoice amount which approximates fair value (as the effect of discounting is immaterial), less any provision for impairment. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of total comprehensive income within Other income (expense). When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited against other income (expense) in the statement of total comprehensive income.

20.5 Financial instruments

(a) Classification and measurement

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Financial assets

Financial assets are classified in four categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. As at December 31, 2017 and 2016, the Group only holds financial assets classified as loans and receivable and available for sale.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Loans and receivables are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as non-current assets.

This accounting policy relates to the Group's "Cash and cash equivalents", "Receivables", "Due from related parties" and "Refundable deposits".

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported in OCI until the investment is derecognized or the investment is determined to be impaired. Assets under this category are classified as current assets if maturity is within twelve months from the end of the reporting date and as non-current assets if maturity date is more than a year from the end of the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss. Classified under this category are the Group's investments in club shares and redeemable preferred shares carried at cost.

(a) Day 1 profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where no observable data is used, the difference between the transaction price and model values is recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at FVPL and other financial liabilities. As at December 31, 2017 and 2016, the Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities pertains to financial liabilities that are not held-for-trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or loans and borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's "Accounts payable and other current liabilities", "Due to related parties" and other obligations that meet the above definition (other than liabilities covered by other accounting standards) (Notes 20.12, 20.21).

(b) Recognition

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

(c) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of impairment loss is recognized in profit or loss.

(ii) AFS financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In determining whether the decline in value is significant, the Group considers historical volatility of share price (i.e., the higher the historical volatility, the greater the decline in fair value before it is likely to be regarded as significant) and the period of time over which the share price has been depressed (i.e., a sudden decline is less significant than a sustained fall of the same magnitude over a longer period).

(d) *Derecognition*

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(e) *Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

20.6 Financial instruments

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

(a) Financial assets and liabilities

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

(b) Non-financial assets

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement. At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the

information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

20.7 Prepayments and other current assets

(a) Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

(b) Prepaid income taxes

Prepaid income taxes represent amounts withheld by the Group's counterparties in relation to revenue earned. These amounts are derecognized when applied against the income tax payable.

20.8 Investments in associates and a joint venture

Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and joint venture are accounted for using the equity method of accounting from the date from which the entity becomes an associate and a joint venture. The difference between the cost of the investments and the Group's share of the net fair value of the investee's identifiable assets and liabilities is treated as a "Fair value adjustment" and included in the carrying amount of the investment.

Under the equity method, the investments in associates and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. The interest in an associate and joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associates and joint venture. The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the associates. This is included in the "Share of results of associated companies" account in the consolidated statement of comprehensive income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates, joint venture and the Group are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Unrealized gains arising from intercompany transactions with its associates and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Upon loss of significant influence over the associates, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates and joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

20.9 Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

20.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Transportation equipment	2-5
Office equipment	1-4
Furniture and fixtures	4

The useful lives, residual value and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

20.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in OCI. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates and a joint venture

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or jointly controlled entities are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the Group's share in the fair value and the carrying value of the net assets of the investee company and recognizes the difference in profit or loss.

20.12 Accounts payable and other current liabilities

Accounts payable and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at invoice amount, which approximates fair value, and subsequently measured at amortized cost using the effective interest method which is normally equal to its nominal amount.

Accounts payable and other current liabilities are derecognized when the obligation is discharged, cancelled or expired.

20.13 Provisions and contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed or derecognized.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

20.14 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

(a) Management consultancy fees and franchise fees

Management consultancy fees and franchise fees are recognized when earned on an accrual basis in accordance with the terms and conditions of the agreement.

(b) Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(c) Other income

Other income is recognized when earned.

20.15 General and administrative expenses

General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. General and administrative expenses are recognized in profit or loss in the period these are incurred.

20.16 Equity

(a) Share capital

Share capital is measured at par value for all shares issued.

(b) Share premium

Share premium represents capital contribution in excess of par value of the share capital.

(c) Other reserves

Reserves pertaining to other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS. Other comprehensive income includes remeasurement gains or losses on the Group's retirement benefits and the share of the Group on actuarial gain of its associates and joint venture.

(d) Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Group, net of any dividend declaration.

(e) Treasury shares

Treasury shares are recorded at cost and presented as a deduction from equity. When the shares are retired, the share capital account is reduced by its par value and the excess of cost over par value upon retirement is deducted from share premium to the extent of the specific or average share premium when the shares were issued and from retained earnings for the remaining balance.

20.17 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
- (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset;
or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date of the change in circumstances that gave rise to the reassessment for scenarios (a), (c) and (d) above and at the date of renewal or extension period for scenario (b).

Group as a lessee

Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an income on a straight-line basis over the lease term.

20.18 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period they are realized.

20.19 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

(b) Retirement benefits

The Group has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. The net retirement liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries.

Defined retirement benefit costs comprise the following:

- (a) Service costs
- (b) Net interest on the net defined benefit liability or asset
- (c) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on the risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net defined benefit liability. Net interest on the net defined benefit liability or asset is recognized as interest expense or interest income in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Actuarial gain on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

20.20 Current and deferred income tax

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Current income tax relating to items directly in equity is recognized in equity and not in the consolidated statement of income.

(b) Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are derecognized when the related bases are realized/settled or when they are no longer realizable.

(c) Value-Added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

20.21 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel and partners. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

20.22 Basic/diluted earnings per share (EPS)

EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

20.23 Operating segments

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 17.

20.24 Events after the reporting period

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




Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Keppel Philippines Properties, Inc. and Subsidiaries
Units 2203 and 2204, Raffles Corporate Center
F. Ortigas Jr. Road (formerly Emerald Avenue)
Ortigas Center, Pasig City

We have audited the consolidated financial statements of Keppel Philippines Properties, Inc. and its subsidiaries as at and for the year ended December 31, 2017, on which we have rendered the attached report dated March 21, 2018. The supplementary information shown in the Schedule of Philippine Financial Reporting Standards and Interpretations effective as at December 31, 2017, Reconciliation of Retained Earnings for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, and Key Financial Ratios as required by Part I, Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F, G, and H as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

Isla Lipana & Co.



Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 10, 2018, Makati City
SEC A.N. (individual) as general auditors 1585-A, Category A; effective until September 27, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 21, 2018

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
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Keppel Philippines Properties, Inc. and Subsidiaries

Units 2203 and 2204, Raffles Corporate Center,
F. Ortigas Jr. Road (formerly Emerald Avenue),
Ortigas Center, Pasig City

Schedule A
Financial Assets
As at December 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Club Filipino Inc. de Cebu	12	225,000	-	-

Keppel Philippines Properties, Inc. and Subsidiaries
Units 2203 and 2204, Raffles Corporate Center,
F. Ortigas Jr. Road (formerly Emerald Avenue),
Ortigas Center, Pasig City

Schedule C
Amounts Receivable from Related Parties which are Eliminated
During the Consolidation of Financial Statements
As at December 31, 2017

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts provided for/written off	Current	Not current	Balance at end of year
Buena Homes, Inc.	40,600	130,069	-	-	170,669	-	170,669
CSRI Investment Corporation	28,952	178,460	-	-	207,412	-	207,412
Total	69,552	308,529	-	-	378,081	-	378,081

Keppel Philippines Properties, Inc. and Subsidiaries

Units 2203 and 2204, Raffles Corporate Center,
F. Ortigas Jr. Road (formerly Emerald Avenue),
Ortigas Center, Pasig City

Schedule H
Capital Stock
As at December 31, 2017

The details of authorized and paid-up capital stock are as follows:

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares of Stock	375,000,000	296,629,900	-	-	-	-
Treasury Stock		(2,801,000)	-	-	-	-
Outstanding Common Stock		293,828,900	-	255,133,693	5	38,695,202
Preferred Stock	135,700,000	59,474,100	-	59,474,100	-	-
Total		353,303,000	-	314,607,793	5	38,695,202

Keppel Philippines Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2017
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, based on audited financial statements, beginning		P 157,036,776
Less: Cumulative fair value adjustment		
Deferred income tax assets, net - beginning		(644,876)
Unappropriated Retained Earnings, adjusted		156,391,900
Less : Net loss actually earned/realized during the period	(50,813,480)	
Less: Non-actual/unrealized income net of tax	-	
Share of results of associated companies	-	
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Deferred income tax expense (benefit)	785,446	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	(50,028,034)	106,363,866
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period	-	106,363,866
Add (Less):		
Dividend declarations during the year	-	
Appropriations of retained earnings during the year	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Accumulated share in income of an associate	-	
Total retained earnings available	-	106,363,866

Keppel Philippines Properties Inc. and Subsidiaries

Financial Ratios
December 31, 2017

Financial ratio	Calculation	2017	2016	2015
Liquidity ratio	Current assets over current liabilities	5.10:1	2.32:1	2.61:1
Asset to equity ratio	Total assets over total equity	1.04:1	1.08:1	1.08:1
Debt to equity ratio	Total liabilities over total equity	0.04:1	0.08:1	0.08:1
Return on assets	Net income (loss) after tax over total assets at beginning	(2.18%)	(1.71%)	(0.79%)
Return on equity	Net income (loss) after tax over total equity	(2.41%)	(1.88%)	(0.86%)
Earnings (loss) per share	Net income (loss) over number of common stock outstanding	(P0.13)	(P0.10)	(P0.05)

Keppel Philippines Properties, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
effective as at December 31, 2017

The following table summarizes the effective standards and interpretations as at December 31, 2017:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Measurement of Cash-settled Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Implementation of PFRS 9*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Transition Disclosures*		✓	
	Amendments to PFRS 7: Disclosures - Hedge Accounting*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendment to PFRS 15: Identifying Performance Obligations, Licenses of Intellectual Property, and Principal versus Agent Assessment*		✓	
PFRS 16	Leases*		✓	
PFRS 17	Insurance contracts*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other	✓		

		Adopted	Not Adopted	Not Applicable
	Comprehensive Income			
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its		✓	

		Adopted	Not Adopted	Not Applicable
	Associate or Joint Venture*			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓

		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising			✓

		Adopted	Not Adopted	Not Applicable
	Services			
SIC-32	Intangible Assets - Web Site Costs			✓

The standards, amendments and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2017 financial statements. Unless otherwise stated, these standards, amendments and interpretations have not been early adopted.

The standards, amendments and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2017 but will never be relevant/applicable to the Group or are currently not relevant to the Group because it has currently no related transactions.

KEPPEL PHILIPPINES PROPERTIES, INC.
INDEX TO EXHIBITS
SEC FORM 17-A

No.		Page No.
(1)	Publication of Notice re: Filing	NA
(2)	Underwriting Agreement	NA
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	NA
(4)	Articles of Incorporation and By-Laws	NA
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	NA
(6)	Opinion Re: Legality	NA
(7)	Opinion Re: Agreement	NA
(8)	Voting Trust Agreement	NA
(9)	Material Contracts	NA
(10)	Annual Report to Security Holders, Form 11- Q or Quarterly Report to Security Holders	NA
(11)	Material Foreign Patents	NA
(12)	Letter Re: Unaudited Interim Financial Information	NA
(13)	Letter Re: Change in Certifying Accountant	NA
(14)	Letter Re: Director Resignation	NA
(15)	Letter Re: Change in Accounting Principles	NA
(16)	Report Furnished to Security Holders	NA
(17)	Other Documents Or Statements to Security Holders	NA
(18)	Subsidiaries of the Registrant	91
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
(20)	Consents of Experts and Independent Counsel	NA
(21)	Power of Attorney	NA
(22)	Statements of Eligibility of Trustee	NA
(23)	Exhibits to be Filed with Bonds Issues	NA
(24)	Exhibits to be Filed with Stocks Options Issues	NA
(25)	Exhibits to be Filed by Investment Companies	NA
(26)	Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	NA
(27)	Copy of Board of Investment Certificate in the case of Board of Investment Registered Companies	NA
(28)	Authorization to Commission to Access Registrant's Bank Accounts	NA
(29)	Additional Exhibits	NA

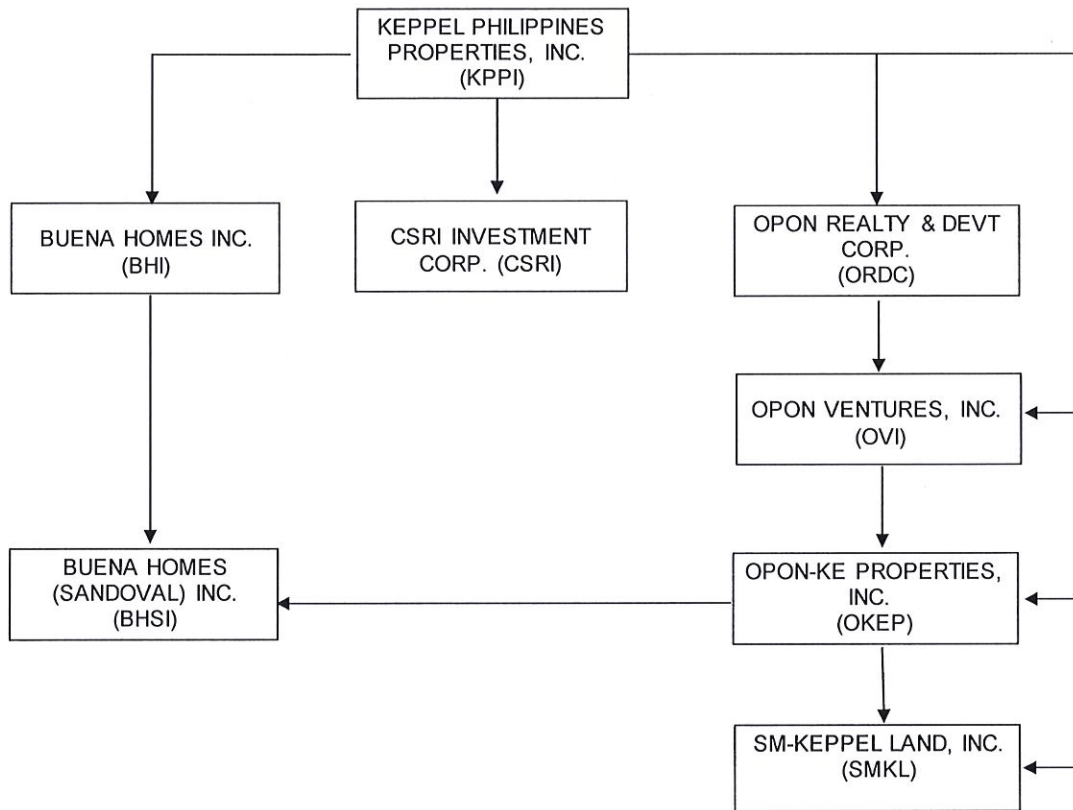
EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Name	Country of Incorporation	Business	Percentage of Ownership
CSRI Investment Corporation	Philippines	Investment in securities and condominium units	100%
Buena Homes Inc.	Philippines	Property holding and development	100%

KEPPEL PHILIPPINES PROPERTIES, INC.

SUBSIDIARIES AND ASSOCIATES

As at December 31, 2017



<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