COVER SHEET

PW-305

SEC Registration Number

KEPPEL PHILIPPINES PROPERTIES, INC. AND SUBSIDIARIES

(Company's Full Name)

18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City

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

Pang Chan Fan

(Contact Person)

8584-6170

(Company Telephone Number)

09	30	17-Q	08	13
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

N/A

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

1,242 as at 30 September 2020

Total No. of Stockholders

–	–
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **30 September 2020**

2. Commission identification number **PW305**

3. BIR Tax Identification No. **000-067-618 VAT**

KEPPEL PHILIPPINES PROPERTIES, INC.

4. Exact name of issuer as specified in its charter

Philippines

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

6. Industry Classification Code: (SEC Use Only)

18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City

7. Address of registrant's principal office Postal Code **1550**

(02) 8584-6170

8. Registrant's telephone number, including area code

Not applicable

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

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

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

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

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

12. Indicate by check mark whether the registrant:

a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and SRC Rule 17.1 thereunder or Sections 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [/] No [ ]

b) Has been subject to such filing requirements for the past 90 days.
Yes [/] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Financial Position
As at September 30, 2020
(With comparative figures as at December 31, 2019)
(All amounts in Philippine Peso)

	Notes	Unaudited 30 September 2020	Audited 31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents		113,067,434	158,601,955
Receivables		1,029,170	2,222,053
Due from related parties	6	52,781,612	50,757,729
Prepayments and other current assets		30,250,420	27,595,474
Total current assets		197,128,636	239,177,211
Non-current assets			
Financial assets at fair value through other comprehensive income	2	79,512,230	79,512,230
Investments in associates and a joint venture	3	2,156,334,080	2,252,411,260
Property and equipment, net	4	7,769,151	11,192,560
Right-of-use asset, net	5	7,731,659	11,457,862
Refundable deposits		1,469,274	1,439,274
Retirement benefits asset	10	360,032	360,032
Deferred income tax assets, net		1,923,917	2,380,982
Total non-current assets		2,255,100,343	2,358,754,200
Total assets		2,452,228,979	2,597,931,411
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities		22,991,813	31,198,217
Due to related parties	6	55,984,698	66,718,360
Lease liability, current portion	5	5,139,387	4,716,660
Income tax payable		61,533	122,255
Total current liabilities		84,177,431	102,755,492
Non-current liability			
Lease liability, net of current portion	5	1,857,680	5,777,076
Total liabilities		86,035,111	108,532,568
Equity			
Share capital		356,104,000	356,104,000
Share premium		602,885,517	602,885,517
Treasury shares		(2,667,645)	(2,667,645)
Other reserves	9	498,168	498,168
Retained earnings		1,409,373,828	1,532,578,803
Total equity		2,366,193,868	2,489,398,843
Total liabilities and equity		2,452,228,979	2,597,931,411

The notes from pages 5 to 27 are an integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Comprehensive Income
For each of the nine months ended September 30, 2020
(All amounts in Philippine Peso)

	Notes	Quarters Ended 30 September (Unaudited) 2020	2019	Nine Months Ended 30 September (Unaudited) 2020	2019
Gross revenue (loss)					
Management consultancy and franchise fees	6	3,313,332	3,242,827	11,033,571	10,725,796
Interest income		165,017	850,733	1,294,310	3,581,166
Share in results of associated companies	3	(17,714,769)	(23,849,681)	(96,077,180)	(58,769,385)
Gross loss, net		(14,236,420)	(19,756,121)	(83,749,299)	(44,462,423)
General and administrative expenses	7	(12,325,170)	(16,514,262)	(42,169,418)	(41,871,804)
Other income (expense), net		583,400	(258,888)	4,324,496	(314,549)
Loss before income tax		(25,978,190)	(36,529,271)	(121,594,221)	(86,648,776)
Income tax expense		(84,884)	(226,848)	(1,610,754)	(1,784,226)
Net loss for the period		(26,063,074)	(36,756,119)	(123,204,975)	(88,433,002)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(26,063,074)	(36,756,119)	(123,204,975)	(88,433,002)
Basic and diluted loss per share	8	(0.09)	(0.13)	(0.42)	(0.30)

The notes from pages 5 to 27 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Changes in Equity
For each of the nine months ended September 30, 2020
(All amounts in Philippine Peso)

	Share capital Common	Share capital Preferred	Share premium	Treasury Shares	Other reserves (Note 9)	Retained earnings	Total equity
Balances at January 1, 2020	296,629,900	59,474,100	602,885,517	(2,667,645)	498,168	1,532,578,803	2,489,398,843
Net loss and total comprehensive loss for the period	-	-	-	-	-	(123,204,975)	(123,204,975)
Balances at September 30, 2020	296,629,900	59,474,100	602,885,517	(2,667,645)	498,168	1,409,373,828	2,366,193,868
Balances at January 1, 2019	296,629,900	59,474,100	602,885,517	(2,667,645)	1,008,581	493,199,811	1,450,530,264
Net loss and total comprehensive loss for the period	-	-	-	-	-	(88,433,002)	(88,433,002)
Balances at September 30, 2019	296,629,900	59,474,100	602,885,517	(2,667,645)	1,008,581	404,766,809	1,362,097,262

The notes on pages 5 to 27 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Interim Consolidated Statements of Cash Flows
For each of the nine months ended September 30, 2020
(All amounts in Philippine Peso)

	Notes	Unaudited 2020	Unaudited 2019
Cash flows from operating activities			
Loss before income tax		(121,594,221)	(86,648,776)
Adjustments for:			
Share in results of associated companies	3	96,077,180	58,769,385
Depreciation and amortization	4,5,7	7,287,112	4,288,603
Interest expense on lease liability	5	463,326	444,870
Foreign exchange loss, net		21,802	16,048
Interest income		(1,294,310)	(3,581,166)
Gain on reversal of liabilities		(2,409,984)	(128,042)
Gain on disposal of property and equipment		-	(7,127)
Operating loss before working capital changes		(21,449,095)	(26,846,205)
Decrease (increase) in:			
Receivables		1,055,236	(541,488)
Due from related parties		(2,023,883)	24,579,947
Prepayments and other current assets		(2,654,946)	(11,891,770)
Increase (decrease) in:			
Accounts payable and other current liabilities		(5,818,222)	3,327,055
Due to related parties		(10,733,662)	3,807,422
Net cash used in operations		(41,624,572)	(7,565,039)
Interest income received		1,466,369	4,029,529
Income taxes paid		(1,248,823)	(1,534,955)
Net cash used in operating activities		(41,407,026)	(5,070,465)
Cash flows from investing activities			
Acquisition of property and equipment		(137,500)	(9,703,032)
Increase in refundable deposits		(30,000)	(1,286,323)
Proceeds from disposal of property and equipment		-	7,143
Net cash used in investing activities		(167,500)	(10,982,212)
Cash flows from financing activities			
Payment of principal portion of lease liability	5	(3,496,669)	(1,695,668)
Payment of interest portion of lease liability	5	(463,326)	(444,870)
Net cash used in financing activities		(3,959,995)	(2,140,538)
Net decrease in cash and cash equivalents		(45,534,521)	(18,193,215)
Effect of exchange rate changes on cash and cash equivalents		-	(16,048)
Cash and cash equivalents at January 1		158,601,955	138,059,462
Cash and cash equivalents at September 30		113,067,434	119,850,199

The notes on pages 5 to 27 are integral part of these interim consolidated financial statements.

Keppel Philippines Properties, Inc. and Subsidiaries

Notes to Interim Consolidated Financial Statements
As at and for the nine months ended September 30, 2020
(With comparative figures as at December 31, 2019 and for the nine months ended September 30, 2019)
(In the Notes, all amounts are shown in Philippine Peso, unless otherwise indicated)

Note 1 - Corporate information

Keppel Philippines Properties, Inc. ("Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1918 primarily to invest or acquire interest in, purchase, own or hold, directly or indirectly, shares of stocks and to undertake in property development activities through its associates and joint venture. The Parent Company's corporate life was extended for another fifty (50) years starting February 7, 1968. On May 5, 2017, the Parent Company's corporate life was further extended for another fifty (50) years from February 6, 2018.

The Parent Company is listed in the Philippine Stock Exchange (PSE) through initial public offering (IPO) in 1989. There was no further follow on offering after the IPO. Its immediate parent company is Keppel Land Limited (KLL) and the ultimate parent company is Keppel Corporation Limited (KCL), both incorporated in Singapore. KCL is listed in the Singapore Exchange (SGX).

As at September 30, 2020 and December 31, 2019, the top five shareholders of the Parent Company are the following:

	Percentage of ownership	
Shareholders	2020	2019
KLL	50%	50%
Kepwealth, Inc.	17%	17%
KCL	12%	12%
Molten Pte Ltd.	7%	7%
Public*	14%	14%

**8% direct ownership and 6% through PCD Nominee Corporation as at September 30, 2020 and December 31, 2019.*

As at September 30, 2020 and December 31, 2019, the Parent Company's subsidiaries, associates and joint venture, which were all incorporated in the Philippines are as follows:

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

In October 2019, the Group disposed its investments in Buena Homes (Sandoval), Inc. (BHSI), at 61% effective ownership interest, thus, BHSI ceases to be an associate of the Group as at December 31, 2019.

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

The Group's principal office address is 18th Floor, Units 1802B-1803, The Podium West Tower, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The Group holds investments in associates and joint venture involved in property development and holding of investment properties (Note 3) and renders management consultancy services to its associates (Note 6).

Note 2 - Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) as at September 30, 2020 and December 31, 2019 are presented below.

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

(a) Preferred equity securities

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 financial assets at FVOCI as the characteristics of the investments do not give the Group significant influence over OVI and OKEP (Note 3). These investments are carried at cost less impairment which is the best estimate for fair value as they do not have a quoted market price in an active market and the Group has performed assessment to determine that cost represents the best estinate of fair value.

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

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

(b) Club shares

The original cost in investment in the Club Filipino Inc. de Cebu shares amounted to P225,000 as at September 30, 2020 and December 31, 2019. No movement in the fair value gains on financial assets at FVOCI was recognized by the Parent Company for the nine months ended September 30, 2020 and for the year ended December 31, 2019.

Note 3 - Investments in associates and a joint venture

Details of investments in associates and a joint venture as at September 30, 2020 and 2019, and December 31, 2019 are as follows:

	For the nine months ended September 30		For the year ended
	2020	2019	December 31, 2019
Cost			
At January 1	653,989,443	683,243,174	683,243,174
Disposal	-	-	(29,253,731)
At period/year end	653,989,443	683,243,174	653,989,443

(Forward)			
Accumulated share in results of associated companies presented in profit or loss			
At January 1	1,598,370,306	502,184,246	1,589,692,826
Share in results of associated companies	(96,077,180)	(58,769,385)	9,922,597
Disposal	-	-	(1,245,117)
At period/year end	1,502,293,126	443,414,861	1,598,370,306
Presented in other comprehensive income			
At January 1	51,511	330,431	330,431
Share in other comprehensive loss	-	-	(278,920)
At period/year end	51,511	330,431	51,511
	2,156,334,080	1,126,988,466	2,252,411,260

The carrying values of the Group's investments in associates and joint venture and the related percentages of ownership as at September 30, 2020 and December 31, 2019 are shown below:

	Percentage of ownership		Carrying amount	
	2020	2019	2020	2019
Associates				
OKEP	40%	40%	163,725,176	171,633,059
OVI	40%	40%	66,513,974	71,329,972
ORDC	40%	40%	41,354,545	44,283,495
Joint venture				
SMKL	40%	40%	1,884,740,385	1,965,164,734
			2,156,334,080	2,252,411,260

The associates and joint venture were accounted for using the equity method. There were no dividends received from the associates and joint venture for the nine months ended September 30, 2020 and for the year ended December 31, 2019. As at September 30, 2020 and December 31, 2019, there were no quoted prices for these investments.

The associates and joint venture were all incorporated and have their principal place of business in the Philippines.

(a) Associates

(i) BHSI

BHSI is involved in the construction of a residential condominium project which has been completed in 2003. BHSI's primary activity in 2019 involved the sale of these condominium units.

On October 11, 2019, the Group disposed its investments in BHSI, at 61% effective ownership interest, thus, BHSI ceases to be an associate of the Group as at December 31, 2019.

(ii) ORDC

ORDC is 40%-owned by the Parent Company and 60%-owned by Keppel Philippines Marine Retirement Fund (KPMRF). Majority of the BOD members of ORDC represent KPMRF who are independent of the Parent Company and act in the interest of KPMRF. As such, the Parent Company has determined that it does not have control over ORDC.

(iii) OVI

OVI is 40%-owned by the Parent Company and 60%-owned by ORDC. As with ORDC, the Parent Company has determined that it does not have control over OVI in its operating and financing policies and capital decisions.

(iv) OKEP

OKEP is 40%-owned by the Parent Company and 60%-owned by OVI. As with ORDC, the Parent Company has determined that it does not have control over OKEP in its operating and financing policies and capital decisions.

The primary purpose of ORDC, OVI and OKEP 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.

(b) Joint Venture

(i) SMKL

SMKL's primary business activity is to operate and maintain office and shopping center spaces for rent, carpark operations and cinema ticket sales. SMKL is involved in a mixed-use development comprising of retail spaces in "The Podium Mall" and office spaces in "The Podium West Tower" that is located in Ortigas Center, Mandaluyong City. The Podium Mall consist of a five-level retail mall with an approximate net leasable area of 50,000 sqm. The construction of The Podium West Tower, with an approximate net leasable area of 90,000 sqm, started in 2015 and was completed in September 2019.

Note 4 - Property and equipment, net

Details of property and equipment are as follows:

	Office equipment	Furniture and fixtures	Leasehold Improvements	Total
Cost				
At January 1, 2019	3,078,192	2,479,885	-	5,558,077
Additions	626,363	1,284,698	11,542,143	13,453,204
Disposals	(12,946)	(2,293,965)	-	(2,306,911)
At December 31, 2019	3,691,609	1,470,618	11,542,143	16,704,370
Additions	137,500	-	-	137,500
At September 30, 2020	3,829,109	1,470,618	11,542,143	16,841,870
Accumulated depreciation				
At January 1, 2019	2,128,645	2,453,260	-	4,581,905
Depreciation	369,855	302,024	2,564,921	3,236,800
Disposals	(12,945)	(2,293,950)	-	(2,306,895)
At December 31, 2019	2,485,555	461,334	2,564,921	5,511,810
Depreciation	345,525	329,848	2,885,536	3,560,909
At September 30, 2020	2,831,080	791,182	5,450,457	9,072,719
Net carrying amount				
At December 31, 2019	1,206,054	1,009,284	8,977,222	11,192,560
At September 30, 2020	998,029	679,436	6,091,686	7,769,151

The cost of fully depreciated property and equipment still used in operations amounted to P1.8 million and P1.7 million as at September 30, 2020 and December 31, 2019, respectively.

Note 5 - Right-of-use asset, net and lease liability

The Group has the following operating lease contracts:

(a) *Long-term lease agreements*

The Parent Company entered into an operating lease agreement for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to terms and conditions to be mutually agreed upon by both parties. The monthly base rental will be subject to an increase of five percent (5%) per annum on the first annual anniversary of the commencement date and every annual anniversary thereof.

As at September 30, 2020, the required security deposits amounted to P1.4 million (December 31, 2019 - P2.8 million), of which P1.4 million is presented under non-current asset “Refundable deposits” as at September 30, 2020 and December 31, 2019, and the other P1.4 million is included under “Prepayments and other current assets” as at December 31, 2019 in the interim consolidated statements financial position. The P1.4 million security deposits under “Prepayments and other current assets” was refunded during the third quarter of 2020.

(b) *Short-term lease agreements*

The Parent Company entered into an operating lease agreement for its office space related to the transfer of the Parent Company’s office to a temporary address due to the reconstruction by the lessor of the Parent Company’s principal office. The lease agreement expired on February 28, 2019. Total rent expense charged to operations amounted to P0.4 million for the nine months ended September 30, 2019. This rent expense is presented as part of “Rentals” in the “General and administrative expenses” (Note 7).

The Group also entered into operating lease agreements for its officers’ housing. These agreements will expire on various dates in 2021. Total rent expense charged to operations amounted to P2.7 million for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – P2.9 million). This rent expense is presented as part of “Salaries, wages and employee benefits” in the “General and administrative expenses” (Note 7).

As at September 30, 2020 and December 31, 2019, the required advance rentals and security deposits amounted to P0.3 million and P1.2 million, respectively. These are included under “Prepayments and other current assets” in the interim consolidated statement of financial position.

These lease agreements were considered as short-term and low value lease under PFRS 16, “Leases” as the lease term is less than 12 months.

The lease agreement for the office space contains both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(i) *Amounts recognized in the interim consolidated statements of financial position*

As at September 30, 2020 and December 31, 2019, the carrying amount of right-of-use asset related to the lease agreements above is shown below:

	2020	2019
Cost		
Beginning balance	14,649,459	-
Additions	-	14,649,459
At period/year end	14,649,459	14,649,459
Accumulated amortization		
Beginning balance	3,191,597	-
Amortization	3,726,203	3,191,597
At period/year end	6,917,800	3,191,597
Net carrying amount		
As at September 30, 2020 and December 31, 2019	7,731,659	11,457,862

Movements in the lease liabilities for the nine months ended September 30, 2020 and year ended December 31, 2019 are as follow:

	2020	2019
Lease liabilities		
Beginning balance	10,493,736	-
Additions	-	14,649,459
Principal payments	(3,496,669)	(2,739,750)
Advance payments	-	(1,415,973)
Interest payments	(463,326)	(685,110)
Interest expense	463,326	685,110
At period/year end	6,997,067	10,493,736
Lease liabilities		
Current	5,139,387	4,716,660
Non-current	1,857,680	5,777,076
	6,997,067	10,493,736

(ii) Amounts recognized in the interim consolidated statements of total comprehensive income

The interim consolidated statement of total comprehensive income for the nine months ended September 30, 2020 and 2019 shows the following amounts relating to leases:

	2020	2019
Amortization expense (included in general and administrative expenses)	3,726,203	1,994,748
Interest expense (included in other income (expense), net)	463,326	444,870
Expense relating to short-term leases (included in general and administrative expenses)	269,746	825,102
	4,459,275	3,264,720

The total cash outflow for leases for the nine months ended September 30, 2020 amounted to P4.2 million (nine months ended September 30, 2019 – P3.0 million).

(iii) Discount rate

The lease payments for office space lease are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions, is at 7.8% in 2020 and 2019.

(iv) Extension and termination options

The extension and termination options are not included in the lease term of office space and officers' housing. These options are exercisable only upon mutual agreement of the Parent Company and the lessor.

Note 6 - Related party disclosures

In the normal course of business, the Group transacts with companies which are considered related parties under PAS 24, *Related Party Disclosures*. The significant related party transactions for the nine months ended Septem,ber 30, 2020 and 2019 and outstanding balances as at September 30, 2020 and December 31, 2019 are as follows:

	2020		2019		
Related party	Transaction amount (9 months)	Outstanding receivable (payable)	Transaction amount (9 months)	Outstanding receivable (payable)	Terms and conditions
Parent company					
KLL					
Operating advances (a)	(99,600)	-	-	99,600	Non-interest-bearing, unsecured, 30-60 days, collectible in cash
Associates					
OKEP					
Operating advances (b)	168,912	44,911,718	(25,599,959)	44,742,806	Non-interest-bearing, unsecured, collectible in cash upon demand
OVI					
Operating advances (b)	267,347	2,585,458	111,043	2,318,111	Non-interest-bearing, unsecured, collectible in cash upon demand
ORDC					
Operating advances (b)	(764,483)	105,283	137,698	869,766	Non-interest-bearing, unsecured, collectible in cash upon demand
BHSI					
Operating advances (b)	-	-	325,581	-	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Joint venture					
SMKL					
Operating advances (b)	3,194,660	5,179,153	15,843,146	2,727,446	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Management fee (c)	7,881,122	-	7,661,283	-	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
Franchise fee (c)	3,152,449	-	3,064,513	-	Non-interest-bearing, unsecured, 30 to 60 days, collectible in cash
		52,781,612		50,757,729	
Associates					
OKEP					
Advances (d)	-	(40,298,507)	-	(40,298,507)	Non-interest-bearing, unsecured, payable in cash upon demand
Entities under common control					
SMPM					
Management fee (e)	215,129	(10,775,587)	2,661,674	(21,509,249)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
KL(RI)					
Operating advances (f)	-	(4,910,604)	772,569	(4,910,604)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
		(55,984,698)		(66,718,360)	
Joint Venture					
SMKL					
Rentals (g)	3,959,995	(6,997,067)	2,140,538	(10,493,736)	Non-interest-bearing, unsecured, 30 to 60 days, payable in cash
		(6,997,067)		(10,493,736)	

(a) In 2019, the Group charged KLL, its immediate parent company, for the amount paid on behalf of KLL for legal fees amounting to P0.1 million. This amount was collected in 2020.

(b) The Group made operating advances for expenses incurred by associates and joint venture during the third quarter of 2020 and 2019. These operating advances represent expenses incurred in the normal operations paid on behalf of the Group's associates and joint venture. These are recharged at cost.

(c) The Group provides management, advisory and consultancy services to SMKL. The amount of management fee charged by the Group to SMKL amounted to P2.4 million in the third quarter of 2020 (third quarter of 2019 - P2.3 million). Franchise fee charged amounted to P0.9 million in the third quarter of 2020 (third quarter of 2019 – P0.9 million). Management fee is charged at 2.5% of annual net revenues of SMKL while franchise fee is charged at 1.0% of net revenues of SMKL.

The Group's outstanding accrued income which pertains to accruals for management and franchise fee revenue as at September 30, 2020 amounted to P1.0 million (December 31, 2019 - P2.0 million). This is presented as part of "Receivables" in the interim consolidated statements of financial position.

(d) 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 and remains outstanding as at September 30, 2020 and December 31, 2019.

(e) Straits Mansfield Property Marketing Pte, Ltd. (SMPM), an entity under common control, provides consultancy, advisory and support services to the Group and SMKL. Consultancy fees charged by SMPM, which is based on the time spent by SMPM personnel in rendering services to the Group, amounted to nil in the third quarter of 2020 (third quarter of 2019 – P0.8 million). Outstanding payables to SMPM amounted to P10.8 million as at September 30, 2020 (December 31, 2019 - P21.5 million).

(f) Keppel Land (Regional Investments), Ltd. (KL(RI)), an entity under common control, provides support services to the Group. Operating advances for the expenses incurred by the Group from KL(RI) amounted to nil in the third quarter of 2020 (third quarter of 2019 - P0.8 million). These are recharged at cost.

(g) In 2019, the Parent Company entered into an operating lease agreement with SMKL for its office space located in The Podium West Tower. The lease term covers a period of three years from May 15, 2019 to May 14, 2022 and is renewable subject to the terms and conditions to be mutually agreed upon by both parties. Total payments related to this lease agreement amounted to P1.3 million in the third quarter of 2020 (third quarter of 2019 – P1.3 million).

(h) Transactions related to key management personnel of the Group for the nine months ended September 30, 2020 and 2019 are as follows:

	2020	2019
Salaries and other short-term employee benefits	21,023,182	13,645,832
Bonuses and allowances	4,372,651	4,520,522
	25,395,833	18,166,354

There were neither stock options nor other long-term benefits given to key management personnel for the nine months ended September 30, 2020 and 2019. There were no outstanding balances with key management personnel as at September 30, 2020 and December 31, 2019.

Details of related party transactions for the nine months ended September 30, 2020 and 2019 and outstanding balances as at September 30, 2020 and December 31, 2019 eliminated during consolidation are as follows:

	2020		2019		
Subsidiary	Transaction amount (9 months)	Outstanding balance	Transaction amount (9 months)	Outstanding balance	Terms and conditions
Due from subsidiaries					
BHI	146,940	146,940	109,450	-	Non-interest-bearing, unsecured, collectible in cash upon demand
CSRI	(257,212)	149,255	99,778	406,467	Non-interest-bearing, unsecured, collectible in cash upon demand
		296,195		406,467	
Due to a subsidiary					
BHI	-	(59,701,493)	-	(59,701,493)	Non-interest-bearing, unsecured, payable in cash upon demand

The Group shall at all times observe and adhere with the related party transactions policy and all other relevant laws, rules and regulations, as may be applicable, in the review, approval and disclosure of related party transactions. The members of the BOD, substantial stockholders and management shall disclose to the BOD all material facts related to the material related party transactions, whether potential or actual conflict of interest, including their direct and indirect interest in any transaction or matter that may affect or is affecting the Group. Materiality threshold of the Group is ten percent (10%) of the Group's total consolidated assets based on the latest audited financial statements.

The material related party transactions shall be appoved by two-thirds vote of the BOD with at least majority of the independent directors voting to approve. In case that the majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock of the Parent Company.

Note 7 - General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2020 and 2019 are as follows:

	Notes	2020	2019
Salaries, wages and employee benefits		28,967,878	24,628,537
Depreciation and amortization		7,287,112	4,288,603
Professional fees		1,633,533	2,472,126
Membership and dues		776,729	1,121,185
Insurance		575,734	539,618
Utilities		565,955	717,455
Rental		269,746	825,102
Repairs and maintenance		250,671	448,337
Transportation and travel		238,814	1,206,492
Management consultancy fees	6	215,129	2,661,674
Postage, printing and advertising		210,257	397,524
Taxes and licenses		91,812	543,018
Bank and other charges		59,520	56,508
Supplies		57,118	177,889
Staff recreation and others		44,974	321,446
Others		924,436	1,466,290
		42,169,418	41,871,804

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

Note 8 - Earnings (loss) per share

Loss per share for the nine months ended September 30, 2020 and 2019 are as follows:

	2020	2019
Net loss for the period	(123,204,975)	(88,433,002)
Divided by: Weighted average number of common shares issued and outstanding	293,828,900	293,828,900
Basic and diluted loss per share	(0.42)	(0.30)

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

The weighted average number of shares outstanding as at September 30, 2020 and 2019 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 9 - 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 P0.4 million as at September 30, 2020 and December 31, 2019, and share in actuarial gain of a joint venture amounting to P0.1 million as at September 30, 2020 and December 31, 2019.

Note 10 - 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, 2019.

The net retirement benefit asset recognized in the interim consolidated statements of financial position as at September 30, 2020 and December 31, 2019 is determined as follows:

Fair value of plan assets	2,411,323
Present value of defined benefit obligation	(2,051,291)
	360,032

The Group's net retirement benefit asset reflected in the interim consolidated financial statements represents the Parent Company's retirement plan.

Changes in the net retirement benefit asset recognized in the interim consolidated statements of financial position for the year ended December 31, 2019 are as follows:

At January 1	238,091
Retirement benefit expense recognized in profit or loss	(177,543)
Transfer of employees to an associate	182,629
Equity transfer	392,883
Remeasurements recognized in other comprehensive income	
Changes in financial assumptions	(283,419)
Deviations of experience from assumptions	27,371
Loss on plan assets	(74,657)
Contributions to the retirement fund	54,677
At December 31	360,032

The components of retirement benefit expense and net interest income recognized in profit or loss for the year ended December 31, 2019 are as follows:

Current service cost presented as retirement expense	205,688
Net interest income	(28,145)
	177,543

The remeasurements recognized in other comprehensive income for the year ended December 31, 2019 are determined as follows:

Remeasurements on defined benefit obligation	(256,048)
Remeasurements on plan assets	(74,657)
Remeasurements loss	(330,705)
Deferred income tax benefit	99,212
Remeasurements loss, net of tax	(231,493)

(a) Defined benefit obligation

Changes in the present value of the defined benefit obligation for the year ended December 31, 2019 are as follows:

At January 1	2,002,423
Current service cost included in retirement expense	205,688
Interest cost included in retirement expense	171,933
Transfer of employees to an associate	(182,629)
Remeasurements in other comprehensive income:	
Actuarial loss (gain) on obligation resulting from:	
Changes in financial assumptions	283,419
Deviations of experience from assumptions	(27,371)
Benefits paid from the retirement fund	(402,172)
At December 31	2,051,291

As at December 31, 2019, the average duration of the defined benefit obligation is 21 years.

Below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019:

Less than 10 years	1,294,374
More than 10 years to 15 years	5,193,128
More than 15 years to 20 years	471,080
More than 20 years	29,816,657
	36,775,239

(b) Plan assets

The major categories of plan assets as at December 31, 2019 are as follows:

Cash	49,122
Government securities	1,472,364
Investment in unit investments in trust funds (UITF)	475,910
Investment in other securities and debt instruments	405,633
Receivables	11,096
Trust fee payable	(2,802)
	2,411,323

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, UITF and investment in other securities and debt instruments held have quoted prices in active markets. The plan assets have diverse investments and do not have any concentration risk.

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

Changes in the fair value of plan assets for the year ended December 31, 2019 are as follows:

At January 1	2,240,514
Interest income presented as net of retirement expense	200,078
Equity transfer	392,883
Remeasurement in other comprehensive income:	
Loss on plan assets	(74,657)
Contributions to the retirement fund	54,677
Benefits paid from the retirement fund	(402,172)
At December 31	2,411,323

There are no plan assets invested in any entity within the Group as at December 31, 2019. The Group's transactions with the retirement fund for 2019 is limited to contributions. The fair value of the plan assets approximates their carrying amount as at December 31, 2019.

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 P0.1 million to the retirement fund in 2020.

There was no plan amendment, curtailment, or settlement for the year ended December 31, 2019.

Actuarial assumptions

The principal assumptions used in determining the Group's retirement benefit obligation as at December 31, 2019 are shown below:

Discount rate	5.29%
Future salary increase rate	5.00%

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

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the retirement obligation as at December 31, 2019:

	Rates	Increase (Decrease)
Discount rate	+1.0%	(104,608)
	-1.0%	135,044
Salary increase rate	+1.0%	130,103
	-1.0%	(103,251)

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

Note 11 - Segment information

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

Significant information on the reportable segment as at September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019 are as follows:

	2020	2019
As at September 30, 2020 and December 31, 2019		
Operating assets	2,452,228,979	2,597,931,411
Operating liabilities	86,035,111	108,532,568
For the nine months ended September 30, 2020 and 2019		
Gross loss, net	(83,749,299)	(44,462,423)
Other income (expense), net	4,324,496	(314,549)
General and administrative expenses	(42,169,418)	(41,871,804)
Segment net loss	(123,204,975)	(88,433,002)

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, other income, cost and expenses and segment net loss pertains to a single operating segment.

Note 12 - Financial risk and capital management

12.1 Financial risk management

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

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

(a) Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure to foreign currency arises from Singapore dollar (SGD) denominated consultancy fees due to SMPM.

The Group's foreign currency-denominated monetary liabilities as at September 30, 2020 and December 31, 2019 are as follows:

	2020	2019
	(In SGD)	
Due to related parties	(188,030)	(475,465)
Accrued consultancy fees	(103,134)	(103,134)
Monetary liabilities	(291,164)	(578,599)
Exchange rates	35.42	37.46
PHP equivalent	(10,313,029)	(21,674,319)

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

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

	Currency	Change in variable	Effect on income before tax increase (decrease)
September 30, 2020	SGD	+5.45%	(562,060)
		-5.45%	562,060
December 31, 2019	SGD	+2.63%	(570,035)
		-2.63%	570,035

As at September 30, 2020 and December 31, 2019, the Group used the average change in closing rates for the period/year in determining the reasonable possible change in foreign exchange rates.

(b) Credit risk

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation at the time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, receivables, amounts due from related parties and refundable deposits. As at September 30, 2020 and December 31, 2019, the carrying values of the Group's financial instruments represent maximum exposure to credit risk at reporting date.

There are no financial assets and liabilities that are offset and reported as net amount in the interim consolidated statements of financial position. There were no amounts subject to an enforceable master netting arrangement or similar agreement as at September 30, 2020 and December 31, 2019.

The Group transacts mostly with related parties, thus, there is no requirement for collateral. The Group's due from related parties are approximately ninety-eight percent (98%) of total receivables as at September 30, 2020 (December 31, 2019 - 96%).

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

Below is the Group's financial assets classified under three categories which reflect their credit risk as at September 30, 2020 and December 31, 2019:

		Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
September 30, 2020					
Cash and cash equivalents*	(i)	112,992,434	-	-	112,992,434
Receivables**	(ii)	974,085	-	2,666,664	3,640,749
Due from related parties	(ii)	52,781,612	-	-	52,781,612
Refundable deposits	(iii)	1,469,274	-	-	1,469,274
		168,217,405	-	2,666,664	170,884,069
December 31, 2019					
Cash and cash equivalents*	(i)	158,526,955	-	-	158,526,955
Receivables**	(ii)	2,222,053	-	2,666,664	4,888,717
Due from related parties	(ii)	50,757,729	-	-	50,757,729
Refundable deposits	(iii)	1,439,274	-	-	1,439,274
		212,946,011	-	2,666,664	215,612,675

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

The above assets were classified by the Group based on changes in credit quality under three-stage model for impairment. Stage 1 pertains to assets of the Company that is not credit-impaired on initial recognition. Stage 2 pertains to assets of the Company with significant increase in credit risk but not yet deemed to be credit-impaired. Financial assets that are credit-impaired are classified under Stage 3.

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at September 30, 2020 and December 31, 2019.

The Group applies PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance as at September 30, 2020 and December 31, 2019 were determined as follows:

	Stage 1 - Performing	Stage 2 - Underperforming	Stage 3 - Non-performing	Total
September 30, 2020				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	974,085	-	2,666,664	3,640,749
Loss allowance	-	-	2,666,664	2,666,664
December 31, 2019				
Expected loss rate	0.00%	0.00%	100.00%	
Receivables	2,222,053	-	2,666,664	4,888,717
Loss allowance	-	-	2,666,664	2,666,664

The Group's receivables amounting to P2.7 million as at September 30, 2020 and December 31, 2019 is determined to be impaired and was provided with allowance for doubtful accounts in 2017.

(i) Cash in bank

The Group has policies that limit the amount of credit exposure with financial institutions. The Group also maintains its deposits with reputable banks and financial institutions. For banks and financial institutions, only independently rated parties with good, if not the highest credit ratings, are accepted such as universal and commercial banks as defined by the Philippine Banking System. All cash in banks of the Group are with universal banks as at September 30, 2020 and December 31, 2019.

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

(ii) Receivables

Receivables from related parties

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

The maximum credit risk exposure is equal to the carrying amount as at September 30, 2020 and December 31, 2019.

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.

(iii) Refundable deposits

Refundable deposits consist primarily of amounts related to the Group's lease agreements. Refundable deposits are reported at their carrying amounts which are assumed to approximate their fair values. There is no significant credit exposure on refundable deposits since these are recoverable at the end of the lease term (Note 5).

(c) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Group also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments:

	On demand	Less than 3 months	More than 3 months to 1 year	More than one year	Total
September 30, 2020					
Accounts payable and other current liabilities*	553,981	15,541,189	-	-	16,095,170
Due to related parties	55,984,698	-	-	-	55,984,698
Lease liability**	-	1,348,539	4,158,008	1,887,965	7,394,512
	56,538,679	16,889,728	4,158,008	1,887,965	79,474,380
December 31, 2019					
Accounts payable and other current liabilities*	553,981	16,960,905	-	-	17,514,886
Due to related parties	63,438,793	3,279,567	-	-	66,718,360
Lease liability**	-	1,284,323	4,024,211	6,045,974	11,354,508
	63,992,774	21,524,795	4,024,211	6,045,974	95,587,754

**Accounts payable and other current liabilities exclude taxes payable.*
***Lease liability includes future interest payments.*

12.2 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, amounts due to related parties and lease liability.

The Group's objective is to ensure that there are no known events that may trigger direct or contingent financial obligation that is material to the Group, including default or acceleration of an obligation.

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

The percentages of debt to equity as at September 30, 2020 and December 31, 2019 are as follows:

	2020	2019
Liabilities	86,035,111	108,532,568
Equity	2,366,193,868	2,489,398,843
Percentage of debt to equity	3.64%	4.36%

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.

12.3 Fair value estimation

Due to the short-term nature of the Group's financial instruments, their fair values approximate their carrying amounts as at September 30, 2020 and December 31, 2019, except for financial assets at FVOCI.

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

An increase in the net asset value of the investees will result to increase in the fair value of the investment in preferred shares. Any fair value gain or loss on these investments is not material to the interim consolidated financial statements.

Fair value hierarchy

The valuation of the financial assets at FVOCI is categorized as Level 3 measurement.

During the reporting period ended September 30, 2020 and December 31, 2019, 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 13 - Events after the reporting date

COVID-19 (Corona virus)

The spread of COVID-19 during the first nine months of 2020 has significant impact on the operations of the Group. The President of the Philippines imposed an Enhanced Community Quarantine (ECQ) from March 16, 2020 to April 30, 2020 in Luzon and further extended it to May 15, 2020 in Metro Manila, being considered a COVID-19 high-risk area. From May 16 to May 31, 2020, Metro Manila was placed under lesser stringent Modified ECQ (MECQ). Subsequently from June 1, 2020 to August 03, 2020, the Philippine government gradually eased the restrictions by placing Metro Manila under General Community Quarantine (GCQ). Effective August 04 to August 18, 2020, Metro Manila was placed back under MECQ. Metro Manila then reverted to the less restrictive GCQ from August 19, 2020 until October 31, 2020.

These quarantine periods restrict the movement of people and the operations of businesses. The mall operations of SMKL was suspended during the ECQ and MECQ periods, except for the establishments offering basic necessities such as groceries, supermarket, pharmacies, health clinics and food stalls. With the easing of restrictions under GCQ, mall operations are gradually re-opening on a limited capacity.

The Group has observed the government mandates and directives. Consequently, Management foresees an inevitable slowdown in operations and decreased growth during the community quarantines. Nonetheless, Management continues to look for measures to mitigate and reduce any negative impact to its profitability or economic impact on its businesses brought about by the community quarantines. Management will continue to address the issues that directly affect its business operations. Management is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Group's financials.

It is currently uncertain what the magnitude of the impact will be and the effect on the December 31, 2020 financial statements (among others valuation of assets and allowance for doubtful accounts). This will depend, among others, on the development of the spread of the virus and how long the restrictive measures taken by the governments will last. The Group has taken measures to preserve the health and safety of its employees and stakeholders as well as the business operations.

The Group believes that liquidity risk is low and have therefore no reason to assume that the situation at the level of the Parent Company and its subsidiaries warrants disclosure of a specific material going concern uncertainty for the Group in preparing the September 30, 2020 interim consolidated financial statements.

Note 14 - Summary of significant accounting policies

14.1 Basis of preparation

The interim consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS"). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards ("PAS"), and interpretations of the Philippine Interpretations Committee ("PIC"), Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") which have been approved by the Financial Reporting Standards Council ("FRSC") and adopted by the SEC.

The interim consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at FVOCI, right-of-use asset and lease liability, and retirement benefit asset, recognized as the net of the fair value of plan assets and the present value of defined benefit obligation.

Changes in accounting policy and disclosures

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

A number of new standards, amendments to existing standards and interpretations are effective for annual periods after January 1, 2020.

None of these standards are expected to have a significant impact on the interim consolidated financial statements of the Group.

14.2 Consolidation

The interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at September 30, 2020 and December 31, 2019 and for each of the nine months ended September 30, 2020 and 2019. 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.

14.3 Financial instruments

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

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories: fair value through profit or loss (FVPL), FVOCI and amortized cost. The Group did not hold financial assets under the category financial assets at FVPL as at September 30, 2020 and December 31, 2019.

(i) Amortized cost

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

(ii) Fair value through other comprehensive income

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

(b) Recognition and measurement

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

Amortized cost

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

Equity investments

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

(c) Impairment

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

Equity investments

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

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

(d) Derecognition

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

<u>Financial liabilities</u>

(a) Classification

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the interim consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. As at September 30, 2020 and December 31, 2019, there were no offsetting of financial assets and liabilities.

14.4 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 interim 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 interim consolidated statement of comprehensive income reflects the Group's share in the results of operations of the associates. This is included in the "Share in results of associated companies" account in the interim 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 interim 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.

14.5 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(i) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(iii) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(iv) Residual value guarantees

The Group provides residual value guarantees for some lease contracts. The Group initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

(v) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of small item of office equipment.

14.6 Events after the reporting period

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

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

FINANCIAL CONDITION

30 SEPTEMBER 2020 COMPARED TO 31 DECEMBER 2019

TOTAL ASSETS decreased by ₱145.7 million from ₱2,597.9 million in December 2019 to ₱2,452.2 million in September 2020. The significant changes in account balances during the period are as follows:

- **CASH AND CASH EQUIVALENTS** decreased by ₱45.5 million due to the net cash used in operating and financing activities mainly from general and administrative expenses, including rental payments incurred during the nine months ended September 30, 2020 and from partial settlement of payables to related parties.

- **RECEIVABLES** decreased by ₱1.2 million due to the lower accrued income for management and franchise fees revenue recognized in the third quarter of 2020.

- **DUE FROM RELATED PARTIES** increased by ₱2.0 million due to the operating advances for expenses incurred by associates and joint venture and from outstanding management and consultancy fees revenue from SMKL.

- **PREPAYMENTS AND OTHER CURRENT ASSETS** increased by ₱2.7 million due to the prepayments made for insurance, office rentals and dues, and increase in creditable withholding taxes from management fee revenue earned during the nine months ended September 30, 2020.

- **INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE** decreased by ₱96.1 million due to the share in net loss of associated companies for the nine months ended September 30, 2020.

- **PROPERTY AND EQUIPMENT, NET** decreased by ₱3.4 million due to the depreciation recognized for the nine months ended September 30, 2020.

- **RIGHT-OF-USE ASSET, NET** decreased by ₱3.7 million due to the amortization recognized for the nine months ended September 30, 2020.

- **DEFERRED INCOME TAX ASSETS, NET** decreased by ₱0.5 million due to the reversal of 2019 taxable accruals during the nine months ended September 30, 2020.

TOTAL LIABILITIES decreased by ₱22.5 million from ₱108.5 million in December 2019 to ₱86.0 million in September 2020 due to the partial settlement of payables to related parties, reduction in lease liability from office rental payments, and reversal of 2019 accruals during the nine months ended September 30, 2020.

TOTAL EQUITY decreased by ₱123.2 million from ₱2,489.4 million in December 2019 to ₱2,366.2 million in September 2020 due to the net loss incurred for the nine months ended September 30, 2020.

RESULTS OF OPERATIONS

The Group holds investments in associates and joint venture involved in property development and holding of investment properties. It derives its revenue from rendering management consultancy services to its associated companies.

THIRD QUARTER 2020 COMPARED TO SAME PERIOD IN 2019

TOTAL GROSS REVENUE (LOSS) registered a loss of ₱14.2 million in the third quarter of 2020, which is ₱5.6 million lower than the ₱19.8 million loss incurred in the same period in 2019. This is mainly attributable to the following:

- Changes in **SHARE IN RESULTS OF ASSOCIATED COMPANIES** from period to period are dependent upon the results of the operations of the associated companies. Third quarter of 2020 showed a share in net loss of ₱17.7 million which is lower than the share in net loss of ₱23.8 million in the same quarter in 2019. The decrease in share in net loss is mainly due to the depreciation recognized in SMKL for 2019 prior to the adoption of fair value accounting for investment properties in December 2019, offset by the decline in SMKL's rental revenue from The Podium Mall during the Community Quarantine in Metro Manila.

- Increase in **MANAGEMENT CONSULTANCY AND FRANCHISE FEES** by ₱0.1 million to ₱3.3 million in the third quarter of 2020 from ₱3.2 million in the same period of 2019 due to the increase in SMKL's rental revenue on which these fees from SMKL are based.

- Decrease in **INTEREST INCOME** by ₱0.7 million to ₱0.2 million in the third quarter of 2020 from ₱0.9 million in the same period of 2019 due to the lower amount of placements and lower interest rates on time deposits in the third quarter of 2020.

GENERAL AND ADMINISTRATIVE EXPENSES decreased by ₱4.2 million to ₱12.3 million in the third quarter of 2020 from ₱16.5 million in the same period of 2019 mainly due to the lower management consultancy fees and travel expenses related to overseeing SMKL's mixed-use development project, offset by higher salaries, wages and benefits and higher depreciation on property and equipment attributable to the leasehold improvements.

OTHER INCOME (EXPENSE), NET showed an income of ₱0.6 million in the third quarter of 2020 from ₱0.3 million expense in the same period of 2019 due to the reversals of long outstanding accruals no longer required.

As a result, net loss for the **Third Quarter of 2020** decreased by ₱10.7 million to ₱26.1 million in the third quarter of 2020 from ₱36.8 million in the same period of 2019.

KEY PERFORMANCE INDICATORS

For The Quarter Ended	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)	% Change
Return On Assets	(1.00%)	(1.40%)	28.57%
Loss Per Share	(₱0.09)	(₱0.13)	30.77%
As At	**30 September 2020 (Unaudited)**	**31 December 2019 (Audited)**	**% Change**
Net Tangible Asset Value Per Share	₱6.03	₱6.45	(6.51%)
Working Capital Ratio	2.34:1	2.33:1	0.43%
Debt-to-Equity Ratio	0.04:1	0.04:1	0.00%

A. Return On Assets - It indicates how effectively the assets of the Group are utilized in generating profit. Net loss after tax for the third quarter of 2020 amounted to ₱26.1 million which decreased by ₱10.7 million from ₱36.8 million net loss in the same period in 2019. The decrease in Return On Assets was mainly attributable to the higher share in net loss of associated companies.

	Third Quarter 2020	Third Quarter 2019
Net Loss After Tax (a)	(₱26,063,074)	(₱36,756,119)
Total Assets At Beginning (b)	₱2,597,931,411	₱2,619,145,552
Return On Assets (a/b)	(1.00%)	(1.40%)

B. Loss Per Share - It represents the equivalent apportionment of net loss to each share of the common stock outstanding. For the third quarter of 2020 and 2019, loss per share amounted to ₱0.09 and ₱0.13, respectively. The favorable performance is due to the lower net loss incurred in the third quarter of 2020 as compared to the same period in 2019.

	Third Quarter 2020	Third Quarter 2019
Net Loss After Tax (a)	(₱26,063,074)	(₱36,756,119)
Number of Common Stock (b)	293,828,900	293,828,900
Loss Per Share (a/b)	(₱0.09)	(₱0.13)

C. Net Tangible Asset Value Per Share - It measures the equivalent entitlement of each share of the common stock outstanding in the tangible assets. The tangible value per share decreased by 6.51% compared to the previous year due to the decrease in retained earnings resulting from the net loss incurred for the nine months ended September 30, 2020.

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

	September 30, 2020	December 31, 2019
Net Tangible Assets	₱2,366,193,868	₱2,489,398,843
Less: Preferred Stock	(594,741,000)	(594,741,000)
Net Tangible Assets Attributable To Common Stock (a)	₱1,771,452,868	₱1,894,657,843
Number of Common Stock (b)	293,828,900	293,828,900
Net Tangible Asset Value Per Share (a/b)	₱6.03	₱6.45

D. Working Capital Ratio - The Group's ability to meet current obligations is measured by computing the ratio of current assets over current liabilities. The Working Capital Ratio increased by 0.43% as at September 30, 2020 as compared to December 31, 2019.

	September 30, 2020	December 31, 2019
Current Assets (a)	₱197,128,636	₱239,177,211
Current Liabilities (b)	₱84,177,431	₱102,755,492
Working Capital Ratio (a/b)	2.34 : 1	2.33 : 1

E. Debt-to-Equity Ratio - The Group's ability to maintain a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. The Debt-to-Equity ratio remained unchanged as at 30 September 2020 as compared to 31 December 2019.

	September 30, 2020	December 31, 2019
Total Liabilities (a)	₱86,035,111	₱108,532,568
Total Equity (b)	₱2,366,193,868	₱2,489,398,843
Debt-to-Equity Ratio (a/b)	0.04 : 1	0.04 : 1

FINANCIAL SOUNDNESS INDICATORS

Financial ratios	Calculation	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Liquidity/current ratio	Total current assets divided by total current liabilities Total current assets 197,128,636 Divided by: Total current liabilities 84,177,431 Liquidity/current ratio 2.34	2.34:1	2.33:1
Acid test ratio	Quick assets (total current assets less prepayments and other current assets) divided by total current liabilities Total current assets 197,128,636 Less: Prepayments and other current assets (30,250,420) 166,878,216 Divided by: Total current liabilities 84,177,431 1.98	1.98:1	2.06:1
Solvency ratio	[Net income after tax plus non-cash expenses (e.g. depreciation etc.)] divided by total liabilities	Not applicable	Not applicable
Debt-to-equity ratio	Total liabilities divided by total equity Total liabilities 86,035,111 Divided by: Total equity 2,366,193,868 0.04	0.04:1	0.04:1
Asset-to-equity ratio	Total assets divided by total equity Total assets 2,452,228,979 Divided by: Total equity 2,366,193,868 1.04	1.04:1	1.04:1
Profitability ratios	**Calculation**	**Third Quarter 2020 (Unaudited)**	**Third Quarter 2019 (Unaudited)**
Return on equity	Net income (loss) after tax divided by total equity Net loss after tax (26,063,074) Divided by: Total equity 2,366,193,868 (1.10%)	(1.10%)	(1.48%)
Return on assets	Net income (loss) after tax divided by total assets at beginning Net loss after tax (26,063,074) Divided by: Total assets, beginning 2,597,931,411 (1.00%)	(1.00%)	(1.40%)
Net profit margin	Net income after tax divided by total revenue and income	Not meaningful	Not meaningful
Loss per share	Net loss divided by number of common stock outstanding Net loss after tax (26,063,074) Divided by: Number of common stock outstanding 293,828,900 (0.09)	(P0.09)	(P0.13)

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

a) As at 30 September 2020:

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

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

c) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

d) The Group is not a party to certain lawsuits or claims arising from the ordinary course of business.

e) The Philippine real estate industry is cyclical and is sensitive to changes in general economic conditions in the Philippines. The COVID-19 situation is forecasted to impact the following:

   - *Demand* for office spaces are expected to slow down until the first half of 2021, with some closure of businesses in the traditional and outsourcing firms as they shift to remote working on a short-to-medium term. Likewise, demand for retail spaces are expected to decline for the rest of 2020, mostly affecting non-essential retailers as they shift to online selling due to decreased in consumer traffic.

   - *Rent rates* for office spaces are expected to decline for the rest of 2020 due to rent negotiations and concessions from existing and prospect tenants. Likewise, rent rates for retail spaces are projected to decline due to decreased consumer spending brought about by the economic slowdown. Rent rates are expected to recover by the second half of 2021 and 2022 for office and retail sectors, respectively.

   - *Vacancy* for office and retail spaces are expected to increase due to slowed leasing activities over Metro Manila as offices have been rationalizing on remote working and as non-essential consumption and foot traffic remains subdued. Vacancies are forecasted to improve by 2022.

PART II. OTHER INFORMATION

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

FOREIGN SERVICE OF THE
REPUBLIC OF THE PHILIPPINES

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

CERTIFICATE OF AUTHENTICATION

I, **LAARNI ZORAYDA S. GANDAROSA,** Consul of the Republic of the Philippines to Singapore, duly commissioned and qualified, do hereby certify that **MOHD SHARIFF WOOKIL** before whom the annexed instruments have been examined by me, to wit:

AUTHENTICATION CERTIFICATE SIGNED BY MELISSA GOH OF SINGAPORE ACADEMY OF LAW

was at the time he/she signed the same was the authentication officer of the **MINISTRY OF FOREIGN AFFAIRS** and that his/her signature affixed thereto is genuine.

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

IN WITNESS HEREOF, I have hereunto set my hand and affixed the seal of the Embassy of the Philippines at Singapore, this ***04 November 2020***.

LAARNI ZORAYDA S. GANDAROSA
Consul

Service No. : 7753
Book No. : 1
Series of : 2020
OR No. : 2396525
Fee Paid : $42.50

NC0K8G0BDF

REPUBLIC OF SINGAPORE
NOTARY PUBLIC

NOTARIAL CERTIFICATE

TO ALL TO WHOM these presents shall come

I, Lim Chee Kiang, NOTARY PUBLIC duly admitted, authorised to practise in the Republic of Singapore, DO HEREBY CERTIFY

That on the 22nd day of October 2020, **OH LOCK SOON** identified to me by production of his Singapore Passport No.: E6512706E and **PANG CHAN FAN** identified to me by production of his Singapore Passport No.: E5517679C, respectively the President and Treasurer of KEPPEL PHILIPPINES PROPERTIES, INC., a Philippines corporation BOTH APPEARED before me and signed in my presence at page 34 of the instrument entitled: "SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q", attached to this Notarial Act and Certificate.

IN FAITH AND TESTIMONY whereof I the said notary have subscribed my name and set and affixed my seal of office at Singapore, this 30th day of October 2020.

NOTARY PUBLIC
SINGAPORE

NOTARY PUBLIC
Lim Chee Kiang
N2020/0482
1 Oct 2020 – 30 Sep 2021
SINGAPORE

By virtue of Rule 8(3)(c) of the Notaries Public Rules, a Notarial Certificate must be authenticated by the Singapore Academy of Law in order to be valid.

SAL SINGAPORE ACADEMY OF LAW

To verify the issuance of this ***Authentication Certificate***, go to *Legalisation.sal.sg* or scan QR code:

***Verification code:* 25349514**

This ***Authentication Certificate*** only certifies the authenticity of the signature and the capacity of the person who signed the Notarial Certificate.

This ***Authentication Certificate*** is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This Certificate does not authenticate or confirm the content of the Document attached to the annexed Notarial Certificate.

Authentication	
1. **Country:**	Singapore
2. **This public document has been signed by:**	Lim Chee Kiang
3. **Acting in the capacity of:**	Notary Public
4. **Bears the seal/stamp:**	Notary Public
Certified	
5. **Authentication Cert No.:**	AC0K8J09HD
6. **At:**	Singapore Academy of Law
7. **The:**	2nd November 2020
8. **By:**	Melissa Goh, Deputy Director, SAL
9. **SAL Certification Seal:**	10. **Signature:** Melissa

SINGAPORE ACADEMY OF LAW CERTIFICATION SEAL

-20110096

MINISTRY OF FOREIGN AFFAIRS SINGAPORE

Certified True Signature

MOHD SHARIFF WOOKIL

02 NOV 2020

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	:	Keppel Philippines Properties, Inc.
Signature and Title	:	**Oh Lock Soon** President **Pang Chan Fan** Treasurer
Date	:	22 October 2020

NOTARY PUBLIC
Lim Chee Kiang
N2020/0482
1 Oct 2020 – 30 Sep 2021
SINGAPORE

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

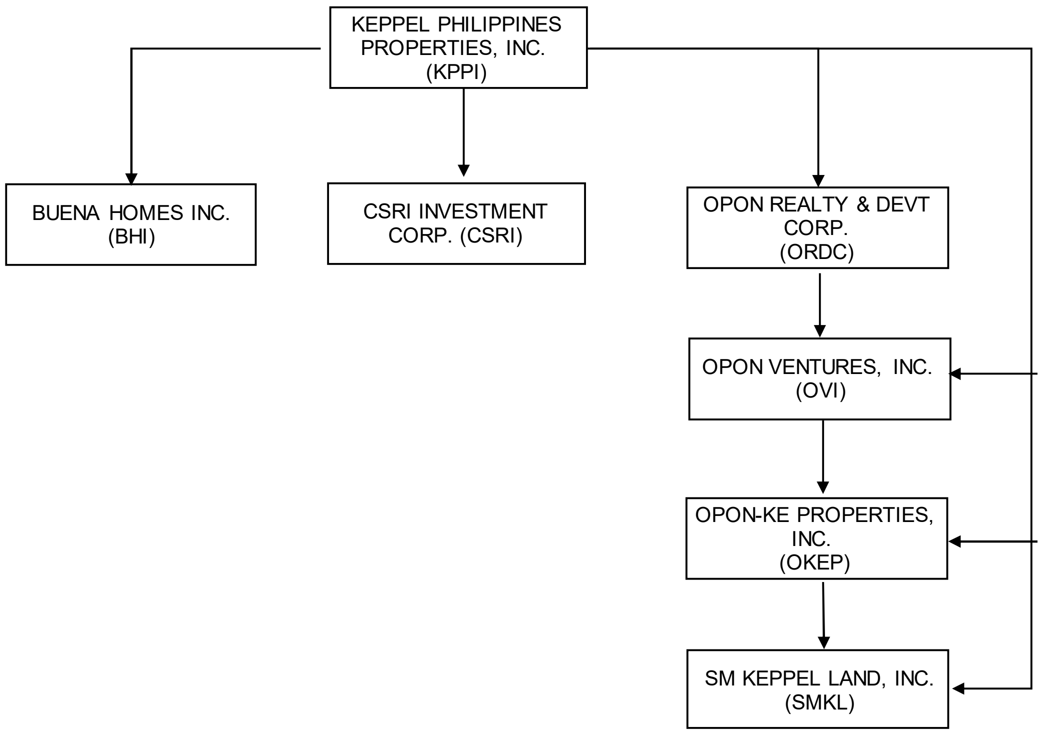
AGING OF RECEIVABLES
As of Sep. 30, 2020

Type of Accounts Receivable	TOTAL	1 Month	2 - 3 Mos.	4 - 6 Mos	7 mos to 1 Year	1 - 2 Years	3 - 5 Years	5 Years - above	Past due accounts & Items in Litigation
	₱	₱	₱	₱	₱				
A. Trade Receivables	-	-	-	-	-	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
Net Trade Receivable	-	-	-	-	-	-	-	-	-
B. Non-Trade Receivables									
1 Non-trade	2,666,664	-	-	-	-	-	-	-	2,666,664
2 Accrued revenue	974,085	974,085	-	-	-	-	-	-	-
3 Receivables from employees	43,565	43,565	-	-	-	-	-	-	-
4 Accrued interest receivable	11,520	11,520	-	-	-	-	-	-	-
5 Others	-	-	-	-	-	-	-	-	-
Subtotal	3,695,834	1,029,170	-	-	-	-	-	-	2,666,664
Less: Allowance for Doubtful Accounts	(2,666,664)	-	-	-	-	-	-	-	(2,666,664)
Net Non-Trade Receivables	1,029,170	1,029,170	-	-	-	-	-	-	-
Net Receivables	**1,029,170**								

Receivables Description

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

KEPPEL PHILIPPINES PROPERTIES, INC.
SUBSIDIARIES AND ASSOCIATES
AS AT SEPTEMBER 30, 2020



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

Associates	Percentage of Ownership	Nature of Business
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

Keppel Philippines Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at September 30, 2020
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of year			(13,610,252)
Add :	**Net income actually earned/realized during the period**		
	Net income (loss) during the period closed to retained earnings	(27,127,795)	
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	-	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total		(27,127,795)	
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)	-	
Sub-total		-	
Net income (loss) actually earned during the period			**(27,127,795)**
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, end of the period available for dividend (deficit)			**(40,738,047)**