The Prospectus is being displayed in the website to make the Prospectus accessible to more investors. The Philippine Stock Exchange (PSE) assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or reliance in whole or in part on the contents of the Prospectus.

PRELIMINARY PROSPECTUS

THIS PRELIMINARY PROSPECTUS AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT WITHOUT NOTICE. THE OFFER SHARES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THAT THE PRELIMINARY PROSPECTUS IS ISSUED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OFFER SHARES NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE OFFER SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

SBS PHILIPPINES CORPORATION

(A corporation organized and existing under Philippine Laws)

10 RESTHAVEN STREET,
SAN FRANCISCO DEL MONTE,
QUEZON CITY, PHILIPPINES
TELEPHONE NUMBER: (632) 371 1111

Prospectus Relating to the
Stock Rights Offering of up to 302,000,000 Common Shares
with a Par Value of ₱1.00 per Share
to be offered at the Offer Price of up to ₱[4.97] per Rights Share
and at the ratio of 1 Rights Share for
every [4.1325] Common Shares held as of Record Date
to be listed and traded on the Main Board of the Philippine Stock Exchange, Inc.

Issue Manager and Sole Underwriter

BDO Capital & Investment Corporation

THE OFFER OF THE SECURITIES IS EXEMPT FROM REGISTRATION PURSUANT TO SECTION 10 OF THE SECURITIES REGULATION CODE, AND ACCORDINGLY THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES REGULATION CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION OTHER THAN THE PHILIPPINES. ACCORDINGLY, THE OFFER SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, INTO OR WITHIN ANY JURISDICTIONS OUTSIDE OF THE PHILIPPINES ABSENT REGISTRATION OR QUALIFICATION UNDER THE RESPECTIVE SECURITIES LAWS OF THOSE JURISDICTIONS, OR EXEMPTION FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS UNDER APPLICABLE RULES OF THOSE JURISDICTIONS. THERE IS NO INTENTION TO REGISTER ANY PORTION OF THE OFFER OR ANY SECURITIES DESCRIBED HEREIN IN THE UNITED STATES OR TO CONDUCT A PUBLIC OFFER OF SECURITIES IN THE UNITED STATES.

This Preliminary Prospectus is dated [30] September 2017.

SBS Philippines Corporation
10 Resthaven Street
San Francisco Del Monte, Quezon City
Tel No.:+ 63 2 371 1111
Fax No.: +63 2 371 1288
Website: http://www.sbsph.com

Stock Rights Offering
One (1) Rights Share of Common Stock
For Every [4.1325] Common Shares Held
At an Offer Price of up to ₱[4.97] per Rights Share

This Prospectus relates to the offering for subscription (the "Offer") of up to 302,000,000 Common Shares (the "Rights Shares" or "Offer Shares") with a par value of ₱1.00 per share (the "Common Shares") of SBS Philippines Corporation ("SBS" or the "Company" or the "Issuer") by way of a rights offering ("SRO" or the "Offer") to existing holders of Common Shares of SBS as of the Record Date ("Eligible Shareholders") at the proportion One (1) Share of Common Stock for every [4.1325] Common Shares held as of the Record Date at an Offer Price of up to ₱[4.97] per Rights Share (the "Rights Offer Price" or the "Offer Price"). Any Eligible Shareholder may also apply to subscribe, in addition to such shareholder's minimum entitlement, for Offer Shares not taken up by the other Eligible Shareholders. Any fractional shares shall be disregarded in the computation of the Rights Share entitlement of each shareholder.

On June 9, 2017, the shareholders of the Company representing at least 2/3 of the outstanding capital stock of the Company approved a capital raising exercise through Stock Rights Offering to its registered stockholders (the "Rights Offer") to be issued partially from the Company's unissued capital stock and partially from the increase in the Company's authorized capital stock, with the Board of Directors being authorized to determine the size and terms of the Rights Offer, including the utilization of the proceeds of the Right Offer.

On June 9, 2017 after the holding of the Annual Shareholders' Meeting, the Board of Directors approved a Stock Rights Offering to its registered stockholders of up to 845,487,000 common shares (the "Rights Offer") which will be issued partially from the Company's unissued capital stock and partially from the increase in the Company's authorized capital stock;

In its meeting of 14 July 2017, the Board of Directors (the "Board") deemed it to the best interest of the Company to change the Offer structure earlier approved by the Board to provide for the separate conduct of the stock rights offering to be issued solely from the Corporation's existing unissued capital stock and those subsequently to be issued from the new shares to be created from the increase in authorized capital stock to be undertaken by the Company; with the Board approving an initial Stock Rights Offering ("Offer") comprising of up to 302,000,000 common shares with a par value of P1.00 per share (the "Rights Shares" or "Offer Shares") from the existing unissued shares of the Corporation for subscription of existing holders of Common Shares of the Company, which Offer is intended raise to up to One Billion Five Hundred Million Pesos (₱1,500,000,000.00) in gross proceeds. Any subsequent capital raising activity approved by the Board after this Offer will be disclosed to the regulators and the investing public as the same is approved.

The current authorized capital stock of the Company is ₱1,550,000,000 consisting of 1,550,000,000 Common Shares with a par value of ₱1.00 per share. As of the date of this Prospectus, 1,247,999,999 Common Shares are subscribed and outstanding.

After the completion of the Offer, the Company shall have an Authorized Capital Stock of 1,550,000,000 Common Shares and up to 1,549,999,999 Common Shares subscribed, and outstanding and fully-paid.

On 9 June 2017 the Company's shareholders approved the distribution of stock dividends to be payable at the rate of one (1) common share for every twenty five (25) common shares owned by stockholders as of record date of 29 June 2017 (or approximately up to 47,999,999 Common Shares. The payment date was on 17 July 2017. The issuance of the stock dividends is an exempt transaction under Section 10.1(d) of the Securities Regulation Code, as amended, or distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus. The additional issuance of shares for the stock dividends do not require any written confirmation of exemption from the SEC.

In connection with this Offer, a Request for Confirmation of Exemption was filed on 18 July 2017 with the Securities and Exchange Commission ("SEC") based on Section 10.1 (e) of the Securities Regulation Code. On 25 September 2017, the SEC approved the Company's Request for Confirmation of Exemption, thereby confirming that the Offer is exempt from the registration requirements of the SRC.

BDO Capital & Investment Corporation ("Underwriter") will firmly underwrite the Offer but no underwriting fees will be collected with respect to the Offer. In this connection, the parent company and the major shareholder owning 65.4% of the Company, Anesy Holdings Corporation ("Anesy Holdings"), has committed and undertaken to the Company and the Underwriter that it shall subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the SRO. Thus, if any shareholder fails to subscribe to all the Rights Shares, Anesy Holdings, through the Underwriter, will take up any remaining unsubscribed Rights Shares after the mandatory second round of the SRO. If the Shareholders (including Anesy Holdings) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.

The Company filed its application for the listing and trading of the Rights Shares with the PSE on 18 July 2017. The PSE approved the application to list the Rights Shares on [●]. Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The subscriptions to the Rights Shares will be listed on the Main Board of The Philippine Stock Exchange, Inc. ("PSE" or the "Exchange"), following the Offer Period, on [12] December 2017, subject to the review and final approval by the PSE.

All Common Shares of the Company issued or to be issued pursuant to the Offer have, or upon issuance will have, identical rights and privileges. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership. As of the date of this Prospectus, the Company owns land and is therefore required by the Philippine Constitution and related statutes to be a Philippine National by limiting foreign ownership in the Company to a maximum of 40% of its outstanding capital stock.

Each holder of the Common Shares will be entitled to such dividends as may be declared by the Board of Directors, provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds (2/3) of the Company's total outstanding capital stock. The Corporation Code of the Philippines, Batas Pambansa Blg. 68 (the "Corporation

Code"), has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. The Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Board of Directors, dividends equivalent to approximately twenty percent (20%) of the prior year's net income after tax based on the Company's audited financial statements as of such year, subject to the availability of the unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

The Company expects to raise gross proceeds of up to ₱1.50 billion from the Offer. After deducting the registration and licensing fees, listing fees, taxes, other fees and expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱[1.49] billion. The net proceeds from the Offer will be used by the Company to (i) support the capital requirements of its subsidiary, SBS Holdings and Enterprises Corporation and (ii) provide for general working capital requirements. For a more detailed discussion on the Use of Proceeds, please refer to page [●] of this Prospectus.

Unless the context clearly indicates otherwise, any reference to the "Company", "SBS" or the "Group" refers to SBS Philippines Corporation on a consolidated basis. The information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Offer. The Company accepts full responsibility for the accuracy and completeness of the information contained herein. The Company confirms that, after having made all reasonable inquiries, and to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement in this Prospectus misleading in any material respect. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Prospective investors of the Offer Shares must conduct their own evaluation of the Company, and the terms and conditions of the Offer, including the merits and risks involved. Please refer to Risk Factors discussed on page [●] of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Offer Shares described herein.

Market and certain industry data used throughout this Prospectus were obtained from market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Company does not make any representation as to the accuracy of such information.

The PSE assumes no responsibility for the correctness of any of the statements, opinions and reports made or expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. The application to cover the listing of the Rights Shares was approved by the Exchange on [●] 2017.Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The Underwriter has exercised due diligence in ascertaining that all material representations contained in this Prospectus as of the Listing Date are true and correct as of the date of this Prospectus and that no material information was omitted, which was necessary in order to make the statements contained herein as of the Listing Date not misleading.

This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer or solicitation or sale. No dealer, salesperson, or other person has been authorized to give information or make any representation not contained in this Prospectus, and if given or made, may not be relied upon as having been authorized by the Company.

The Company's Common Shares are listed on the Main Board of the PSE under the symbol "SBS". As of [28] September 2017, the market price per share of the Company's common shares was ₱[5.87].

THE OFFER OF THE SECURITIES IS EXEMPT FROM REGISTRATION PURSUANT TO SECTION 10 OF THE SECURITIES REGULATION CODE, AND ACCORDINGLY THE SECURITIES HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES REGULATION CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION OTHER THAN THE PHILIPPINES. ACCORDINGLY, THE OFFER SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, INTO OR WITHIN ANY JURISDICTIONS OUTSIDE OF THE PHILIPPINES ABSENT REGISTRATION OR QUALIFICATION UNDER THE RESPECTIVE SECURITIES LAWS OF THOSE JURISDICTIONS, OR EXEMPTION FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS UNDER APPLICABLE RULES OF THOSE JURISDICTIONS. THERE IS NO INTENTION TO REGISTER ANY PORTION OF THE OFFER OR ANY SECURITIES DESCRIBED HEREIN IN THE UNITED STATES OR TO CONDUCT A Q1 PUBLIC OFFER OF SECURITIES IN THE UNITED STATES.

The Company is organized under the laws of the Republic of the Philippines. Its principal office is located at 10 Resthaven Street, San Francisco Del Monte, Quezon City with telephone number+632 371 1111. Any inquiry regarding this Prospectus should be forwarded to the Company.

SBS Philippines Corporation

By:

GERRY D. TAN
President

SUBSCRIBED AND SWORN to before me this ____th day of _____ 2017 in _____,
Philippines, affiants exhibiting to me his [●] issued on [●] in [●].

Doc. No. _____;
Page No._____;
Book No. _____;
Series of 2017.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below:

Affiliate	with respect to the Company, any Person which either directly or indirectly Controls, or which is Controlled by, or is under common Control with, the Company
Associate	a related entity to the Company linked by means of ownership of at least seventeen (17%) to not more than fifty percent (50%) of its outstanding voting stock or qualifies as an Associate as defined in PAS 28 Investments in Associate where SBS has a significant influence, but not control, in the company
Anesy Holdings Corporation or Anesy Holdings	the holding company of the Sytengco Family
Applicant	a person, whether natural or juridical, who seeks to subscribe for the Offer Shares
Application	an application to subscribe for Offer Shares pursuant to the Offer
BIR	the Philippine Bureau of Internal Revenue
Board of Directors or Board	Board of Directors of the Company
BSP	the Bangko Sentral ng Pilipinas
Business or Banking Day	A day (except Saturdays, Sundays and holidays) on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the city of Makati
CAGR	Compounded Annual Growth Rate, the year-over-year growth rate of an investment over a specified period of time
Commodity Chemicals	chemicals manufactured in large volume or by bulk with minimal product variation from producer to producer
Common Shares or Shares	the Company's shares of common stock, each with a par value of ₱1.00
Company, Issuer or SBS	SBS Philippines Corporation
Control	the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the concerned entity,

	whether through the ownership of voting securities, by contract, voting trusts, through majority membership in the board of directors or governing body of a corporation or other legal entity or otherwise
Corporation Code	Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines
Eligible Shareholders	Existing holders of record of Common Shares as of the Record Date
GDP	Gross Domestic Product
Government	the Government of the Republic of the Philippines
Listing Date	the date of listing and when the trading of the Shares with the PSE commences
Main Board	the PSE board in which the Company intends to list
MT	metric ton
Metro Manila	the metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Pateros, Quezon City, Valenzuela, Taguig and San Juan, which together comprise the "National Capital Region" and are commonly referred to as "Metro Manila"
Non-Commodity Chemicals	chemicals that are not generally available from many suppliers, are usually prepared to suit the customer's application needs, and are generally covered by patents
Offer Period	period commencing on [27] November 2017 and ending on 12:00 noon of [5] December 2017. The Company and the Underwriter reserve the right to extend or terminate the Offer Period, subject to the approval of the PSE.
PCD	Philippine Central Depository
PCD Nominee	PCD Nominee Corporation, a corporation wholly owned by the PDTC
PDTC	to the Philippine Depository and Trust Corporation, the central securities depositary of, among others, securities listed and traded on the PSE
Person	any individual, company, body corporate or other juridical person, partnership, firm, joint venture or trust or any federation, state or subdivision thereof of any government or political subdivision or any agency, department or instrumentality thereof
Peso or ₱	the Philippine Peso, the lawful currency of The Republic of the Philippines
PFRS	Philippine Financial Reporting Standards

Philippines	the Republic of the Philippines
PSE or Exchange	The Philippine Stock Exchange, Inc.
PSE Revised Listing Rules	the Revised Listing Rules of the PSE as amended by PSE Memorandum Circular No. 2013-0023 dated 6 June 2013, or the Main and SME Board Listing Rules
PSE Trading Participants or Trading Participants	the duly licensed securities brokers who are trading participants of the PSE
Punongbayan & Araullo	Punongbayan & Araullo, the Philippine member firm within Grant Thornton International Ltd.
QIBs	Qualified Institutional Buyers
Receiving Agent, Stock and Transfer Agent	BDO Unibank, Inc. – Trust and Investments Group, a duly licensed universal bank organized and existing under the laws of the Republic of the Philippines
Record Date	[22] November 2017
Related Parties	includes the Company's subsidiaries as well as Affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Company exerts direct or indirect control over or that exerts direct or indirect control over the Company; the Company's directors; officers; shareholders and related interests, and their close family members, as well as corresponding persons in affiliated companies
Rights Offer Price or the Offer Price	Up to ₱[4.97] per Rights Share
Rights Shares	up to 302,000,000Common Shares of the Company
SCCP	the Securities Clearing Corporation of the Philippines
SEC	the Philippine Securities and Exchange Commission
Specialty Chemicals	chemicals produced in small volumes and are, in many instances, proprietary formulations which customers use in specific applications
sqm.	square meters
SBS Holdings and Enterprises Corporation or SHEC	a wholly owned subsidiary of the Company created to acquire and hold property related assets, investments and shares or interests in any entity involved in property related investments and businesses as well as to undertake property related businesses.
SRC	the Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended

Sytengco Family	Mr. Necisto U. Sytengco and his immediate family composed of his mother, Emilia Sytengco, his spouse, Mrs. Lali Yap-Sytengco, their children, Aylene, Necisto II and Ned Bryan all surnamed Sytengco, and his sister, Evelyn T. Ching.
Underwriter	BDO Capital & Investment Corporation
Underwriting Agreement	the agreement to be dated [●] 2017 between SBS Philippines Corporation and BDO Capital& Investment Corporation whereby the latter agrees to firmly underwrite the Offer.
US Dollars or US$	United States Dollars, the lawful currency of the United States of America
VAT	Value-Added Tax

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information, including the Company's financial statements and notes relating thereto, beginning on page [●] of this Prospectus. For discussion of certain matters that should be considered in evaluating any investment in the Offer Shares, see the section entitled "Risk Factors" beginning on page [●] of this Prospectus.

The Company

SBS Philippines Corporation (the "Company") was incorporated on 17 July 2001 and was formerly known as Sytengco Philippines Corporation. The change to its present name was approved by the SEC on 18 November 2014. On 10 August 2015, the Company became a public company and was admitted to the Main Board of the Exchange.

As of September 30, 2017, the Company is 65.4% owned by Anesy Holdings Corporation, 9.2% by the directors, officers, employees and affiliates of the Company, and 25.4% by the public. Its registered office address and principal place of business is 10 Resthaven Street, San Francisco Del Monte, Quezon City.

Currently, the Company's principal business is in chemical trading and distribution, supplying a diverse customer base of more than 1,900 customers nationwide with over 3,000 chemical products sourced from more than 500 suppliers. The Company offers a comprehensive selection of chemical products to service a wide range of industries: (i) food ingredients, (ii) industrial, (iii) agribusiness, feeds and veterinary care, (iv) pharmaceutical, and (v) personal care and cosmetics. It also provides value-added service to its customers by providing logistics management in sourcing, procuring, warehousing and transporting the chemical products and materials.

The Company provides a one-stop-shop business solution that allows for choice and convenience to its customers. The Company engages in multiple sourcing from different chemical producers and sells a diverse and broad range of chemical products and ingredients. Its highly diversified portfolio of products allows the Company to bundle and combine multiple orders of different products in smaller volumes, providing for a convenient stable source and "one-stop shop" single partner for the various chemical needs of its market customers. Clients are offered a full line of chemical and ingredient products on stock for which they can order in great variety and programmed for dispatch and delivery in accordance with their requirements.

For the years 2016, 2015 and 2014, the Company registered total sales of ₱1,002.1 million, ₱940.0 million and ₱933.1 million respectively. As of June 2017, total sales amounted to ₱512.7 million. At present, the Company's top customers in terms of sales include RDL Pharmaceutical Laboratory, Inc., Uni-President (Phils) Corporation, Zamboanga Carrageenan Manufacturing Corporation, CDO, and Zeno Chemical Industries, Inc. Top products in terms of sales are food seasonings, starches, mineral salts, acidulants and active pharma ingredients.

Presently, the Company maintains a network of 15 distribution warehouses in five (5) sites with a combined floor area of approximately 50,000 sqm., and a storage capacity of over 18,000 MT. It also owns various delivery vehicles to service a wider area and ensure products are delivered on a timely manner. Such warehousing and distribution capabilities provide for opportunities for collaborations in supply chain optimization with its business partners. This logistics

infrastructure provides for flexibility as the Company can offer a variety of products to a diverse set of customers and markets. For instance, the Company services the requirements of its customers in a just-in-time delivery basis where the Company acts as if it holds the chemical inventory of their customers. “Just-in-time” deliveries provide customers with a cost-effective way to manage their inventory carrying cost which is increasingly important to customers in choosing their supply partners.

In 2015, to further grow the business, the Company undertook an initial public offer (“IPO”) where it issued 420.0million Common Shares and raised ₱1,155. million (the “IPO Proceeds”). To date, the IPO proceeds were utilized as follows:

About 24.5% of the IPO Proceeds was used by the Company to prepay the outstanding principal balance of one of its term loan with BDO Unibank, Inc., which was availed of on 5 September 2013. This long-term loan was due to mature on 27 August 2018 and had an interest cost of 5% per annum (the “BDO Loan”). The Company decided to prepay the BDO Loan as it carried a higher interest rate compared to its other loan obligations. On 11 August 2015, the Company prepaid the BDO loan in the total amount of ₱282.9 million, inclusive of accrued interest, using the IPO Proceeds.

About 15.1% of the IPO Proceeds has been allotted for use as general working capital. This includes the excess of actual IPO expenses and bank loan charges versus the estimated amounts previously allocated. As of 30 June 2017, the Company disbursed a total of ₱172.2 million to settle trust receipts obligations and interest charges incurred for the purchase of product inventory replenishments, for marketing expense in connection with the trade exhibit participation of the Company in the 2016 Philippine Food Trade Expo, and for warehouse maintenance costs.

About 8.7% of the IPO Proceeds has been allotted to finance the purchase and importation of additions to the Company’s product portfolio, which shall include new products and product improvements, as well as to fund the organization of a business development unit to provide sales and marketing support to develop market share for such new products. These expenditures will be undertaken during the period 2016-2017. As of 30 June 2017, the Company disbursed a total of ₱5.4 million in connection with the importation of new product offerings for water and waste water treatment, related sales support expenses and salaries of the Company’s new business unit personnel.

About 9.06% of the IPO Proceeds has been allotted to finance investments in new equipment and machinery. As of June 30, 2017, it disbursed a total of ₱17.0 million for the purchase of air-conditioning systems for its temperature controlled storage facilities for pharmaceutical chemicals, additional office equipment and service vehicles.

About 3.70% of the IPO Proceeds were used to pay fees and expenses related to the IPO of the Company.

About 38.96% of the IPO Proceeds has been allotted for the acquisition either of a warehouse facility complex or separately for the purchase of real estate property or a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building which were previously intended for the strategic acquisition of businesses (₱350.0 million) and facility improvements (₱100.0 million). To date, the Company is in discussion for the acquisition of such properties and aims to close such project in 2017.

Subsidiary and Associates

To undertake and hold additional strategic investments in property related assets and businesses, the Company established a wholly-owned subsidiary, SBS Holdings and Enterprises Corporation ("SHEC") whose principal activity would be to invest in companies with land banking investments in prime parcels of land. Its other business segments include property management and leasing, and distribution and sale of construction materials

The Company has also acquired minority ownership stakes in various property holding companies set up to serve as vehicles for real estate investments. These investments of the Company involve a 37% shareholding interests in Lakerfield Philippine Holdings Corp., 25% shareholding interests in Ayschester Holdings Corp., 37.25% shareholding interests in Cleon Phils. Holdings Corp., and 17% shareholding interests in I Bonding Holdings Corporation, for a total investment of ₱152.0 million.

These investments were ratified by the Company's shareholders on 9 June 2017. Additional discussions on these companies are provided in the section on The Company in page [●] of this Prospectus.

History

The Company traces its roots to the 1970s when its founder Mr. Necisto U. Sytengco opened a single proprietorship merchandising firm in Sta. Cruz, Manila to engage in the import-wholesale trade of electronics spare-parts and chemicals to local and foreign-owned processors, integrators, millers, refineries and manufacturers.

Since the 1980s, the chemical trading business expanded and grew. Seeing the potential for more growth in this industry, the Sytengco Family began setting up large dedicated and strategic distribution and warehousing facilities to better manage the flow of materials, gain economies of scale and have a more leveraged cost structure. These additional capabilities provided for a distinct competitive advantage as it allowed the Company to purchase bigger supply volumes and benefit from volume-based pricing as well as carry a more diversified product offering.

By the 1990's, the Company has become an important chemical supplier to leading manufacturing businesses in the country such as, but not limited to, D&L Industries Group of Companies, Uni-President (Philippines) Corporation, RDL Pharmaceuticals, Inc., Universal Robina Corporation, and San Miguel Corporation. It further expanded its distribution-warehousing facilities and product portfolio to serve the chemical requirements of high growth markets such as food ingredients, industrial, feeds, agriculture and veterinary care, pharmaceutical, personal care and cosmetics.

As it moved into the new century, the Company focused on enhancing its management system and improving the efficiency and cost effectiveness of its operations. The Company centralized its back office operations and implemented processes and procedures that led to better materials management and more cost effective logistics services. By the 2010's, the Company

embarked on the professionalization of its management team and focused on core business initiatives designed to strengthen supplier and customer relationships.

Later on, the Company has started to diversify its business by taking advantage of the opportunities in the real estate market and real properties with valuable growth opportunities to (i) build its capital base, (ii) provide leverage capability, and (iii) produce a diversified income base. By investing in prime real estate properties, the Company may benefit from capital growth through land value appreciation and easier access debt financing against its portfolio of assets. Also, the gains from these real estate investments are meant to grow and diversify the Company's income streams and counterbalance some of the fluctuations in the chemicals business.

Products and Markets

The Company sells and distributes a wide range of chemicals to a diverse group of customers that are significant players in the following markets such as food ingredients, industrial, feeds, agriculture and veterinary care, pharmaceutical and personal care and cosmetics. For the year ended 31 December 2016 and the six months ended 30 June 2017 , the Company's product sales comprise of 90% Commodity Chemicals and 10% Non-Commodity Chemicals.

The Company generated over ₱1,002.1million in sales in 2016,with food ingredients, industrial and feeds and veterinary care segments accounting for over 90% of the Company's total turnover for that year. Food ingredients chemicals such as food additives, processing aids, nutritional supplements, dairy and egg products, starch and bakery ingredients accounted for the largest portion of the Company's 2016 sales, contributing a 35% share, followed next by industrial segment at 31% with chemicals such as caustic soda, hydrochloric acid, absorbents, and mineral products. Feeds, agriculture and veterinary care chemicals such as feed additives and premixes, quinolones and coccidiostatics accounted for at 23%. As of 30 June 2017, the Company posted sales of ₱512.7 million, with food ingredients, industrial and feeds, agriculture and veterinary care segments accounting for 36.0%, 30.0% and 25.0%, respectively of sales turnover for the period.

The Company continually works to refresh its product offerings with chemicals that meet the key trends affecting its target end-market users such as, but not limited to, micronutrient fortification of food products and herbal extracts for cosmetics.

Competitive Strengths

The Company believes that it possesses the following principal strengths enabling it to compete effectively in the industry:

Significant Scale and Scope of Business

The Company's comparative scale of operations, national geographic reach, broad product offerings, market expertise, and value-added services provide it with the competitive advantage to benefit from the expansion in the industrial and food ingredients industries and overall growing trends across markets in the Philippines. This significant scale and scope of business provide for differentiated capability.

With over 3,000 types of chemical products sourced from more than 500 suppliers and distributed to a diverse customer base of more than 1,900 customers, the Company is one of the major chemical wholesaler-distributors in the country. The Company recorded a sales value of ₱1,002.1 million in 2016,₱940.0million in 2015 and ₱933.1 million in 2014,for a combined turnover of₱2.9 billion for the three year period ended December 31, 2016.As of 30 June 2017, the Company posted sales of ₱512.7 million.

Diversified Product Line and Presence in a Multitude of Markets

The Company currently offers more than 3,000 types of chemicals and continuously builds on its diversified product portfolio to further reinforce its presence in the chemical distribution business and enable it to service much wider industry segments. Its multiple products and diversified customer base provide for scope advantages.

Diverse Sourcing and Extensive Distribution and Warehousing Network

Its global sourcing network and storage and distribution infrastructure provide for scale effects. Presently, the Company maintains a network of 15 distribution warehouses in five (5) sites in the Greater Manila Area and province of Bulacan. These storage facilities have a combined floor area of approximately 50,000 sqm. and a storage capacity of over 18,000 MT. It likewise has its own private fleet of delivery trucks comprising of trailers, ten-wheeler trucks, forklifts and small and medium size trucks and closed vans to service a wider area and ensure products are delivered on a timely manner. The Company sources chemicals from over 500 producers and suppliers worldwide.

Strong and Long Standing Relationships with Suppliers and Customers

The Company's track record for reliability and quality service built up customers' trust that enabled the Company to develop long standing relationships with its customers, some of which extend for more than three (3) decades. San Miguel Corporation, Uni-President (Phils.) Inc., and Universal Robina Corporation are among the Company's oldest clients with relationships dating back to the 1980s up to the present. The Company's successful partnerships with the manufacturing and production sectors created for it a solid customer base.

Experienced and Entrepreneurial Management Team

The senior management team has a combined industry expertise and operational experience in the chemicals trading industry of over 30 years and represents one of the most experienced professionals in the chemical distribution business in the Philippines. The continued success of the Company is a testimony of the ability of the management team to execute business plans and achieve profitable results.

Solid Fundamentals for Diversification in Property Related Activities

The Company has strong balance sheet and supportive. It has the ability to generate significant free cash flows and improve return on equity. Furthermore, the Company's strong financials allows access to various funding sources to pursue its acquisition and investment strategy.

Experienced Team and Proven Track Record in Land Banking Activities

The investment team brings over 70 years of collective experience in successful real estate investments and land banking. Mr. Necisto U. Sytengco and Ms. Victorina B. Ladringan have been responsible for identifying and acquiring the property investments of the Company whose market values have now grown significantly and have propelled the on-going expansion of the property investments of SBS. Mr. Sytengco will continue lead the SBS Group strategic direction, expansion efforts and long-term growth strategy for its property related businesses.

Business Strategies

The Company is committed to stimulate its business growth and boost its competitiveness. It aims to grow its revenues and results through organic growth and diversification into property related investments and businesses.

The Company will focus on the following business strategies to promote growth and long term business success for the Company:

Focus on market and business development

The Company will strengthen its position as a major chemical distributor in the Philippines by focusing on market and business development. Firstly, the Company will focus on increasing its market share and further build its customer base by increasing market mapping and market coverage. Secondly, the Company will introduce additional products to enhance its product offerings. Thirdly, the Company will broaden its customer relationships by conducting business reviews with customers. Lastly, the Company will continue to assess market opportunities to capitalize on industry growth trends.

Capitalize on the growing industries in the Philippines

The Company will enhance its focus on industries with attractive growth trends. It will continue to identify strategic product gaps to enhance its capacity to provide new and high value product offerings that meet the key trends in end-user markets. It will also support customer diversity initiatives by fully servicing their growing requirements for certain chemical inputs.

Enhance distribution and warehousing capabilities

The Company intends to improve its sales and distribution network including warehousing capabilities and enhance operating efficiencies by: (i) positioning its warehouse facilities for future requirements in projected growth areas outside of Metro Manila, (ii) increasing its environment-specific storage facilities and (iii) acquiring additional warehouse equipment and machinery.

Reduce cost and improve profitability

The Company will focus on reducing procurement costs through volume consolidation and competitive global sourcing. Moreover, the Company will also optimize inventory planning and stocking to ensure better inventory management to meet service level commitments. The Company will likewise adopt energy saving systems to lower overhead and power costs.

For additional details of the Company's strengths and strategies, see The Company on page [●] of this Prospectus.

Expand its property investments

The Board of Directors believes that the business prospects of property investments have much potential given the robust growth of the property market. It sees such investment strategy to contribute materially to the Company's earnings on a sustainable and long-term basis. Funded initially from its earnings from the sale of its investment properties, the Company intends to further take advantage of the opportunities in the real estate market and continue with such investment strategy as a separate business of the Company to be undertaken by its wholly owned subsidiary, SBS Holdings and Enterprises Corporation to provide balance and to counteract some of the fluctuations in the chemical trading business. At the same time, it enables the Company to grow and diversify its income streams.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include:

- Risk Factors Affecting the Chemical Trading Business
- Risk Relating to the Real Estate Operations of the Company
- Risk Relating to the Company's Rights Shares

For a more detailed discussion of the risks related to the Company, see Risk Factors on page [●] of this Prospectus.

Corporate Information

The Company's principal place of business is at No. 10 Resthaven Street, San Francisco Del Monte, Quezon City, Philippines. The Company's Investor Relations Officer is Sabrina Adamelle Poon-Sytengco who can be reached at +63 2 371 1111 or through email at ir@sytengco.com. Information about the Company can be obtained at www.sbsph.com.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's financial statements as of and for the six months ended June 30, 2017 and for the years ended December 31, 2016, 2015 and 2014 and should be read in conjunction with the financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion & Analysis of Financial Conditions and Results of Operations" on page [●] and other financial information included herein. The financial statements of the Company as of six months ended June 30, 2017 were reviewed by Punongbayan & Araullo and for the years ended December 31, 2016, 2015 and 2014 were audited by Punongbayan & Araullo. The summary financial information set forth below does not purport to project the results of operations or financial conditions of the Company for any future period or date.

Statements of Financial Position *(In ₱)*

	As of	As of December 31,		
	June 30, 2017	**2016**	**2015**	**2014**
Assets				
Current Assets:				
Cash and cash equivalents	2,726,987,404	1,383,113,717	837,551,006	338,132,143
Trade and other receivables	390,911,131	98,982,001	125,872,241	100,204,779
Inventories - net	1,179,394,928	1,313,141,596	1,527,199,944	1,557,928,385
Financial assets at fair value through profit or loss	-	-	-	29,259,715
Prepayments and other current assets	385,065,090	145,744,754	133,870,638	154,008,669
Total Current Assets	**4,682,358,553**	**2,940,982,068**	**2,624,493,829**	**2,179,533,691**
Noncurrent Assets:				
Held to maturity investments	244,740,000	244,740,000	244,740,000	250,124,488
Investment in an associate	654,919,766	147,964,483	18,113,172	18,388,692
Property and equipment – net	23,103,643	20,417,671	15,523,166	22,212,249
Investment properties	632,066,450	632,019,207	955,287,542	955,287,542
Deferred tax assets - net	8,025,115	4,521,287	9,691,399	1,847,914
Total Non-current Assets	**1,562,854,974**	**1,049,662,648**	**1,243,355,279**	**1,247,860,885**
TOTAL ASSETS	**6,245,213,527**	**3,990,644,716**	**3,867,849,108**	**3,427,394,576**
Liabilities				
Current Liabilities:				
Loans payable	717,500,000	467,500,000	1,055,000,000	261,500,000
Trade and other payables	225,442,575	307,100,775	215,009,295	422,823,999
Income tax payable	10,014,053	-	7,350,543	34,718,239
Dividend payable	-	-	-	265,494,338
Advances from related parties	-	-	-	699,192,601
Total current liabilities	**952,956,628**	**774,600,775**	**1,277,359,838**	**1,683,729,177**
Noncurrent liabilities:				
Post-employment defined benefit obligation	8,160,055	8,160,055	6,902,836	2,190,431
Loans payable	1,990,446,264	-	312,500,000	1,163,500,000
Total noncurrent liabilities	**1,998,606,319**	**8,160,055**	**319,402,836**	**1,165,690,431**
TOTAL LIABILITIES	**2,951,562,947**	**782,760,830**	**1,596,762,674**	**2,849,419,608**
Equity				
Capital stock	1,200,000,000	1,200,000,000	1,200,000,000	262,000,000
Additional paid-in capital	900,714,680	898,425,433	898,425,433	200,000,000
Treasury shares	-	(29,973,840)	-	-
Revaluation reserves	(4,068,878)	(4,068,878)	(3,720,185)	(1,400,328)
Retained earnings	908,524,784	1,143,501,171	176,381,186	117,375,296

Stock dividend distributable	288,479,994	-	-	-
TOTAL EQUITY	**3,293,650,580**	**3,207,883,886**	**2,271,086,434**	**577,974,968**
TOTAL LIABILITIES AND EQUITY	**6,245,213,527**	**3,990,644,716**	**3,867,849,108**	**3,427,394,576**

Statements of Comprehensive Income *(In ₱)*

	For 6 months ended June 30		For the years ended December 31		
	2017	**2016**	**2016**	**2015**	**2014**
Sale of goods	512,701,509	517,102,486	1,002,128,379	940,000,603	933,080,958
Costs of goods sold	383,725,434	400,859,493	793,889,721	682,200,131	668,512,426
Gross profit	128,976,075	116,242,993	208,238,658	257,800,472	264,568,532
Other operating income (expenses)					
Other operating expenses	(75,900,846)	(53,413,990)	(123,069,990)	(123,726,997)	(100,389,507)
Other operating income	16,085,847	54,248,731	110,200,271	100,777,804	73,179,541
Operating profit	69,161,076	117,077,734	195,368,939	234,851,279	237,358,566
Gain on sale of investment properties and associates	-	826,273,802	858,662,859	-	-
Finance income (costs) – net	4,863,274	(4,071,850)	4,858,312	(29,265,769)	(90,620,087)
Equity in net losses of associates	3,929,267	120,409	(4,048,017)	(275,520)	(861,208)
Profit before tax	70,095,083	939,159,277	1,054,842,093	205,309,990	145,877,271
Tax expense	16,591,476	28,495,832	43,322,108	46,304,100	45,705,084
Net profit	53,503,607	910,663,445	1,011,519,985	159,005,890	100,172,187
Other comprehensive loss	-	-	348,693	2,319,857	1,219,921
Total Comprehensive Income	53,503,607	910,663,445	1,011,171,292	156,686,033	98,952,266
Earnings per share – basic and diluted	0.04	0.76	0.84	0.18	1.80

Statements of Cash Flows *(In ₱)*

	For 6 months ended June 30, 2017	For the years ended December 31		
		2016	**2015**	**2014**
Net cash provided by operating activities	(414,736,866)	480,355,418	(16,784,413)	687,148,727
Net cash provided by investing activities	(507,988,168)	1,056,060,489	51,713,910	(233,722,405)
Net cash provided by financing activities	2,262,269,816	(993,416,312)	463,491,243	(163,253,581)

Key Performance Indicators	**June 2017**	**2016**	**2015**	**2014**
Current Ratio[1]	491.4%	379.7%	205.5%	129.4%
Debt to Equity Ratio[2]	90.2%	24.4%	70.3%	493.0%
Asset to Equity Ratio[3]	190.2%	124.4%	170.3%	593.0%
Return on Assets[4]	0.9%	25.8%	4.4%	2.93.6%
Return on Equity[5]	1.6%	36.9%	11.3%	18.5%
Earnings per Share[6]	₱0.04	₱0.84	₱0.19	₱1.80

[1] *Current Assets over Current Liabilities*
[2] *Total Liabilities over Equity*
[3] *Total Assets over Equity*
[4] *Net Income over Average Assets*
[5] *Net Income over Average Equity*
[6] *Net Income over Weighted Average Number of Common Outstanding Shares*

THE RIGHTS OFFER

The Company is offering for subscription of up to 302,000,000 Common Shares to Eligible Shareholders at the Offer Price of up to ₱[4.97] per Rights Share.

On 18 July 2017, the Company filed a request for Confirmation of Exemption with the SEC. On 25 September 2017, the SEC approved the Company's request for Confirmation of Exemption, thereby confirming that the Offer is exempt from the registration requirements of the SRC.

Each Eligible Shareholder is entitled to the proportion of One (1) Share of Common Stock for every [4.1325] Common Shares held as of Record Date at an Offer Price of up to ₱[4.97] per Rights Share.

Fractions of the Rights Shares will not be allotted to existing shareholders and any fractional entitlement will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company. The Rights Shares may be subscribed by Eligible Shareholders.

The Company expects to raise gross proceeds of up to ₱1.50 billion from the Offer. After deducting the registration and licensing fees, listing fees, taxes, other fees and expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱[1.49] billion. The net proceeds from the Offer will be used by the Company to (i) support the capital requirements of its subsidiary, SBS Holdings and Enterprises Corporation and (ii) provide for general working capital requirements. For a more detailed discussion on the Use of Proceeds, please refer to page [•] of this Prospectus.

The Rights Shares will be listed in the Exchange, following the Offer Period, on [12] December 2017. The application for listing of the Rights Shares has been filed with the PSE on 17 July 2017.

PSE Board Approval Date	[25] October 2017
Pricing Date	[10] November 2017
Ex-Date	[17] November 2017
Record Date	[22] November 2017
Offer Period	[27] November to [5] December 2017
Listing Date of the Rights Shares	[12] December 2017
Start of Trading of the Rights Shares	[12] December 2017

The dates listed above may be changed at the discretion of the Company and the Underwriter, subject to the approval of the PSE.

BDO Capital will firmly underwrite the Offer. To ensure 100% subscription, shareholders are allowed to apply for additional subscription, which will be granted on a pro-rata basis. In this connection, the parent company and the major shareholder owning 65.4% of the Company, Anesy Holdings, has committed and undertaken to the Company and the Underwriter that it shall subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the SRO. Thus, if any shareholder fails to subscribe to all the Rights Shares, Anesy Holdings, through the Underwriter, will take up any remaining unsubscribed Rights Shares pursuant to its role as Underwriter. If

the Shareholders (including Anesy Hodlings) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.

TERMS AND CONDITIONS OF THE RIGHTS OFFER

Issuer	SBS Philippines Corporation
Offer Shares	Up to 302,000,000Common Shares of the Company, each having a par value of ₱1.00 (the "Rights Shares") The Rights Shares shall rank equally in all respects with the existing Common Shares of the Company, including the right to receive all dividends or distributions made, paid or declared after a valid subscription agreement is perfected between the Company and a subscriber as evidenced by the written acceptance by the Company of the application to subscribe (the "Application") of the subscriber and other conditions, including listing of the Rights Shares on the PSE. Until the listing of the Rights Shares on the PSE, such shares offered pursuant to the Offer will be non-transferable and not acceptable for trading.
Issue and Listing Date	The subscriptions to the Rights Shares will be listed on [12] December 2017 in the Exchange following the Offer Period.
Offer Price	The Rights Shares are being offered at a price of up to ₱[4.97] per Rights Share.
Offer Period	The Offer Period shall commence on [22] November 2017and end on [5] December 2017 at 12:00 P.M., Manila time. The Company and the Underwriter reserve the right to extend or terminate the Offer Period, subject to the approval of the PSE.
Minimum Subscription	Each Application must be for a minimum of one (1) Rights Share.
Record Date	[22] November 2017
Eligible Shareholders	The Rights Shares are being offered to eligible existing holders of record of Common Shares as of the Record Date. Holders of Common Shares who are eligible to participate in the Offer are: (i) holders located inside the Philippines and (ii) holders located in jurisdictions outside the Philippines and the United States where it is legal to participate in the Offer under the securities laws of such jurisdiction. The Common Shares of the Company may be held by any person or entity, regardless of nationality, subject to the right of the Company to reject an Application or reduce the number of Rights Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirement under relevant Philippine laws.
Rights Entitlement	Each holder of Common Shares is entitled to subscribe to one

(1) Rights Share for every [4.1325] Common Shares held as of the Record Date ("Entitlement Shares").

Fractions of the Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company.

Subscription to the Rights Shares in certain jurisdictions may be restricted by law. Foreign investors interested in subscribing or purchasing the Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Rights Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Rights Shares.

The offer process in relation to the Entitlement Shares shall be known as the First Round of the Offer.

Additional Subscription

If an applicant fully subscribes to his Entitlement Shares, and subject to the availability of unsubscribed Rights Shares arising from the failure of the other Eligible Shareholders to fully exercise their Rights Shares entitlement, the applicant may simultaneously apply for an additional subscription of the unsubscribed Rights Shares (the "Additional Subscription").

The Additional Subscription is payable in full upon submission of the Application. The Additional Subscription which may be allocated to the applicant shall not exceed the lower of: (i) the number of Additional Subscription indicated on the Application by the applicant as Additional Subscription; or (ii) such number of unsubscribed Additional Subscription based on the percentage ownership of the applicant in the Company as of Record Date; provided, however, that the allocation of Additional Subscription shall always be subject to the discretion of the Company. For this purpose, the percentage ownership of the applicant in the Company shall be the proportion that the existing shares owned by the applicant as of Record Date bear to the total outstanding capital stock of the Company as of Record Date. There can be no guarantee made as to the number of Additional Subscription that may be allocated to an applicant. A subscription for Additional Subscription is irrevocable on the part of the applicant and may not be cancelled or modified by such applicant.

The offer process in relation to the additional subscription shall

be known as the Second Round of the Offer.

Restrictions on Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Considering that the Company owns land, foreign ownership in the Company should not exceed 40% of its total issued and outstanding capital stock entitled to vote and 40% of the total outstanding capital stock, whether or not entitled to vote. Accordingly, the Company cannot allow the issuance or the transfer of its Common Shares which may result in the Company ceasing to be at least 60% owned by Philippine Nationals.

Procedure for Application

All applications for Rights Shares shall be evidenced by the Application duly executed by an authorized signatory of the applicant and the corresponding payment for the Rights Shares covered by the Application and all other required documents. The duly executed Application and required documents should be submitted during the Offer Period to the Stock Transfer Agent BDO Unibank, Inc. - Trust and Investments Group, at their office at 15th Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City. For Eligible Shareholders of certificated shares that are located outside the Philippines and outside the United States, they may submit an Application, proof of remittance and all other required documents to the Stock Transfer Agent by email before the end of the Offer Period, with the original copies to be delivered via courier thereafter.

If the applicant is an eligible individual shareholder, the applicant must personally submit:

1) a properly completed Application; and

2) two (2) forms of Government-issued identification, such as, but not limited to, a Philippine passport, SSS ID, or driver's license.

If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by a duly notarized corporate secretary's certificate:

1) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Rights Shares indicated in the Application;

2) identifying the designated signatories authorized for the purpose, including his or her specimen signature; and

3) certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals.

If the applicant is a non-Filipino (individual shareholder or corporation, partnership or trust account), the Application must

be accompanied by a certification letter representing and warranting that:

1) the applicant is not a resident in the United States; and

2) the applicant's purchase of the Rights Shares will not violate the laws of their resident jurisdiction.

Applications, accompanied by the full payment or proof of full payment, and the required documents, must be received by the Stock Transfer Agent not later than 12:00 p.m., Manila Time, of the last day of the Offer Period. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission, and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. The actual subscription and/or purchase of the Rights Shares shall become effective only upon the actual listing of the Rights Shares on the PSE.

Payment

The Rights Shares must be paid in full and in cleared funds by check drawn against a BSP authorized agent bank in Metro Manila to the order of "[●]". The check must be dated as of the date of the Application and crossed "For Payee's Account Only". Check payments for regional clearing will not be accepted.

Moreover, all bank charges shall be for the account of the Eligible Shareholder. The payment for the subscription price must be received by the Issuer in full without any deduction.

Certificated shareholders located outside the Philippines and outside the United States may submit their payment through an overseas remittance to the Stock Transfer Agent. Payments from such offshore Eligible Shareholder shall be made in full in Philippine Pesos. All remittance fees and all relative charges shall be for the account of the offshore Eligible Shareholder. The payment for the subscription price must be received by the Issuer in full without any deduction.

Acceptance / Rejection of Applications

The Company has full discretion to accept or reject all or a portion of any Application under the terms and conditions of the Offer. The actual number of Rights Shares to which any applicant may be entitled is subject to the confirmation of the Company. Applications where checks are dishonored upon first presentment, payment is insufficient, and Applications, together with the other required documents, which do not comply with the terms of the Offer shall be rejected. Moreover, payment received upon submission of an Application does not constitute approval or acceptance by the Company of the Application.

An Application, when accepted, shall constitute an agreement between the applicant and the Company for the subscription to the Rights Shares at the time, in the manner and subject to

	terms and conditions set forth in the Application and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription and/or purchase by an applicant of the Rights Shares will become effective only upon listing of the Rights Shares on the PSE. If such condition is not fulfilled, all application payments will be returned to the applicants without interest and, in the meantime, the said application payments will be held in a separate bank account with the Stock Transfer Agent.
Refunds	In the event that an Application is rejected or the number of Rights Shares to be received is less than the number covered by the Application, then the Company shall refund payment made thereon, without interest, within five (5) Banking Days from the end of the Offer Period via check payable to the relevant applicant. Such refund checks shall be made available for pick up at the office of the Stock Transfer Agent, BDO Unibank, Inc. - Trust and Investments Group, at their office at 15th Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pick up shall be mailed at the applicant's risk to the address indicated in the Application.
Taxes on Issuance Of Rights Shares	All documentary stamp taxes applicable to the original issuance of the Rights Shares shall be for the sole account of the Company.
Registration and Lodgment of Shares with the Philippine Depository & Trust Corp.	Rights Shares are required to be lodged with the PDTC. Applicants must provide the required information in the Application to effect the lodgement. Applicants may request their shares in certificated form and receive stock certificates evidencing their investment in the Rights Shares through their respective brokers after full payment, lodgement and listing of the Rights Shares and in accordance with existing procedure. Any expense to be incurred in connection with such issuance of certificates shall be borne by the applicant.
Registration of Foreign Investments	BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance is to be sourced from the domestic banking system. The registration with the BSP of all foreign investments in the Rights Shares shall be the responsibility of the foreign investor.
Underwriter	BDO Capital & Investment Corporation
Firm Commitment To Purchase	BDO Capital will firmly underwrite the Offer but no underwriting fees will be collected with respect to the Offer. In this connection, the parent company and the major shareholder owning 65.4%, Anesy Holdings, has committed and undertaken to the Company

	and the Underwriter that it will subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. If the Shareholders (including Anesy Holdings) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.
Stock Transfer Agent	BDO Unibank, Inc. - Trust and Investments Group
Independent Auditor	Punongbayan & Araullo
External Legal Counsel to the Issuer	Pacis & Reyes, Attorneys
External Legal Counsel to the Underwriter	Martinez, Vergara, Gonzalez & Serrano Law

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus, including the Company's financial statements and notes relating thereto included herein, before making any investment decision relating to the Offer. This section does not purport to disclose all the risks and other significant aspects of investing in the Offer. The Company's past performance is not an indication of its future performance. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or are currently considered immaterial could have a material adverse effect on the Company's business, result of operations, financial condition and prospects and could cause the market price of the Common Shares to fall significantly and investors may lose all or part of their investment.

Risks Factors Affecting the Chemical Trading Business

Demand for chemicals is affected by general economic conditions and macroeconomic trends

The Company sells chemicals that are primarily required by the manufacturing and production sectors. As components predominantly for industrial and manufacturing processes, demand for the Company's chemical products is affected by fluctuations in the general level of industrial production and manufacturing output in the markets it serves.

Industrial and manufacturing activities are heavily linked to the condition of the economy and macroeconomic trends. During general economic downturns, there may be a contraction in the overall demand for chemicals as production and manufacturing activity slows down due to weak demand. Also, episodes of significant inflation, sharp fluctuations in interests and exchange rates, and changes in fiscal and monetary policies of the government could have an adverse impact on businesses, particularly manufacturing, and lead to business deterioration which could affect demand for chemical inputs.

While the outlook remains bright for the Philippine economy which has performed strongly in the past five (5) years, an economic weakening could result in fluctuations in industrial production and a prolonged or deeper economic crisis can adversely affect demand for the Company's chemical products. In 2016, there has been significant disruptions in the mining operations of several companies due to the compliance and environmental regulations of the Department of Environment and Natural Resources ("DENR"). This resulted to decrease in sales of the Company for mining related chemical products.

Nonetheless, the Company believes that these risks does not significantly impact the Company operations given its diversified client base and overall stable Philippine market economy. The Philippine economy continues to perform strongly given its much improved fiscal position and strong domestic private consumption on account of the high OFW remittances and growing BPO employment.

Also, given the Company's diverse portfolio of chemical products for its various client base, such risks may not be as significant. Short-run downturns in chemical demand for certain industry sectors may be cushioned by an increase in demand in other sectors due to the diversity of the Company's customer base, which represents a multitude of industries.

Significant disruptions in chemical supply could affect the results of the Company's operations.

Supply shortages may be experienced from time to time due to factors beyond the control of the Company such as severe weather conditions and natural disasters, industrial accidents and production outages, labor strikes and adverse financial conditions of the Company's suppliers.

To protect against these contingencies and mitigate the effects of such supply disruptions, the Company maintains a reasonable safety inventory position level and buffer to ensure optimal supply flexibility and operations resilience. It also holds a second-sourcing strategy to take advantage of alternative sourcing opportunities. Moreover, there is no concentration or over reliance on a particular supplier. The Company keeps and maintains good relationships with a number of suppliers for its *sou*rcing and does not depend on a limited number of suppliers for its chemical procurement. As of the date of this Prospectus, no supplier accounts for more than 10% of the Company's inventory supply. The Company mostly deals in commodity chemicals which are either produced by, or available from, various chemical trader-distributors and chemical producers worldwide.

In addition, the Company cultivates close relationships with its suppliers who generally provide the Company with insights and information on future supply and demand trends such as potential shortfalls in supply as a result of chemical producer plant breakdowns or planned shutdowns or insufficient feedstock supply due to natural calamities. As a result of the solid relationships nurtured with suppliers, there is information sharing on market developments and trends which helps the Company identify potential bottlenecks as well as opportunities in supply conditions.

Disruptions in cargo importations may adversely affect the Company's operations

As the Company mostly imports its chemical supplies, government import restrictions, transportation troubles such as port congestion and truck bans or diversions or disruptions in voyage can result to longer lead times to meet customer requirements and possibly significant interim supply shortages that may work to reduce the financial performance of the Company. It may also cause the Company to lose business from some of its customers if it is unable to timely access adequate supplies to promptly meet the requirements of its customers.

The Company manages such risks by maintaining sufficient buffer inventory levels so it can meet its customers' requirements in reduced lead time. During the supply disruptions due to the port congestion experienced last 2014 to 2015, the Company was able to promptly fill customer orders as a result of buffer stock maintained by the Company in anticipation of increase in customer demand as well as to address short supply conditions. The port congestion in the Manila international container ports was resolved in mid-2015 and port operations have normalized since then. The Company reduced its buffer stock in 2016 as overall lead time for cargo importation improved. The Company will only be fully exposed to the risk if sudden severe disruptions affecting cargo importations take place and buffer stock held by the Company will be insufficient to service the requirements of its customers.

Termination of major supply and distribution relationships can affect the business of the Company

The Company's business is basically a repeat order business where a significant portion of the Company's transactions are derived from a large number of suppliers and customers whose purchases and sales are typically made pursuant to purchase orders instead of long-term agreements. The Company's typical order or shipment cycle for procurement is made either on a monthly or quarterly basis depending on the expiry progression of the products while the usual order cycle time of the Company's customers ranges from weekly to monthly purchase orders.

While the Company has strong relationships with its suppliers and customers, there is no assurance that there will be no changes in the business strategies of such business partners and that the same quantities will be ordered since there are no obligated commitments for the supply or purchase of particular annual volumes. There have been instances wherein certain customers of the Company will resort to direct sourcing from chemical producers and cut back on their orders from the Company. Terminations in major supply and distribution relationships can affect the profitability and growth of the Company.

This risk is managed by the Company through a diversified sourcing and selling strategy such that no particular supplier or customer accounts for a material portion of its business. As a full-line distributor and trading company, the Company operates with a diversified supplier base and product portfolio and serves diversified customers in a variety of industries. This business model as a one-stop-shop solution provides customers with a single supplier deal for its diverse chemical requirements. This arrangement adds significant value to customers in managing complexity of dealing with several suppliers and its resulting inefficiencies. Also, the Company's highly diversified supplier and customer landscape provides for a resilient business model as the Company is able to shift resources from different product sources or industry markets that provide for the most profitability.

The Company also works to maximize customer retention through improved positive customer experience and service levels, providing for differentiated offerings, and introducing new capabilities or offerings. As in the case of shift in customer preference for direct sourcing, the Company will continue to market other products that are needed by the customer.

Intense competition can limit the growth and earnings of the Company

The Company mostly deals in commodity chemicals which are essentially fungible goods that can be purchased from a variety of sources. The Company thus competes with a number of chemical traders, brokers, wholesalers and distributors as well as certain chemical producers in the distribution of such products which includes third party local distributors such as Himmel Industries,Inc., Neco Philippines, Inc., Alysons Chemical Enterprises, Inc., subsidiaries of key global chemical distributors such as Brenntag Ingredients, Inc., DKSH and Connell Brothers and chemical producers such as BASF and Dow Chemicals. Most competition comes from domestic chemical distributors.

Most of these distributors differ in their product offerings and in their customer and industry orientation with that of the Company as these distributors generally handle a more limited number of products catering to certain specific industries compared to the Company. The Company believes that it is able to differentiate its services by offering single sourcing, speed and flexibility in delivery that are not available through specialty chemical distributors and direct distribution by overseas global producers and distributors.

With lower oil prices and reduced tariff rates due to the Asean Free Trade Act ("AFTA") bringing down landed cost of imported chemical inputs, the Company expects greater competitive pressures as new competitors could enter the Philippine market. While the Company is confident that it will continue to build on its strong market position, the Company may have to resort to tactical pricing strategies that may impact its margins and limit earnings growth to address competition.

Further, notwithstanding that the current general trend is for chemical producers to outsource their distribution, growth prospects in the Philippine market may attract chemical producers to reduce their outsourced distribution, resort to direct sales to customers at lower bids and refuse to supply to third party distributors such as the Company.

Moreover, even with the present highly fragmented state of the chemical distribution market in the Philippines, certain niche players may decide to consolidate their operations and could consequently increase their scale of operations.

Any such development could affect the business, financial condition and results of operations of the Company.

To address competition, the Company continuously works to improve the quality of its services, the price competitiveness of its products, and the range of products offered by the Company. Furthermore, the Company sees its highly diversified product portfolios in comparison with the smaller product offerings carried by its competitors as a significant advantage. This product scope gives the Company a competitive advantage over its competitors who have a much smaller product portfolio as a number of customers prefer larger distributors who can supply their various chemical needs and thus reduce the number of companies with whom they have to do business with. Specifically, the Company's diversity of product offerings not only differentiates it as a single source shop but its customized volumes and flexible deliveries (which may be in the form of same day deliveries) make it an efficient and cost-effective structure for customers to source their chemical requirements.

Volatility in prices and supply availability can affect sales and results of operations

Fluctuations in prices and availability of supply of certain chemicals are experienced from time to time. The Company usually maintains significant inventories to ensure that it can timely meet its customer demands. However, in cases where general selling prices drop at a faster rate than the average purchasing costs, the Company may not be always able to pass on such incremental costs to its customers especially when the level of the higher costing inventory is much more that the expected prevailing demand for such products. If the Company is not able to average out such cost increase on subsequent sales, the Company could experience losses that can impact its earnings and financial condition.

However, the high diversity of the Company's product portfolio and the cross industry application of such product offerings allows it to generally average out pricing differentials. Furthermore, the Company's ability to purchase chemicals in bulk allows it to get favorable prices thus partly shielding it from price fluctuations.

Pronounced cyclicality in certain markets creates complexity in inventory management

For some end markets, there is a pronounced cyclicality in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months are March-April and November-December while these drier months are peak period for the requirements of the feeds and mining industries. This pronounced cyclicality creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products. Deficiencies in these estimations can either translate to an oversupply situation which makes it vulnerable to price fluctuations or a short supply situation which could create dissatisfied customers and impair the reputation for the Company. Any significant miscalculation could affect the business and results of the Company.

The Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicality of specific industries.

The Company is exposed to inventory risks of obsolescence

The Company is exposed to inventory risk that may adversely affect its operating results on account of limited product shelf life, new product launches, and changes in consumer demand and consumer tastes affecting industries and market sectors supplied by the Company. While the Company endeavors to keep track of the changing trends and adequately forecast demand and avoid overstocking, the Company's broad selection and significant inventory levels of certain products put it at risk for inventory obsolescence. However, given that the chemical products distributed by the Company are of multi-use and multi-purpose products with wide application in many industries, the Company is less affected by changing trends in certain specific end user markets. Further, while a number of chemical products sold by the Company generally have very long product shelf lives and some like inorganic chemicals are chemically stable indefinitely, certain food ingredients and pharmaceutical chemicals would have comparatively shorter shelf lives and the Company may stand at risk for product obsolescence if the products are not sold long before the expiry of its product shelf life. Still, these products, under accepted industry practice, generally have extended uses as products originally intended for human consumption may also be used for animal feeds or other agricultural uses long after the shelf life expiry date has been reached. The Company also implements strict inventory controls for products that are in the decline and withdrawal phase of its life cycle to ensure that they are identified and dealt with early on. In some cases, the Company will write off product inventory that has no longer any further use.

The goods of the Company are exposed to mechanical, climactic and other risks in the distribution process

In the forward flow of products along the distribution chain, the Company is exposed to distribution risks such as hazards and product fragility. Specifically, the goods can be subject to shocks in case of drops and tilting freight, vibrations due to road, motor, wheels and sea waves, compression due to stacking, handling equipment and strapping, and tears on account of objects and tapes. The goods also are affected by changes in temperature, humidity, air pressure and exposure to sunlight. Some of these incidents may result in damaged or broken primary containers, leaking or broken seals of closures of primary containers, mutilated or smudged labelling rendering the product unidentifiable of its name or batch number, or goods

impairment based on an analytical report provided by the customer. These occurrences can result in loss of revenues, additional costs and potential customer dissatisfaction. The Company tries to avoid or control such occurrences through careful handling, storage and transport, request for more improvement in the packaging design or for product reinforcement with the manufacturer-producer, and improvements in the Company's distribution facilities.

Changes in foreign exchange can affect financial results of the Company

A considerable portion of the products distributed by the Company is imported and purchased in foreign exchange. A significant weakening of the Philippine peso versus the US dollar could affect the financial results of the Company as it will make the products more expensive and depress margins if the additional foreign exchange costs are not captured in the Company's pricing. To lessen the Company's exposure to currency risks especially sudden and severe exchange fluctuations, the Company hedges some of its foreign exchange exposure. The hedging is typically by way of a forward contract which will lock in an exchange rate currently for the currency transaction that will occur at the future date. Moreover, the Company also requires its clients to share some of the risk with pricing subjected to a foreign exchange adjustment mechanism.

The Company closely monitors movements and trends in the foreign exchange market and economic factors that influence foreign exchange movements to adopt strategies and hedging actions to reduce its exposure to foreign exchange risks.

The business requires a significant amount of working capital

To efficiently and profitably sell to its customers, the Company requires a significant amount of working capital to finance its product inventory so the Company can readily meet the requirements of its customers. With production outputs of its client base expected to grow further, working capital needs of the Company will necessarily increase. If the Company is unable to obtain financing to support its additional capital needs, the Company may lose some product sales for orders that it may not be able to satisfy. To address working capital requirements, the Company secures and maintains diversified funding sources including short and long term financing from reputable banking institutions.*[*

The Company depends on the performance of its key executives and employees to carry out its business strategy

The Company is managed by its key executives who have substantial experience in the chemical trading and distribution business and in the markets where it operates. As such, the Company has and will continue to depend on the individual and collective contribution and services of its senior management team. Further, the business results of the Company rely upon the experience, knowledge of local dynamics, customer and supplier relationship of its personnel to operate the business profitably. The loss of the services of one or a combination of these executives and employees could affect the operations of the Company if it is unable to continue to attract and retain other qualified management personnel. The Company believes that it has a qualified managerial talent pool that can be tapped to fill in possible vacancies in its senior management team. Moreover, to manage and mitigate this business risk, the Company continues to expand its pool of professional managers through development of internal and external talents to succeed senior management.

The business of the Company is subject to a number of operating risks

The business of the Company could be adversely affected by events such as accidents, power failures, fire, explosion, weather, natural disasters and other events which could lead to interruptions in business operations or could lead to significant costs. The Company maintains insurance against some, but not all, of these events from several reputable insurance agencies including MAA General Assurance Philippines, Inc., UCPB General Insurance Philippines. Inc., Asia Insurance Philippines Corporation and Western Guarantee Corporation. Such insurance covers industrial all risks such as property damage, contingency risk and crime and other liability cover. While the management considers the insurance arrangement of the Company to be adequate in terms of the insured risks and the amount insured, there can be no assurance that such events will not occur, that any insurance maintained by the Company will be adequate to cover any losses or liabilities or the occurrence of such events would not adversely affect the financial condition or operations of the Company.

Relationships with principal shareholders and related party transactions

The Company in the ordinary course of business enters into transactions with its principal shareholders and companies affiliated with them. These related transactions include those described under the section on "Related Party Transactions" on page [●] and in the notes of the Company's financial statements as provided in this Prospectus. Such arrangements are expected to continue after the completion of the Offer.

Measures have been put in place to ensure that such related party transactions will inure to the benefit of the Company and are at terms no less favorable than those entered into with unrelated parties on arm's length basis. Such procedures include the conduct of regular review by the Company's Audit, Risk, Oversight, and Related Party Transaction Committee of the related party transactions to ensure that they are conducted on normal commercial terms and are not prejudicial to the interests of minority shareholders.

Credit risk exposure

The Company trades only with recognized and credit worthy third parties. It is the policy of the Company that customers who wish to trade on credit terms are subject to credit verification procedures. The billing and collection division of the Company continuously provide credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. The top five customers of the Company together approximately account for 15% of the sales of the Company. As such, there is no excessive concentration of credit risk. All of the Company's trade and other receivables have been reviewed for indications of impairment. As of 30 June 2017, all such receivables were assessed by management to be realizable.

Changes in laws and regulations can adversely affect the business and competitive position of the Company

The business operations of the Company involve the storage, handling and transport of chemicals. As a result, the Company is required to hold a wide range of business permits and licenses. Compliance with these laws and regulations involve certain compliance costs, the

failure of which can lead to the imposition of fines and sanctions, including the revocation of permits and licenses necessary for the conduct of the Company's business and activities. As these laws and regulations change from time to time, tougher regulations may be imposed in the future which may affect the freedom to distribute and market certain chemical products carried by the Company, affecting operations, cost structures and end markets. Changes in and the introduction of new legislation have in the past affected the Company such as the ban on certain mining chemicals. In the light of changes in environmental and safety regulations to address climate change, toxic substances and scarcity of resources, the Company has adapted rigorous rationalization of its product portfolio in favor of more sustainable, compliant and/or higher performance products.

Moreover, there can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, the laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations. To address the foregoing risks, the Company, in conjunction with industry associations such the Chemical Industries Association of the Philippines (SPIK), is actively engaged in policy advocacy causes for the promotion and development of the chemical industry in the country, tackling regulatory and policy issues and concerns faced by the chemical industry and working to strengthen industry-government partnerships. Further, the Company employs competent legal and operating personnel, who exercise the requisite due diligence with respect to protecting the Company's business, financial condition, and results of operations from the aforementioned risks while still complying with the applicable laws and regulations. In addition, the Company on case to case basis engages external counsels to provide specialized legal advice and service.

Risks Relating to the Property Related Investments and Business of the Company

Difficult market conditions can reduce the value or performance of the investments in real estate and reduce cash flow and adversely affect the financial condition of the Company

The Company purchases and invests in property related assets in order to seize capital gain opportunities from the sale of such investments. The market value of of property related investments can fluctuate significantly as a result of changing market conditions. In the event of significant adverse changes in economic, political, security or market conditions, the level of liquidity and value of the Company's real estate investments may be reduced. The Company may have to sell its real estate investments at a loss or defer the sale of the said investments and carry the cost of maintaining such assets.

While market conditions have generally been favorable in the last five years, future market conditions may not continue to be as favorable. The Company tries to mitigate such market risks by careful due diligence and research on the potential of the property. The Company acquires properties taking into account the constrained supply and eminent demand in the locality.

The real estate property market is a highly competitive industry

The Company competes with other landowners on the basis of the location, size of area and underlying value of the real estate properties it holds. While competition could affect the

Company's ability to readily sell its real property investments at its desired profitable positions, the Company believes that the prime locations of its properties where there is a prevalent constraint in sizeable contiguous urban landholdings put the Company in a unique position to obtain better terms of sales and readily find offers from qualified buyers for its prime properties.

There is no certainty that there will be continuous expansion in the real estate sector

Low and stable interest and inflation rates, strong and sustained growth in residential and commercial property prices, and trends towards inner city and high density living are some of the factors driving the continued expansion in real estate sector and accordingly the demand for land property acquisitions. However, this sector is also subject to business cycles. There is risk that land property valuations may be subject to wide fluctuations in valuations over the course of the business cycle as when real estate markets have been subjected to wide cyclical swings during recessionary periods. This cyclical effect on the industry though is mitigated by the competitive conditions and the generally high quality of real estate portfolios held by the Company.

Risks Relating to the Philippines

A slowdown in the Philippine economy could adversely affect the Company

Results of operations of the Company are generally influenced by the performance of the Philippine economy. Any deterioration in the economic conditions in the Philippines may adversely affect consumer and business sentiment. There can also be no assurance that current or future governments will adopt economic policies that are conducive to sustaining economic growth. As a result, the Company's results of operations may vary from period to period in accordance with fluctuations in the Philippine economy which is in turn influenced by a variety of factors, including political, economic, and international developments, among others.

Political or social instability could adversely affect the financial results of the Company.

The Philippines has from time to time experienced political, social and military instability and no assurance can be given that the future political environment in the Philippines will be stable. Political instability could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation. In December 2011, the House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines for improperly issuing decisions that favored former President Arroyo, as well as for the failure to disclose certain properties, in violation of rules applicable to public employees and officials. In July 2013, a major Philippine newspaper reported the diversion and misuse of the Priority Development Assistance Fund by some members of Congress through pseudo-development organizations headed by Janet Lim Napoles, which prompted a number of investigations, including one in the Senate, on certain individuals. In September 2013, cases of plunder and malversation of public funds were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other Government personnel. In July 2014, a valid impeachment complaint, endorsed by three representatives from the House of Representatives, against President Aquino over his controversial budget spending program, the Disbursement Acceleration Program, was filed, and the House Committee on Justice has been mandated to handle the complaint.

Moreover, since the beginning of the term of President Rodrigo R. Duterte ("Pres. Duterte"), more than 1,398 cases have been related to the government's campaign of war on drugs. These drug-related killings have been subject to legislative inquiries. As a result of the legislative inquiries, the Senate Committees on Justice and Human Right and on Public Order and Dangerous Drugs released a joint Committee Report No. 18 in 2016, raising standards of accountability while expressing support for the war against illegal drugs and criminality within boundaries of the law.

Last 23 May 2017, Pres. Duterte declared Martial Law and suspension of the writ of habeas corpus in Mindanao. The action is supposed to solve the ongoing crisis in Marawi City where Maute, an Islamist militant organization who pledged allegiance to the global terrorist group ISIS, attacked several places in the city and kidnapped civilians. As of 6 June 2017, the Mindanao is still under Martial Law and death toll has reached 100 composed of 16 civilians, 61 militants, 11 soldiers, and 4 police officers.

There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy and could materially and adversely affect the business, prospects, financial condition and results of operations of the Company.

Terrorist activities may have an adverse impact on the Company's results of operations and financial performance.

The Philippines has been subject to sporadic terrorist attacks in the past several years. The Company's assets could be vulnerable to terrorist attacks due to their significant impact on local and national economic activity. The occurrence of a terrorist attack at one of the Company's assets could have a significant impact on the Company's business. There can be no assurance that the Philippines will not be subject to further terrorist or criminal activities in the future, and violent acts arising from, and leading to, instability and unrest may have a material adverse effect on the Company's financial condition, results of operations and prospects. In 2010, the hijacking of a tourist bus carrying Hong Kong tourists that resulted in the deaths of several passengers took place. The Government, through the Armed Forces of the Philippines ("AFP"), has clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army. On 19 October 2011, 19 AFP troops were killed in a firefight with MILF members in the southern region of the Philippines. On 16 December 2011, five AFP soldiers were killed in a clash with New People's Army members. In August 2013, a series of bombings occurred in the cities of Cagayan de Oro and Cotabato City, as well as other areas in Maguindanao and North Cotabato provinces, all located in Mindanao, and in September 2013, armed clashes took place between the MNLF and the AFP in Zamboanga City in Mindanao, with a number of civilians held hostage. On 25 January 2015, 44 members of the Special Action Force ("SAF") of the Philippine National Police were killed in a clash between the SAF and the MILF and Bangsamoro Islamic Freedom Fighters. In May 2017, an extremist group, led by Maute group, a self-proclaimed affiliate of the Syria-based ISIS, attacked and occupied Marawi City in the Mindanao region with the intention to declare a *wilayat* or provincial ISIL territory in Lanao del Sur. While government forces have been successful in retaking the territory occupied by the Maute Group, firefights between government forces and militants continue. These continued conflicts between the Government and militant groups could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy

The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt our operations.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such catastrophes will not materially disrupt our operations in the future. We could experience substantial inventory or property loss as a result of any such catastrophes and might not be able to rebuild or restore operations in a timely fashion. We maintain third-party insurance covering natural disasters such as fires, floods, typhoons and earthquakes, but we do not maintain business interruption insurance. Therefore, the occurrence of natural or other catastrophes or severe weather conditions could have an adverse effect on our business, financial condition and results of operations.

In 2003, Taiwan, the People's Republic of China, Singapore and other countries experienced an outbreak of Severe Acute Respiratory Syndrome ("SARS"), which adversely affected the economies of many countries in Asia, including the Philippines. In addition, since late 2003, a number of countries in Asia, including the Philippines, as well as countries in other parts of the world, have had confirmed cases of the highly pathogenic H5N1 strain of the avian influenza virus in birds. These cases severely affected the poultry and related industries and resulted in the death or culling of large stocks of poultry. In addition, certain countries in Southeast Asia have reported cases of bird to human transmission of avian influenza resulting in numerous human deaths. In 2009, a new strain of the H5N1 influenza virus, known as swine flu, was found to have been transmitted to humans. Following an initial outbreak in Mexico, swine flu has been contracted by humans around the world, including Southeast Asia, causing death in some instances. The contagious nature and global reach of this disease led the World Health Organization to describe the outbreak as a pandemic. Avian influenza, swine flu and SARS outbreaks have adversely affected, and any future outbreaks of these diseases or other contagious diseases could adversely affect, the Philippine economy and economic activity in the region and could have an adverse effect on our business, prospects, financial condition and results of operations.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. Despite China's rejection, in July

2015, the arbitral tribunal proceeded to hold a hearing on the jurisdiction and admissibility of the dispute. China, however, refused to participate in the hearing. Chinese vessels have also recently confronted Philippine vessels in the area, and the Chinese government has warned the Philippines against what it calls provocative actions. In 2016, the United Nations Arbitral Tribunal has decided that Philippines has the exclusive rights over the West Philippine Sea. However, China has rejected the decision and has reiterated that it would not abide to it.

In early March 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino-Muslims and 10 Malaysian policemen army since 1 March 2013. In addition, about 4,000 Filipino-Muslims working in Sabah have reportedly returned to the southern Philippines.

On 9 May 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines. However, the incident has raised tensions between the two countries. Should territorial disputes between the Philippines and other countries in the region continue or further escalate, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and 48 other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these could materially and adversely affect the Company's business, financial condition and results of operations.

Imposition of Foreign Exchange Controls and Volatility in the Value of the Peso against other Currencies

Currently, the Philippines has liberal foreign exchange controls. The BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

The Company acquires a substantial portion of its chemical supplies from abroad and may need foreign currency to make these purchases. Prospective investors cannot be assured that foreign exchange controls will not be imposed by the Government in the future. If imposed, these restrictions could materially and adversely affect the Company's ability to obtain raw materials, machinery and equipment from abroad, which could affect its financial position and results of operations. The Company has engaged the services of appropriate legal/financial advisors to timely identify potential fiscal and monetary controls to be imposed by the BSP to mitigate adverse effects of such fiscal or monetary restrictions, if any.

Moreover, the Philippines has undergone periods of volatility in the exchange rate between the Philippine Peso and other currencies, and in the stock prices of publicly listed companies traded domestically. The Company cannot assure prospective investors that either of these or more factors will not materially and adversely affect the Company's financial condition or results of operations.

Sovereign Credit Ratings of the Philippines

In 2014, the Philippines was granted credit ratings of BBB Stable and Baa2 Stable from Standard & Poor's Financial Services (S&P) and Moody's Investor Service (Moody's), respectively. Currently, the country holds investment grade ratings from S&P, Moody's, and Fitch Ratings (Fitch). The sovereign credit ratings of the Government directly and adversely affect resident companies in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that S&P, Moody's, Fitch, or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies. Any such downgrades could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies (including SBS) to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

The country might continue to experience natural catastrophes and power shortages

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, floods, volcanic eruptions, earthquakes, mudslides, and droughts. In 2013, the country suffered from Typhoon Yolanda (the deadliest typhoon on record) which claimed at least 6,268 lives. In the month prior, a devastating 7.2 magnitude earthquake struck Cebu and Bohol, causing the deaths of over 200 people, the displacement of tens of thousands of residents, and damage to various infrastructure and properties amounting to billions of Pesos.

Natural catastrophes may disrupt the Company's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy. The Philippines has also experienced power outages from power generation shortages and transmission problems, and from disruptions such as typhoons and floods. These types of events may materially disrupt and adversely affect the Company's business and operations. Prospective investors cannot be assured that the insurance coverage maintained by the Company will adequately compensate it for all damages and economic losses resulting from natural catastrophes or blackouts, including possible business interruptions. However, insurance policies are regularly reviewed with regard to scope of protection, exemptions and excepted risks and updated as deemed necessary in accordance with industry standards.

Risks Relating to the Rights Shares

There can be no guarantee that the Offer Shares will be listed on the PSE on the anticipated Listing Date

Although the PSE has approved the Company's application to list the Rights Shares, because the Listing Date is scheduled after the Offer Period, there can be no guarantee that listing will occur on the anticipated Listing Date. Delays in the admission and the commencement of trading of shares on the PSE have occurred in the past. If the PSE does not admit the Rights Shares for listing on the PSE, the market for these will be illiquid and holders who opted to pay

the full Rights Offer Price may not be able to trade the Rights Shares. However, they would be able to sell these by negotiated sale. This may materially and adversely affect the value of the Rights Shares.

There may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall

The Rights Shares will be listed on the Main Board of the PSE where trading volumes have historically been remarkably smaller than on major securities markets in more developed countries and have also been highly volatile. There can be no assurance that an active market for the Rights Shares will develop following the Offer or, if developed, that such market will be sustained. The price at which the Common Shares will be traded on the PSE at any point in time after the Offer may vary significantly from the Rights Offer Price.

Shareholdings of Eligible Shareholders who will not subscribe to the Offer Shares will be diluted

In the event that the Eligible Shareholders do not or are not able to subscribe to their provisional allotments of Rights Shares, their proportionate interest in the Company will be reduced. They may also experience dilution in the value of their Shares.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline

The market price of securities fluctuates, and it is impossible to predict whether the price of such securities will rise or fall. An individual security may experience upward or downward movements, and may even lose its entire value. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. There may also be a substantial difference between the buying price and the selling price of each security.

Historical price performance is not a guide for future price performance and there may be a big difference between the purchase price of the securities and the eventual price at which these securities are sold. The market price of the Rights Shares will be influenced by, among other factors, the Company's financial position, results of operations, and overall stock market conditions, as well as Philippine economic, political, and other factors.

The Company's Common Shares are subject to Philippine foreign ownership limitations

The Philippine Constitution and related statutes restrict land ownership to Philippine nationals. As of the date of this Prospectus, the Company owns private land in the Philippines and therefore foreign ownership in the Company is limited to a maximum of 40% of the Company's total issued and outstanding capital stock entitled to vote and 40% of the total outstanding capital stock, whether or not entitled to vote. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine national for purposes of complying with nationality restrictions on land ownership. This restriction may adversely affect the liquidity and market price of the Rights Shares to the extent that international investors are restricted from purchasing these in normal secondary transactions.

The Company may be unable to pay dividends on the Common Shares

Although the Company has adopted a dividend policy to declare regular cash and/or stock dividends of approximately twenty percent (20%) of the prior year's net income after tax based on the Company's audited financial statements as of such year, subject to the availability of the unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies, there is no assurance that the Company can or will declare dividends on the Common Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its subsidiaries, and other factors the Board may deem relevant.

USE OF PROCEEDS

The Company expects to receive gross proceeds of up to₱1.50 billion from the Offer. After deducting the registration and licensing fees, listing fees, taxes, other fees and expenses related to the Offer, the net proceeds from the Offer is estimated to be ₱[1.49]billion.

Upon receipt of the Company, the net proceeds from the Offer will become part of the stockholder's equity account of the Company. The Capital stock will increase based on the number of shares issued from this Offer at its par value of ₱1.00 per share. The excess capital received, after deducting the directly related expenses, will be added to the Additional Paid-in Capital ("APIC") of the Company.

The following table presents the breakdown of the Offer proceeds at a Rights Offer Price of up to ₱[4.97] per Rights Share:

Particulars	**Stock Rights Offer (Amounts in ₱)**
Gross Proceeds (up to)	1,500,000,000
Estimated Offer Expenses:	
PSE Listing and Processing Fees	[1,691,200]
SEC Confirmation of Exempt Transaction	[1,515,000]
Estimated Legal, Audit and Other Professional Fees	[2,200,000]
Estimated fee of Stock Transfer Agent	[784,000]
Documentary Stamp Tax	[1,015,000]
Estimated Costs of Printing and Publication	[700,000]
PDTC Processing Fees	[56,676]
Total Offer Expenses	[7,761,876]
Estimated Net Proceeds	**[1,492,038,124]**

The net proceeds from the Offer will be immediately used by the Company primarily to finance the capital requirements of its subsidiary, SBS Holdings and Enterprises Corporation of ₱[1.2] billion to be made as follows:

(a) Payment of the balance of the subscription price in the amount of Seven Hundred Seventy Four Million Six Hundred Eighty Seven Thousand and Five Hundred Pesos (₱774,687,500.00) of the initial 1,574,687,500 common shares subscribed by the Corporation from the increase in the authorized capital stock of SHEC. This will be paid in the Fourth Quarter of 2017;

(b) Additional investment in SHEC in the amount of Four Hundred Twenty Five Million Three Hundred Twelve Thousand Five Hundred Pesos (P425,312,500.00). This will be made in the Fourth Quarter of 2017.

In turn, the share subscription proceeds and additional investment of funds will be used by SHEC as capital to principally finance its investments in companies with investments in prime properties or to be investing in property acquisitions and/or development in furtherance of the diversification and investment strategy of the SBS Group to acquire strategically selected

property related investments that is expected to deliver income and capital growth in the coming years.

SHEC has screened and identified specific acquisition targets involving property holdings located in Quezon City, Mandaluyong City and Makati City which it is pursuing in earnest. However, no definitive agreements have been entered as yet regarding such potential investments.

SHEC was incorporated on 5 December 2016 as a wholly owned subsidiary of the Company with an initial capitalization of ₱1.25 million. Its principal business is to acquire and hold property related assets, investments and shares or interests in any entity involved in property related investments and businesses as well as to undertake in property related businesses.

In 2017, the authorized capital stock of SHEC was increased from ₱1.25 million to ₱5.5 billion with the Company initially infusing ₱800.0 million in cash to ensure that the subsidiary has the resources to immediately take advantage of acquisition targets that become available.

For additional information on SHEC, please see page [●] of "The Company".

A portion of the proceeds will also be used to provide working capital for the operation of its other business segment to be involved in property management and leasing.

Disbursements of SHEC are to be allocated as follows:

Use	Approximate Amount	Timing of Disbursement
1. Additional investment in share subscriptions of a minority ownership stake in different affiliate companies with existing property holdings	P200.0 million	4th Quarter of 2017 to 4th Quarter of 2018
2. Investment in share subscriptions of a minority ownership stake in new companies to be incorporated to serve investment vehicles for properties to be acquired	P500.0 million	1st Quarter of 2018 to 4th Quarter of 2018
3. Acquisition of equity interests in non-related companies with property holdings and/or participation in property development under a joint venture arrangement	P475.0 million	1st Quarter of 2018 to 3rd Quarter of 2018
4. Initial working capital	P25.0 million	4th Quarter of 2017 to full

requirements of new business segments to be set up for property management		year 2018

The remaining balance of the net proceeds of the Offer in the amount of approximately ₱[0.29]billion will be used for general working capital requirements of the Company. This will be used among others to finance replenishment of the product inventory (₱0.27 billion) for the Company to increase its inventory to support the projected sales growth in 2018. In addition, a planned expansion of the operations team to operate its additional warehouses will be implemented in 2018 (₱ 0.02 billion)

The foregoing discussion represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans. Actual use of the net proceeds may vary from the foregoing discussion and management may find it necessary or advisable to use portions of the net proceeds of the Offer for other purposes. In the event that there is any change in the Company's use of proceeds, the Company may temporarily reallocate the proceeds for other interim purposes, taking into consideration the prevailing business climate and the interests of the Company and the shareholders taken as a whole. In the event of any deviation, adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PSE. The Company shall regularly disclose to the PSE, through the Online Disclosure System, any disbursements from the proceeds generated from the Offer. In the event that the Company fails to raise the targeted amount of ₱[1.5] billion, the Company will finance the shortfall through its existing credit facilities.

The Company will not use any portion of the proceeds to reimburse any of its officers, directors, employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. The Company will not use the proceeds to pay any financial obligations with the Underwriter and its affiliates.

In the event of any deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicative above, should be approved by the Company's Board of Directors and disclosed to the PSE. In addition, the Company shall submit via the PSE Electronic Disclosure Generation Technology ("EDGE") the following disclosure to ensure transparency in the use of proceeds:

a. Any disbursements made in connection with the planned use of proceeds from the Rights Offer.
b. Quarterly Progress Report on the application of the proceeds from the Rights Offer on or before the first 15 days of the following quarter. The Quarterly Progress Reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor.
c. Annual summary of the application of the proceeds on or before January 31 of the following year. The Annual Summary Report should be certified by the Company's Chief Officer or Treasurer and external auditor.
d. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program.

The quarterly and annual reports as required in items (b) and (c) above must include a detailed explanation for any material variances between the actual disbursements and the planned use

of proceeds in the Work Program or Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item (d) above.

PLAN OF DISTRIBUTION

The Rights Shares shall be offered on a pro-rata basis to existing holders of Common Shares of the Company as of the Record Date of [22] November 2017. Under the PSE's Revised Listing Rules, the Company, subject to the approval of the PSE, shall set the Record Date which shall not be less than 15 trading days from approval of the PSE board of directors.

The Offer shall be in the proportion of one (1) Rights Share for every [4.1325] Common Shares held as of the Record Date at an Offer Price of up to ₱[4.97] per Rights Share.

The unexercised Rights Shares shall be offered to those shareholders who had previously exercised their rights and had signified their intention to subscribe to any unsubscribed Rights Shares via payment of the total Offer Price of the Rights Shares they wish to subscribe in excess of their entitlements. The allocation of Additional Rights Shares to shareholders will be subject to the ultimate discretion of the Company, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied. Moreover, the maximum number of Additional Rights Shares to which an applicant is entitled to subscribe shall be in the proportion to the number of Common Shares held by such applicant as of the Record Date to the total number of Common Shares held by all applicants to Additional Rights Shares as of the Record Date.

Holdings of existing Common Shares in certificated and scripless forms will be treated as separate holdings for the purpose of calculating entitlements under the Offer. Fractions of Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company.

BDO Capital will firmly underwrite the Offer but no underwriting fees will be collected with respect to the Offer. In this connection, the parent company and the major shareholder owning 65.4%of the Company, Anesy Holdings, has committed and undertaken to the Company and the Underwriter that it will subscribe, not just to its entitlement of the Rights Shares, but also any unsubscribed Rights Shares after the mandatory second round of the Offer. Thus, if any shareholder fails to subscribe to all the Rights Shares, Anesy Holdings, through the Underwriter, will take up any remaining unsubscribed Rights Shares pursuant to its role as Underwriter. Thus, if the Shareholders (including Anesy Holdings) fail to subscribe to all the Rights Shares, the Underwriter will take up any remaining unsubscribed Rights Shares pursuant to its role as underwriter.

Relationship of the Underwriter with the Issuer

BDO Capital is the wholly-owned investment bank subsidiary of BDO Unibank, Inc. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance, and direct equity investment. Other than as Underwriter for the Offer, BDO Capital does not have any material relationship with the Company. BDO Capital does not have any right to designate or nominate a member of the Board of the Company.

DILUTION

After the completion of the Offer, the Eligible Shareholders will not, as a consequence of their exercise of their rights to purchase their proportionate Rights Shares, suffer any dilution in their respective shareholdings in the Company.

The net book value of the Company prior to the Offer is at ₱[●] per share as of [●] 2017. Book value represents the amount of the Company's total assets less its total liabilities. The Company's book value per share represents its book value less minority interest divided by the number of common shares outstanding.

After the increase in the Company's assets to reflect its receipt of the net proceeds of the Offer at a Rights Offer Price of up to ₱[4.97]per Rights Share, estimated to be ₱[1.5] billion and the addition of a total of up to 302,000,000 new Common Shares subject to the Offer, the Company's book value would approximately be ₱[●] per share.

This represents a decrease of ₱[●] per share for existing shareholders and a dilution of ₱[●] per share to Offer investors. This dilution in net tangible book value per share represents the estimated difference to Offer investors of the Rights Offer Price and the approximate pro-forma net tangible book value per share immediately following the receipt of the net proceeds of the Offer by the Company.

The calculation of the net tangible assets per share before and after the Offer is presented below:

Net tangible assets as of December 31, 2016 (in millions) (a) ……	₱[3,207.88]
Issued and outstanding common shares prior to the Offer (in millions) (b) ……	[1,248.00]
Net tangible assets per share prior to the Offer (c)[1] …….....	₱[2.57]
Offer Price (d) …….....	₱[●]
Pro-Forma net tangible assets after the Offer (in millions)[2]……..	₱[4,699.68]
Pro-Forma net tangible assets per Share after the Offer (e)…….....	₱[3.03]
Increase per Share to Existing Shareholders attributable to the Offer [3]…….....	₱[0.46]
Dilution per Share to Offer investors[4]…..…….....	₱[●]

[1] *Computed by dividing (a) by (b)*
[2] *Based on the net tangible assets of the Company as of December 31, 2016, adjusted to reflect the net proceeds from the Offer*
[3] *Computed by subtracting (c) from (e)*
[4] *Computed by subtracting (d) from (e)*

DETERMINATION OF OFFER PRICE

The Rights Shares shall be offered to all Eligible Shareholders at the Rights Offer Price of up to ₱[4.97] per Rights Share. The Offer Price represents a [·]% discount to the Volume Weighted Average Price of the Company's Common Shares traded in the PSE for the [15]-day trading day period immediately preceding the pricing date of [10] November 2017.

DESCRIPTION OF SECURITIES

Information relating to the Common Shares is set forth below. The description is only a summary and is qualified by reference to Philippine law and the Company's Articles of Incorporation, as amended ("Articles") and By-Laws ("By-Laws"), copies of which are available at the SEC.

Share Capital

The authorized capital stock of the Company is ₱1,550,000,000 consisting of 1,550,000,000 Common Shares with a par value of ₱1.00 per share. As of the date of this Prospectus, 1,247,999,999 Common Shares are subscribed and outstanding.

On 9 June 2017 the Company's shareholders approved the declaration of stock dividends to be payable at the rate of one (1) common share for every twenty five (25) common shares owned by stockholders as of record date 29 June 2017 (or approximately up to 47,999,999 Common Shares) with a payment date of 17 July 2017. The issuance of the stock dividends is an exempt transaction under Section 10.1(d) of the Securities Regulation Code, as amended, or distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus. The additional issuance of shares for the stock dividends does not require any written confirmation of exemption from the SEC.

The Company is offering for subscription up to 302,000,000 Common Shares with a par value of ₱1.00 per share to eligible existing common shareholders of SBS at the proportion of one (1) Rights Share for every [4.1325] Common Shares held as of Record Date at an Offer Price of up to ₱[4.97]per Rights Share. Once the offering is completed, it is expected that the issued and outstanding capital stock of the Company shall be 1,549,999,999.

Any fractional share shall be disregarded in the computation of the Rights Share of each shareholder. Fractions of the Rights Shares will not be allotted to existing shareholders and any fractional entitlement will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Company.

On 21 April 2017, the Board of Directors approved to recommend to the shareholders to conduct a stock rights offering of the shares of the Company.

On 9 June 2017, the Company's stockholders approved the increase in the authorized capital stock of the Company from One Billion Five Hundred Fifty Million (₱1,550,000,000.00), divided into One Billion Five Hundred Fifty Million (1,550,000,000) common shares with par value of One Peso (₱1.00) per share to up to Philippine Pesos: Five Billion Five Hundred Fifty Two Million Five Hundred Thousand (₱5,552,500,000.00), divided into Five Billion Five Hundred Fifty Million (5,552,500,000) common shares with par value of One Peso (₱1.00) per share with such increase to be done in two or more tranches as follows:

(a) the increase of the first tranche from Philippine Pesos: One Billion Five Hundred Fifty Million (₱1,550,000,000.00), divided into One Billion Five Hundred Fifty Million (1,550,000,000) Common Shares with par value of One Peso (₱1.00) per share to Philippine Pesos Three Billion Nine Hundred Eighty Five Million (₱3,985,000,000.00) divided into Three Billion Nine Hundred Eighty Five Million (3,985,000,000) Common Shares with a par value of One Peso

(₱1.00) per share as approved by the shareholders to be supported by a stock rights offering; and

(b) the subsequent increase from Philippine Pesos Three Billion Nine Hundred Eighty Five Million (₱3,985,000,000.00) divided into Three Billion Nine Hundred Eighty Five Million (3,985,000,000) Common Shares with a par value of One Peso (₱1.00) per share to Philippine Pesos: Five Billion Five Hundred Fifty Two Million Five Hundred Thousand (₱5,552,500,000.00), divided into Five Billion Five Hundred Fifty Million (5,552,500,000) Common Shares with par value of One Peso (₱1.00) per share, either in one or more tranches, which may include but will not be limited to private placement transactions, public offerings, or stock rights offering.

The On June 9, 2017 after the holding of the Annual Shareholders' Meeting, the Board of Directors approved a Stock Rights Offering to its registered stockholders of up to 845,487,000 common shares (the "Rights Offer") which will be issued partially from the Company's unissued capital stock and partially from the increase in the Company's authorized capital stock.

In its meeting of 14 July 2017, the Board of Directors (the "Board") deemed it to the best interest of the Company to change the Offer structure earlier approved by the Board to provide for the separate conduct of the stock rights offering to be issued solely from the Corporation's existing unissued capital stock and those subsequently to be issued from the new shares to be created from the increase in authorized capital stock to be undertaken by the Company; with the Board approving an initial Stock Rights Offering ("Offer") comprising of up to 302,000,000 common shares with a par value of P1.00 per share (the "Rights Shares" or "Offer Shares") from the existing unissued shares of the Corporation for subscription of existing holders of Common Shares of the Company, which Offer is intended raise to up to One Billion Five Hundred Million Pesos (₱1,500,000,000.00) in gross proceeds. Any subsequent capital raising activity approved by the Board after this Offer will be disclosed to the regulators and the investing public as the same is approved.

Voting Rights

Under the Company's By-Laws, each holder of the Company's common share has full voting rights. Each stockholder is, in every meeting of stockholders, entitled to one vote for each share of the capital stock held by the stockholder, in person or by proxy, provided and except in cases in which it is by statute, charter or by the By-laws, otherwise provided, a majority of the votes cast by the stockholders present in person or by proxy at any meeting shall be sufficient for the adoption of any resolution. The vote at the elections of Directors is by stock vote and by ballot unless by unanimous vote of all the stockholders present in person or by proxy, the said stockholders shall, by resolution, agree to a *viva voce* vote.

However, the Philippine Corporation Code and the Company's By-Laws provide that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal as discussed below.

The Corporation Code also provides that certain fundamental acts may only be implemented with stockholder approval. The following require the approval of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock:

- Amendment of the Articles;
- Extension or shortening of corporate term;
- An increase or decrease of capital stock and incurring, creating or increasing bonded indebtedness;
- Delegation to the Board the power to amend or repeal or to adopt new By-Laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the Company was organized;
- Dissolving the Company;
- Declaration or issuance of stock dividends;
- Ratifying a contract between the Company and a Director or officer where the vote of such Director or officer was necessary for approval;
- Entering into a management contract where (a) a majority of Directors of the managing corporation constitutes the majority of the board of the managed company or (b) stockholders of both the managing and managed corporations represent the same interest and own or control more than one third of the outstanding capital stock entitled to vote;
- Removal of Directors;
- Ratification of an act of disloyalty by a Director; and
- Ratification of contracts with corporations in which a Director is also a member of the board, where the interest of the Directors is substantial in one corporation and nominal in the other.

The approval of shareholders holding a majority of the outstanding capital stock of a Philippine corporation, including the preferred non-voting shares, is required for the adoption or amendment of the by-laws of such corporation. The approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation entitled to vote is required for the removal of directors and the execution of management contracts by a managed corporation (where a majority of the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation).

Dividend Rights

The Company's Board of Directors is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds (2/3) of the Company's outstanding capital stock. The term "outstanding capital stock" refers to the total shares of stock issued, excluding treasury shares. Such approval of the stockholders may be given at a general or special meeting called for such purpose.

Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

The Company has adopted a dividend policy of declaring approximately 20% of its prior year's net income as a dividend in favor of its stockholders of record date to be determined by the

Board, to be paid from the Company's available unrestricted retained earnings. This dividend shall be payable in cash, stock or property, or a combination of the three, as may be determined by the Board and subject to applicable laws, rules and regulations. The dividend payout rate is based on recommendation by the Board and is subject to the Company's requirements from time to time for capital expenditures, working capital, debt servicing and/or repayment and such applicable laws and regulations. The Company's Board, may, at any time, modify such dividend policy depending on the earnings, financial conditions, operating results, capital requirements, any contractual restrictions and other factors that the Board deems relevant.

Treasury Shares

The Company may acquire its own shares, provided that, it has unrestricted retained earnings or surplus profits to pay for the shares to be acquired or purchased and only for a legitimate corporate purpose/s, including but not limited to the following causes:

- Elimination of fractional shares arising out of stock dividends;
- Satisfaction of an indebtedness to the corporation arising out of unpaid subscription; and
- Payment of shares of dissenting or withdrawing stockholders.

The treasury shares have neither voting rights nor dividend rights as long as they remain as treasury shares.

On 23 June 2017, the Company sold its entire holdings of treasury shares comprising of 30,959,600 Common Shares to its parent company Anesy Holdings, by way of a block sale through the facilities of the Exchange at the price of ₱6.50 per share. As of the date of this Prospectus, the Company does not hold any treasury shares.

Pre-emptive Rights

The Philippine Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The Amended Articles of Incorporation of the Company denies the pre-emptive rights of its stockholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

Under Philippine laws, stockholders dissenting from the following corporate actions may demand payment of the face value of their shares in certain circumstances:

- In case any amendments to the Company's articles of incorporation has the effect of changing and restricting the rights of any stockholder or of authorizing preferences over the outstanding shares;
- In case of any sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property or assets;
- In case of merger or consolidation;
- In case the Company decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and
- Extension or shortening of the Company's corporate term.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Ownership Restrictions

The Philippine Constitution and related statutes restrict land ownership to foreign nationals. As of the date of this Prospectus, the Company owns private land in the Philippines and therefore foreign ownership in the Company is limited to a maximum of 40% of the Company's total issued and outstanding capital stock entitled to vote, and 40% of its issued and outstanding capital stock, whether or not entitled to vote. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine national for purposes of complying with nationality restrictions on land ownership.

Change in Control

There are no existing provisions in the Amended Articles of Incorporation or the Amended By-laws of the Company which will delay, defer or in any manner prevent a change in control of the Company.

Board of Directors

Unless otherwise provided by law or in the Amended Articles of Incorporation, the corporate powers of the Company are exercised, its business is conducted, and its property is controlled by the Board. The Company has nine (9) Directors, at least two of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a

majority of the issued and outstanding capital stock of the Company are present, either in person or by proxy.

Directors may only act collectively; individual directors have no power as such. Five directors, which is a majority of the Directors, constitute a quorum for the transaction of corporate business. In general, every decision of a majority of the quorum duly assembled as a Board is valid as a corporate act.

Any vacancy occurring in the Board other than by removal of a director prior to expiration of such director's term may be filled by a vote of at least a majority of the remaining members of the Board, if still constituting a quorum. Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The Amended By-laws of the Company provide for annual meetings on the last Friday of June of each year to be held at the principal office or at any other place designated by the Board in the city or municipality where the principal office of the Company is located, at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (1) the Chairman of the Board; (2) by the President of the Company; (3) by the Board of Directors; or (4) upon written request of a majority of the registered owners of at least a majority of the outstanding capital stock.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Under the Amended By-laws of the Company, notices for regular and special meetings shall be sent to each stockholder at least two weeks prior to such meeting. In addition, the Company is required under the SRC to send its shareholders of record at least 15 business days prior to the date of the annual or special meeting, an information statement and proxy form (in case of proxy solicitation) relating to such shareholders' meeting. Notices of regular or special meetings may be waived in writing by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted at the original date of the meeting.

Quorum

Unless otherwise provided by law, in all regular or special meeting of shareholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum, except in those cases where the Corporation Code provides a greater percentage vis-à-vis the total outstanding capital stock. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be represented.

Meetings of the shareholders shall be presided over by the Chairman of the Board, or in his absence, the President, or in the absence of the Chairman and the President, by a temporary chairman to be chosen by the shareholders. The Corporate Secretary, or, in his absence, the Assistant Corporate Secretary, or in the absence of both, any person appointed by the Chairman of the meeting, shall act as secretary of such meeting.

Voting

At all meetings of shareholders, a shareholder may vote in person or by proxy, for each share held by such shareholder.

Fixing Record Dates

The Company's amended By-Laws provide that for the purpose of determining the shareholders entitled to notice of, or to vote at, any meeting of shareholders or any adjournment thereof or to receive payment of any dividend, or making any other proper determination of shareholders, the Board may provide that the stock and transfer books be closed for a stated period, which shall not exceed, in any case, 25 days immediately preceding such meeting.

Notwithstanding the provisions of the amended by-laws of the Company on the setting of record dates, the SEC may, from time to time, promulgate rules for listed companies such as the Company relating to the fixing of such record dates. Under existing SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 nor more than 30 days from the date of declaration. With respect to stock dividends, the record date shall not be less than 10 nor more than 30 days from the date of shareholder approval. However, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of cash or stock dividends. In the event that stock dividends are declared in connection with an increase in the authorized capital stock, the corresponding record date shall be fixed by the SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing and duly presented to the Corporate Secretary before the time set for the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Transfer of Shares and Share Register

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title

over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a certificate of stock will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See "The Philippine Stock Market."

Philippine law does not require transfers of the Shares to be effected exclusively on the PSE, but any off exchange transfers will subject the transferor to capital gains tax and documentary stamp tax that may be significantly greater than the stock transfer tax applicable to transfers effected on the PSE. See "Philippine Taxation." All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Share Certificates

The Offer Shares shall be lodged with the PCD or any other entity authorized by the SEC in accordance with the PSE Revised Listing Rules. Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's stock transfer agent, BDO Unibank Inc. – Trust and Investments Group, which maintains the share register.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

Stock Transfer Agent

The Company's stock and transfer book is maintained at the principal office of the Company's stock transfer agent, BDO Unibank, Inc. - Trust and Investments Group, located at the 15th Floor, South Tower, 7899 Makati Avenue, Makati City.

MARKET INFORMATION

The Common Shares of the Company are traded on the PSE under the symbol "SBS".

The table below sets out the high and low share prices for the Company's Common Shares as reported on the PSE since its Initial Public Offer last 10 August 2015.

	2015		2016				2017	
(In ₱)	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Low	4.12	5.47	4.46	6.05	5.85	5.00	5.84	5.53
High	7.63	7.24	7.22	7.05	6.68	6.30	6.86	6.54

On [29] September 2017, the closing price of the Company's shares on the PSE was ₱[5.99]per share.

Approval for the listing of the Rights Shares was obtained from the PSE on [●]. The Rights Shares are expected to be listed on the PSE on [12] December 2017.

Dividends

The Company's ability to declare and pay dividends on its common equity is generally limited by the Corporation Code of the Philippines such as the prohibition on capital impairment and the limitation on the discretion of the Board of Directors to declare dividends based on their fiduciary duty, among others.

The Company has adopted a dividend policy to declare regular cash and/or stock dividends of 20% of prior year's net income after tax based on the Company's audited financial statements as of such year, subject to the availability of the unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies.

For the past three(3) years, the following dividends were declared:

Year	Record Date	Payment Date	Type	Dividend Rate
2014	29 December 2014	25 March 15	Cash	₱0.622 per share
2015	05 March 2015	28 April 2015	Cash	₱0.128 per share
2016	01 June 2016	22 June 2016	Cash	₱0.037 per share
2017	29 June 2017	17 July 2017	Stock	4% stock dividend

Recent Sale of Unregistered or Exempt Securities

No securities were sold by the Company within the past three (3) years which were not registered under the SRC.

On 18 November 2014, the Company issued 250,000,000 Common Shares to the following subscribers as part of the increase in its authorized capital stock:

Name	No. of Shares	Amount paid up
Anesy Holdings Corporation	245,000,000	₱80,000,000[1]
Necisto U. Sytengco	3,850,000	3,850,000
Aylene Y. Sytengco	1,100,000	1,100,000
Edwin R. Abella	25,000	25,000
Ricardo Nicanor N. Jacinto	25,000	25,000
TOTAL	250,000,000	₱85,000,000

[1]Anesy Holdings Corporation fully paid the ₱165,000,000 subscription balance on 23 March 2015.

On 18 December 2014, the Company further increased its authorized capital stock to ₱1,550,000,000.00 divided into 1,550,000,000 common shares with a par value of ₱1.00 per share. Anesy Holdings Corporation subscribed to and fully paid 155,000,000 Shares equivalent to ₱155,000,000.00.

On 5 March 2015, Anesy Holdings subscribed to an additional 353,000,000 Common Shares which it fully paid by virtue of the conversion of its ₱350,000,000.00 advances as of 31 December 2014 into Common Shares of the Company and the balance paid in cash by Anesy Holdings to the Company.

The foregoing additional issuances of the Common Shares are exempt transactions under Sections10.1(e), and 10.1(i) of the SRC. The foregoing additional issuances did not require any written confirmation of exemption from SEC pursuant to SEC-CFD Memorandum Circular No. 2, Series of 2001.

On 9 June 2017 the Company's shareholders approved the declaration of stock dividends to be payable at the rate of one (1) common share for every twenty five (25) common shares owned by stockholders as of record date (or approximately up to 47,999,999 Common Shares) which were distributed on 17 July 2017. The issuance of the stock dividends is an exempt transaction under Section 10.1(d) of the Securities Regulation Code, as amended, or distribution by a corporation, actively engaged in the business authorized by its articles of incorporation, of securities to its stockholders or other security holders as a stock dividend or other distribution out of surplus. The additional issuance of shares for the stock dividends does not require any written confirmation of exemption from the SEC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements as of and for the years ended December 31, 2014, 2015, 2016, including the related notes thereto, and the Company's unaudited consolidated financial statement as of and for the sixmonths ended June 30, 2017 including the related notes thereto, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in the section "Risk Factors".In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors".

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's financial statements as of and for the six months ended June 30, 2017 and for the years ended December 31, 2016, 2015 and 2014 and should be read in conjunction with the financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion & Analysis of Financial Conditions and Results of Operations" on page [●] and other financial information included herein.

The financial statements of the Company as of six months ended June 30, 2017 were reviewed by Punongbayan & Araullo and for the years ended December 31, 2016, 2015 and 2014 were audited by Punongbayan & Araullo. The summary financial information set forth below does not purport to project the results of operations or financial conditions of the Company for any future period or date.

Statements of Financial Position *(In ₱)*

	As of	As of December 31,		
	June 30, 2017	**2016**	**2015**	**2014**
Assets				
Current Assets:				
Cash and cash equivalents	2,726,987,404	1,383,113,717	837,551,006	338,132,143
Trade and other receivables	390,911,131	98,982,001	125,872,241	100,204,779
Inventories - net	1,179,394,928	1,313,141,596	1,527,199,944	1,557,928,385
Financial assets at fair value through profit or loss	-	-	-	29,259,715
Prepayments and other current assets	385,065,090	145,744,754	133,870,638	154,008,669
Total Current Assets	**4,682,358,553**	**2,940,982,068**	**2,624,493,829**	**2,179,533,691**
Noncurrent Assets:				
Held to maturity investments	244,740,000	244,740,000	244,740,000	250,124,488
Investment in an associate	654,919,766	147,964,483	18,113,172	18,388,692
Property and equipment – net	23,103,643	20,417,671	15,523,166	22,212,249
Investment properties	632,066,450	632,019,207	955,287,542	955,287,542
Deferred tax assets - net	8,025,115	4,521,287	9,691,399	1,847,914
Total Non-current Assets	**1,562,854,974**	**1,049,662,648**	**1,243,355,279**	**1,247,860,885**
TOTAL ASSETS	**6,245,213,5276,**	**3,990,644,716**	**3,867,849,108**	**3,427,394,576**

Liabilities				
Current Liabilities:				
Loans payable	717,500,000	467,500,000	1,055,000,000	261,500,000
Trade and other payables	225,442,575	307,100,775	215,009,295	422,823,999
Income tax payable	10,014,053	-	7,350,543	34,718,239
Dividend payable	-	-	-	265,494,338
Advances from related parties	-	-	-	699,192,601
Total current liabilities	**952,956,628**	**774,600,775**	**1,277,359,838**	**1,683,729,177**
Noncurrent liabilities:				
Post-employment defined benefit obligation	8,160,055	8,160,055	6,902,836	2,190,431
Loans payable	1,990,446,264	-	312,500,000	1,163,500,000
Total noncurrent liabilities	**1,998,606,319**	**8,160,055**	**319,402,836**	**1,165,690,431**
TOTAL LIABILITIES	**2,951,562,947**	**782,760,830**	**1,596,762,674**	**2,849,419,608**
Equity				
Capital stock	1,200,000,000	1,200,000,000	1,200,000,000	262,000,000
Additional paid-in capital	900,714,680	898,425,433	898,425,433	200,000,000
Treasury shares	-	(29,973,840)	-	-
Revaluation reserves	(4,068,878)	(4,068,878)	(3,720,185)	(1,400,328)
Retained earnings	908,524,784	1,143,501,171	176,381,186	117,375,296
Stock dividend distributable	288,479,994	-	-	-
TOTAL EQUITY	**3,293,650,580**	**3,207,883,886**	**2,271,086,434**	**577,974,968**
TOTAL LIABILITIES AND EQUITY	**6,245,213,527**	**3,990,644,716**	**3,867,849,108**	**3,427,394,576**

Statements of Comprehensive Income *(In ₱)*					
	For 6 months ended June 30		**For the years ended December 31**		
	2017	**2016**	**2016**	**2015**	**2014**
Sale of goods	512,701,509	517,102,486	1,002,128,379	940,000,603	933,080,958
Costs of goods sold	383,725,434	400,859,493	793,889,721	682,200,131	668,512,426
Gross profit	128,976,075	116,242,993	208,238,658	257,800,472	264,568,532
Other operating income (expenses)					
Other operating expenses	(75,900,846)	(53,413,990)	(123,069,990)	(123,726,997)	(100,389,507)
Other operating income	16,085,847	54,248,731	110,200,271	100,777,804	73,179,541
Operating profit	69,161,076	117,077,734	195,368,939	234,851,279	237,358,566
Gain on sale of investment properties and associates	-	826,273,802	858,662,859	-	-
Finance income (costs) – net	4,863,274	(4,071,850)	4,858,312	(29,265,769)	(90,620,087)
Equity in net losses of associates	3,929,267	120,409	(4,048,017)	(275,520)	(861,208)
Profit before tax	70,095,083	939,159,277	1,054,842,093	205,309,990	145,877,271
Tax expense	16,591,476	28,495,832	43,322,108	46,304,100	45,705,084
Net profit	53,503,607	910,663,445	1,011,519,985	159,005,890	100,172,187
Other comprehensive loss	-	-	348,693	2,319,857	1,219,921
Total Comprehensive Income	53,503,607	910,663,445	1,011,171,292	156,686,033	98,952,266
Earnings per share – basic and diluted	0.04	0.76	0.84	0.18	1.80

Statements of Cash Flows *(In ₱)*				
	For 6 months ended	For the years ended December 31		
	June 30, 2017	2016	2015	2014
Net cash provided by (used in) operating activities	(414,736,866)	480,355,418	(16,784,413)	687,148,727
Net cash provided by (used in) investing activities	(507,988,168)	1,056,060,489	51,713,910	(233,722,405)
Net cash provided by (used in) financing activities	2,271,823,552	(993,416,312)	463,491,243	(163,253,581)

Key Performance Indicators	June 2017	2016	2015	2014
Current Ratio[1]	491.4%	379.7%	205.5%	129.4%
Debt to Equity Ratio[2]	90.2%	24.4%	70.3%	493.0%
Asset to Equity Ratio[3]	190.2%	124.4%	170.3%	593.0%
Return on Assets[4]	0.9%	25.8%	4.4%	2.93.6%
Return on Equity[5]	1.6%	36.9%	11.3%	18.5%
Earnings per Share[6]	₱0.04	₱0.84	₱0.19	₱1.80

[1] *Current Assets over Current Liabilities*
[2] *Total Liabilities over Equity*
[3] *Total Assets over Equity*
[4] *Net Income over Average Assets*
[5] *Net Income over Average Equity*
[6] *Net Income over Weighted Average Number of Common Outstanding Shares*

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 30 JUNE 2016.

Results of Operations

For the first half of 2017, the Company's net sales amounted to ₱512.7 million, a decline of 0.9% compared to previous year comparable period of ₱517.1 million .Improved sales growth was posted for food ingredients, feeds, cosmetics and personal care product segments. However, demand for industrial products remained low, affected by the downdraft from the mining industry and pricing action taken on account of the higher importation and supplier costs.

The Company posted a remarkable improvement on its gross profit from core business in the first half of 2017, which increased by 11.0% year over year as the Company benefitted from the increase in the average sales prices and improvement in the product mix. Showing the benefits of the mix enrichment strategy undertaken, gross margin increased to 25.2% from 22.5%, with market share gains in other product segments cushioning the volume decline in the industrial products.

Operating profit on a consolidated basis declined to ₱69.2 million from ₱117.1 million year on year attributed due to higher rental costs and certain one-off costs incurred in order to give effect to the diversification program and the organization, funding and capitalization of the SHEC, SBS Holdings and Enterprises Corporation ("SHEC").These one-off costs which totaled to ₱11.1 million during the period include the SEC filing fees in connection with the increase in authorized capital stock of SHEC. Net profit for the period amounted to₱53.5 million versus the

910.7 million registered for 2016 comparable period due to exceptional one-off gain reported in 1st half 2016 of ₱826.3 million.

Material Changes to the Statement of Comprehensive Income for the six months ended 30 June 2017 compared to the Statement of Comprehensive Income for the six months ended 30 June 2016.

Sales for the period declined by 0.9% from ₱517.1 million in 2016 to ₱512.7 million in 2017.Food ingredients and feed additives continued to lead the growth segments while sales of industrial chemicals slowed down compared to comparable period of 2016 due to low demand in the mining sector and some resistance to pricing actions taken in 2017 to reflect higher commodity product costs.

Meanwhile, cost of goods sold was lower by ₱17.1 million in the first half of 2017 or 4.3% from P400.9 million in 2016 comparable period to ₱383.7 million in 2017, reflecting gains on inventory stocking position taken earlier.

Gross profit from core operations increased by ₱12.7 million from ₱116.2 million posted in 2016 to ₱129.0 million in 2017.The increase is largely attributed to improved sales mix and active margin management.

Other operating expenses increased by 42.1% to ₱75.9 million in 2017 from ₱53.4 million posted in 2016 as a result of rental rate increases on the leases for the Resthaven and Marilao warehouses and Resthaven corporate office that took effect at the start of 2017, increased number of sales and operation personnel and the one-off costs incurred in order to give effect to the diversification program and the organization, funding and capitalization of SHEC.

Other operating income substantially declined by ₱38.2 million in 2017in view of the discontinuation of previous income-generating lease arrangements on account changes in business requirement of the contracting parties. This include the sublease on the Otis property which was discontinued on account of the transfer of the lessees warehousing operations to another location. and the incidental lease of the Ayala Avenue property of the Company for use as a parking lot which was no longer renewed in 2017 by its previous tenant, Professional Parking Management Corporation.

Equity in net losses of an associate also increased by ₱3.8 million year on year as a result of the additional losses incurred by four associate companies namely Ayschester Holdings Corporation, Cleon Phils. Holding Corporation, I Bonding Holdings Corporation and Lakerfield Phils. Holdings Corp, whose equity interests were acquired in 2016 and three new associate companies acquired in 2nd quarter of 2017 by SHEC; namely, Goldchester Holdings Corporation, Milia Holdings Corporation, and ICare Holdings Corporation. The Company recognized its share in the net losses of the seven associates under the equity method as the Company does not have effective control over the associates but significant influence only. The gain in 2016 pertained to the divestment of the Company's 35% interests in Neschester Corporation, a property holding company which owns a property in Makati City.

In 1st half 2016, an exceptional one-off gain was reported in the amount of ₱826.3 million related to sale of investment properties. No similar transaction reported in 1st half of 2017.

On account of such developments, net income before tax declined year on year from₱939.2 million in 2016 to ₱60.5 million in 2017.

Due to the lower taxable income posted for the period, income tax expense fell by 41.8% or₱11.9 million.Net profit consequently declined from ₱910.7 million in 2016 to ₱53.5 million in 2017 mainly attributed to the exceptional one-off gain of₱826.3 million reported in 2016 and discontinuation of the income producing sublease arrangement and parking lot lease in 2017.

Material Changes to the Statement of Financial Position as at 30 June 2017 Compared to the Statement of Financial Position as at 31 December 2016

Assets

As at 30 June 2017, total assets on consolidated basis reached ₱6,245.2 million, consisting of ₱4,682.4 million in current assets and ₱1,562.9 million in non-current assets. As at31 December 2016, the total assets registered ₱3,990.6 million comprising of₱2,941.0 million in current assets and ₱1,049.7 million in non-current assets.

Cash in banks increased by 97.2% from ₱1,383.1 million in 2016 to ₱2,727.0 million in 2017.For the first six period ended 30 June 2017, a total collection of ₱2,293.4 million were received as follows: ₱6.8 million in cash dividends received from HTM investments,₱4.3 million gain in exchange rates, ₱2,250.0 million proceeds from loan availments net of payments, and P32.3 million from reissuance of treasury shares (net of buy back shares).Against this, a total of ₱949.5 million in settlements were made consisting of the following: ₱5.6 million in office equipment acquisition which includes additional improvement costs,₱510.9 million on additional investments in affiliate companies, ₱424.3 million used in operating activities and ₱8.7 million in interest payments (net of interest income on short-term placements).

Trade and other receivables increased by 294.9% from ₱99.0 million in 2016 to₱390.9 million in 2017 as result of higher credit sales.

Inventory level went down by ₱133.7 million or 10.2% from ₱1,313.1 million in 2016 to ₱1,179.4 million in 2016 as a result of higher volume sales of feed ingredient products and Company decision to cut back on new purchases of certain commodity products due to price volatility on account of production outages experienced by certain supplier in India and China due to pollution and/or environmental control issues that caused some disruptions in supply availability and exerted pricing pressures.

Prepayments and other current assets increased by 164.2% or ₱239.3 million from₱145.7 million in 2016 to ₱385.1 million in 2017 mainly contributed by deposit for future subscription made by SHEC in certain affiliate companies.

Carrying cost of property and equipment increased by₱2.7 million or 13.2% to ₱23.1 million in 2017 from ₱20.4 million in 2016 as a result of the acquisition of ₱5.6 million of transportation and office equipment net of ₱2.9 million additional depreciation expense during the period.

Liabilities

The total liabilities as at 30 June 2017 amounted to ₱2,951.6 million, comprising of₱953.0 million in current liabilities and ₱1,998.6 million in non-current liabilities.For31 December 2016,

the total liabilities was at ₱782.8 million, comprising of ₱744.6 million in current liabilities and ₱8.2 million in non-current liabilities.

Current loans payable was up by 53.5% or P250.0 million from P467.5 million in 2016 to P717.5 million in 2016 due to additional availments of additional short-term bank loan of P350.0 million less payment of P100.0 million during the period for working capital.

A 5-year term loan of ₱2,000.0 million was availed during the period at a fixed interest rate of 4.875% per annum and discounted to its effective interest as of 30 June 2017.

Income tax payable posted at ₱10.0 million in 2017 refers to second quarter corporate income tax due and payable in August 2017.The first quarter income tax due of ₱0.4 million was due and paid in May 2017.

Total equity

The total equity as at 30 June 2017 was ₱3,293.7 million, comprising of ₱1,200.0 million in capital stock, ₱900.7 million in additional paid in capital stock, ₱908.5 million in retained earnings gross of the ₱4.1 million revaluation reserves and ₱288.5 million of stock dividends distributable. As of 31 December 2016, total equity amounted to ₱3,207.9 million, comprising of ₱1,200.0 million in capital stock, ₱898.4 million in additional paid in capital stock, ₱1,143.5 million in retained earnings gross of ₱4.1 million reserves and gross of the ₱30.0 million in treasury shares.

Capital stock remains at ₱1,200.0 million as of 30 June 2017 from 31 December 2016.

Additional paid-in capital increased by 0.3% or ₱2.3 million from ₱898.4 million in 2016 to ₱900.7 million in 2017 on account of the premium on the reissuance of the treasury shares.

Retained earnings declined by 20.5% or P235.0 million from ₱1,143.5 million in 2016 to ₱908.5 million in 2017 on account of current period earnings of ₱53.5 million net of the provision for stock dividends of ₱288.5 million.

The entire holdings of 30,959,600 treasury shares were sold by way of a block sale in June 2017 to the Company's substantial shareholder.

Liquidity and Capital Resources

Net cash flows from operating activities

The 2017 cash flows from operating activities resulted to a net outflow of ₱424.3 million. The cash disbursements involved interest payments, payments of trade purchases and other receivables, and an increase in prepayments.

Net cash flows from investing activities

The cash flow in investing activities resulted to a net outflow of ₱508.0 million mainly due to investment in associate companies partially compensated by cash dividend received from HTM investments and interest received in short term placements.

Net cash flows used in financing activities

The cash flow from financing activities resulted in a net inflow of ₱2,271.8 million. The cash inflows mainly comprised of proceeds from bank loans availed and the disposal of treasury shares.

Key Performance Indicators

	2017 H1	2016 H1
Current Ratio[1]	491.4%	1003.4%
Debt to Equity Ratio [2]	90.2%	11.9%
Asset to Equity Ratio [3]	190.2%	111.9%
Return on Assets [4]	0.9%	27.2%
Return on Equity [5]	1.6%	43.4%
Interest Cost Coverage Ratio [6]	707.9%	7151.27%
Earnings per Share [7]	₱0.04	₱0.76

[1] *Current Assets over Current Liabilities*
[2] *Total Liabilities over Equity*
[3] *Total Assets over Equity*
[4] *Net Income over Average Assets*
[5] *Net Income over Average Equity*
[6] *EBIT over Interest Expense*
[7] *Net Income over Weighted Average Number of Common Outstanding Shares*

Other qualitative and quantitative factors

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

In April 2017, the Company obtained a five year term loan of ₱2.5 billion from Security Bank of which ₱2.0 billion has been availed of and partly used to bankroll purchases of property-related investments by the SBS group of companies in line with its diversification strategy to increase the property-related investments portfolio of the Group and provide for visible acquisition-driven growth.

Also in April 2017, the Company's Board of Directors approved and recommended for approval of the shareholders during the Annual Shareholders' Meeting to be held on 9 June 2017 for the conduct a stock rights offering of the unissued common shares of the Company ("Rights Issue") to be offered first to all existing shareholders of the Company. The shareholders ratified the same and delegated to the board of directors to determine the size and terms of the stock rights offering.On 14 July 2017, the Board of Directors determined and approved to offer the initial rights offering of up to 302,000,000 common shares from the existing unissued capital stock of the Corporation with gross proceeds of up to One Billion Five Hundred Million Pesos (₱1,500,000,000.00) from the offering and to subsequently conduct another stock rights offering to increase the authorized capital stock of the Corporation

The Rights Issue will be undertaken within a period of 12 months from approval of the shareholders and shall be conditional to having obtained the prior approval of the SEC and PSE for the Rights Issue, with the size and terms of the stock rights offer to be determined and finalized by the Board of Directors, including the entitlement ratio, offer price, record date and specific uses of the proceeds of the Rights Issue.

Subject to regulatory approvals, the Company will be undertaking a capital raising exercise in 2017 in the form of a the stock rights offering to be issued solely from the Company's existing unissued capital stock, comprising of up to 302,000,000 common shares for subscription of existing holders of common shares of the Company. The Rights Offer is intended raise to up to One Billion Five Hundred Million Pesos (₱1,500.0 million) in gross proceeds which will be used by the Company to support the capitalization requirements of its subsidiary, SBS Holdings and Enterprises Corporation to pursue investment opportunities in property related assets and businesses, and provide for general working capital requirements of the Company

The Company's shareholders also approved the investment of funds by way of subscription in the increase of authorized capital stock of Company's wholly-owned subsidiary, SBS Holdings and Enterprises Corporation, equivalent to One Billion Five Hundred Seventy Four Million Six Hundred Eighty Seven Thousand and Five Hundred (1,574,687,500) common shares, with a par value of P1.00 per share or for an aggregate par value of One Billion Five Hundred Seventy Four Million Six Hundred Eighty Seven Thousand and Five Hundred Pesos (₱1,574.7 million), with up to Eight Hundred Million Pesos (₱800.0 million), representing 50.79% of such share subscription, to be paid by the Company upon subscription.

In July 2017, SHEC subscribed to a 17.5% equity interest in Scott Holdings Corporation ("SHC") for ₱46,375,000.00. SHC is owner of a 1.8-hectare prime commercial land in Bacolod City.

On 10 August 2017, SHEC subscribed to the following shareholdings interests in affiliate property holdings companies: The share subscriptions were based on their par value.

(i) 17% equity interests in Aresa Holdings Corporation for ₱48.9 million;
(ii) 17% equity interests in Morechester Phils. Inc. for ₱6.5 million;
(iii) 22% equity interests in Apschester Holdings Corp. for ₱12.1 million;
(iv) 17% equity interests in Asida Holding Corp. for ₱3.8 million; and
(v) 17% equity interests in Mansfield Holdings Corp. for₱119.0 million

Other than those disclosed above and in the notes to the financial statements, there are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation, or any material 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.

The Company does not expect any liquidity problems and is not in default of any financial obligations, including any loan covenant.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

(iii) Any material 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:

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures

Capital Expenditures

Reference is made to the proposed utilization of proceeds raised from the IPO as disclosed in the Company's Prospectus dated 24 July 2015 and the Disbursement of Proceeds and Progress Report as of 30 June 2017.

In view of the increased operational focus on improving margins and consolidating operations of the chemical distribution business, the Board of Directors deems it to best interest of the Company and its shareholders to change back to allocating part of the unutilized proceeds from the Initial Public Offering for the immediate acquisition of physical assets in the form of land and building improvement for use as its warehouse facility. This capital expenditure would not only help control residual risks in not owning major logistic facilities but it is also a good investment opportunity to broaden the Company's asset base.

Specifically, on 14 August 2017, the Board of Directors has approved to reallocate a total of ₱450 million of the unutilized IPO Proceeds for the acquisition either of a warehouse facility complex or separately for the purchase of real estate property or a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building which were previously intended for the strategic acquisition of businesses (₱350 million) and facility improvements (₱100 million) from the remaining unutilized balance of the IPO proceeds amounting to ₱634,674,672.26.

Meanwhile, the amount of ₱87,569,456.61 will continue to be used for in new equipment and machinery acquisitions to include but shall not be limited to those itemized in the Company's Prospectus to undertaken during the period 2017-2018to be aligned with the business requirements of the Company.

Also, the amount of ₱94,618,561.65 will continue to be earmarked and allocated for the purchase and importation of new additions to the Company's product portfolio as well as fund the organization of a business development unit to strengthen sales and marketing force for the additional new product offerings.

The establishment of a south depot-distribution warehouse will allow greater opportunities for Company customers cut down on their logistics and sourcing organization, integrate the Company's procurement and logistic capabilities in their business processes, and promote collaborations for supply chain optimization to simplify their operations .Further, this capital expenditure would not only help control residual risks in not owning major logistic facilities but it is also a good investment opportunity to broaden the Company's asset base.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations

The Company expects some price volatility for its commodity chemical products to continue in the 2nd half of 2017 as several chemical raw material manufacturers in Asia experienced production outages due to pollution and/or environmental control issues in China and India that caused some disruptions in supply availability and exerted pricing pressures. The Company had taken pricing action to account for these supplier adjustments, which affected the price competitiveness of products offered by the Company and resulted in some sales weakness that is expected to continue in the second half of 2017.

Certain income-generating lease arrangements of the Company were no longer continued in 2017 as a result of changes in the business requirements of its contract parties.

(vi) Any significant elements of income or loss that did not arise from continuing operations

One-off costs were incurred in order to give effect to the diversification program and the organization, funding and capitalization of SHEC, SBS Holdings and Enterprises Corporation ("SHEC"). These costs which totaled to ₱11.1 million during the period include the SEC filing fees in connection with the increase in authorized capital stock of SHEC.

(vii) Causes for any material change from period to period

Please refer to the discussions provided on the material changes in the results of operations, comprehensive income and financial position under the management's discussion and analysis of financial conditions and results of operations stated above.

(viii) Seasonal aspects that had material effect on the financial condition or results of operations

For some end markets served by the Company, there is a pronounced cyclicality in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicality creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicality of specific industries.

FULL FISCAL YEAR 2015 - 2016

Results of Operations

Sales for the period grew by 6.6% from ₱940.0 million in 2015 to ₱1,002.1 million in 2016. The increase is largely due to the higher volume sales primarily of raw material ingredients for feeds, cosmetics and pharmaceutical products.

The cost of goods sold increased by ₱111.7 million or 16.4%, from ₱682.2 million in 2015 to ₱793.9 million in 2016. The increment is due to higher sales volume and changes in price and product mix in 2016 compared to 2015.

Gross profit declined by ₱49.6 million or 19.2% from P257.8 million posted in 2015 to ₱208.2 million in 2016 to soft pricing of industrial products, change in the product mix involving low margin feed ingredients, and depreciation of the local currency against US dollar. The demand for industrial chemicals was particularly affected by slowdown in local mining activities during the year.

Other operating expenses decreased by 0.5% or ₱0.7 million from ₱123.7 million in 2015 to ₱123.1 million in 2016 due to decrease in professional fees and other outside services while higher salaries, rental and transportation expenses were incurred in 2016 as compared to 2015.

Other operating Income increased by 9.3% or ₱9.4 million in 2016 following the adjustment in property rentals on account of the scheduled annual escalation.

Net gain of ₱826.3 million was realized from the disposal of certain investment properties located in Las Piñas City and Taguig City while a net gain of ₱32.4 million was attributed to the disposal of the investments in shares of stocks of Neschester Corporation (Neschester), an associate company.

Finance charges reduced by 116.6% or ₱34.1 million on account of substantial debt paydowns of bank liabilities .From net finance expense of ₱29.3 million in 2015, a positive contribution of ₱4.9 million in 2016 was registered arising from additional interest income earned from unutilized cash proceeds from disposal of assets.

In 2016, the company made new investments in shares of four (4) newly incorporated associate companies. Equity in net losses of associates increased by 13.7x or P3.8 million from P0.3 million in 2015 to ₱4.0 million in 2016 reflecting share in the organization costs of the associate companies.

The income tax expenses declined by 6.4% or ₱3.0 million from ₱46.3 million in 2015 to ₱43.3 million in 2016 on account of lower income realized.

Net profit improved by 5.4x from P159.0 million in 2015 to ₱1,011.5 million in 2016 as a result of the one-off gain of ₱858.7 million realized from the sale of certain investment assets representing 85.7% of the Company's net income for 2016.

Assets

As at 31 December 2016, total assets reached ₱3,990.6 million, consisting of ₱2,941.0 million in current assets and ₱1,049.7 million in non-current assets. As at 31 December 2015, the total assets registered ₱3,867.8 million comprising of ₱2,624.4 million in current assets and ₱1,243.4 million in non-current assets.

Cash in banks increased by 65.1% or ₱545.6 million from ₱837.6 million in 2015 to ₱1,383.1 million in 2015. For the period, total cash collection amounted to ₱1,702.0 million and was received from the following: ₱1,149.5 million net cash from the disposal of two investment properties; ₱480.4 million net cash from operating activities; ₱50.5 million net cash received from disposal of investment in an associate; ₱10.2 million cash dividends received from held-to-maturity (HTM) investments; ₱8.8 million interest earned on short term bank placements and ₱2.6 million as foreign exchange gains. Against such collections, the cash disbursements or settlements made for the period totaled ₱1,156.4 million, comprised of the following: P900.0 million in loan repayments (net of availments), ₱152.0 million in additional investment in associates; ₱44.4 million as cash dividends declared and paid in May 2016; ₱30.0 million buy back shares; ₱19.0 million as interest payments on short term bank loans and secured bank trust receipts; and ₱11.0 million for the acquisition of property and equipment.

Trade and other receivables declined by 21.4% from ₱125.9 million in 2015 to ₱99.0 million in 2016 due to an increase in cash sales in 2016.

The inventory level went down by ₱214.1 million or 14.0% from ₱1,527.2 million in 2015 to ₱1,313.1 million in 2016 as a result of higher sales volume and cutback in product importations due to volatility in foreign currency exchange rates.

Prepayments and other current assets increased by ₱11.9 million or 8.9% to ₱145.7 million in 2016 from ₱133.9 million in 2015 on account prepaid rental made in 2016 net of the of the application of input VAT credits.

Investment in associates grew by ₱129.9 million or 7x from ₱18.1 million in 2015 to₱148.0 million in 2016 as a result of new investments made in shares of four (4) newly incorporated associate companies net of disposal of Neschester and share in equity losses.

Property and equipment values increased by ₱4.9 million or 31.5% to ₱20.4 million in 2016 from ₱15.5 million in 2015 due to the acquisition of new transport and office equipment in the amount of ₱11.0 million net of ₱6.1 million additional depreciation expense during the period.

Investment properties were reduced by ₱323.3 million or 33.8% from ₱955.3 million in 2015 to ₱632.0 million in 2016 on account of the sale of two (2) investment properties in 2016.

Deferred tax asset went down by 53.4% or ₱5.2 million from₱9.7 million in 2015 to ₱4.5 million in 2016. This was attributable to the decrease of inventory allowance and advance rental net of the increase on the following accounts: actuarial loss on retirement plan; equity losses of associates; retirement benefit obligation; and unrealized foreign currency gains.

Liabilities

The total liabilities as at 31 December 2016 amounted to ₱782.8 million comprised of ₱774.6 million in current liabilities and ₱8.2 million in non-current liabilities. For 31 December 2015, the total liabilities was at ₱1,596.8 million, comprising of ₱1,277.4 million in current liabilities and ₱319.4 million in non-current liabilities.

Current loans payable declined by 55.7% or ₱587.5 million from ₱1,055.0 million in 2015 to ₱467.5 million in 2016 mainly due to loan settlements.

A portion of the long term loans were partially settled in 2016and the remaining balance reclassified as current to mature in 2017.

Trade and other payables increased by 42.8% or by ₱92.1 million to ₱307.1 million in 2016 from ₱215.0 million in 2015 mainly contributed by the increase of trust receipts payable and accrued expenses.

There was no income tax payable outstanding as of December 31, 2016 due to higher tax credits for the year in the amount of ₱45.9 million over the regular corporate income tax expense due of ₱38.0 million.

Post-employment defined benefit obligation has an accumulation of 18.2% or ₱1.3 million from ₱6.9 million in 2015 to ₱8.2 million in 2016 on account of a recognized re-measurements on deferred benefit obligation and related interest cost.

Total Equity

The total equity as at 31 December 2016 was ₱3,207.9 million, comprising of ₱1,200.0 million in capital stock, ₱898.4 million in additional paid in capital stock, ₱1,143.5 million in retained earnings gross of ₱4.1 million revaluation reserves and ₱30.0 million in treasury shares. For the period ended 31 December 2015, total equity amounted to ₱2,271.1 million, comprising of P1,200.0 million in capital stock, ₱898.4 million in additional paid in capital stock, ₱176.4 million in retained earnings gross of ₱3.7 million revaluation reserves.

In line with the Company share buyback program approved by the Board of Directors on November 8, 2016, the Company acquired a total of 5,454,400 shares (held as treasury shares)in 2016 for a total cost of ₱30.0 million.

Retained earnings increased by 5.5x or₱967.1 million from ₱176.4 million in 2015 to ₱1,143.5 million in 2016. This is attributed to the ₱1,011.5 million net income realized for the current period less cash dividends distributed in the amount of ₱44.4 million in 2016.

Liquidity and Capital Resources

Net cash flows from operating activities

The 2016 cash flows from operating activities resulted to a net inflow of ₱480.4 million. The cash receipts were mainly used for inventory purchases and about 10% thereof on other current assets.

Net cash flows from investing activities

The net cash flow from investing activities increased with the additional net inflow of ₱1,056.1 million. The cash balance increased on account of the cash sale proceeds received from the sale of investment properties, investments in shares in an associate, cash dividends received from HTM securities held, interest income earned from short term placements which cash proceeds were partially applied for the additional investment in associates, additional acquisition of property and equipment and investment in subsidiary.

Net cash flows used in financing activities

The net cash flow from financing activities resulted in a net outflow of ₱993.4 million. The major outflows was due to the settlement of loans amounting to ₱900.0 million net of availments, pay out of cash dividends, acquisition of treasury shares and interest payments.

Key Performance Indicators

	2016	2015	2014
Current Ratio[1]	379.7%	205.5%	129.4%
Debt to Equity Ratio [2]	24.4%	70.3%	493.0%
Asset to Equity Ratio [3]	124.4%	170.3%	593.0%
Return on Assets [4]	25.8%	4.4%	2.9%
Return on Equity [5]	36.9%	11.3%	18.5%
Earnings per Share [6]	₱0.84	₱0.19	₱1.80

[1] Current Assets over Current Liabilities
[2] Total Liabilities over Equity
[3] Total Assets over Equity
[4] Net Income over Average Assets
[5] Net Income over Average Equity
[6] Net Income over Weighted Average Number of Common Outstanding Shares

Other Qualitative and Quantitative Factors

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make

payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Company does not expect any liquidity problems and is not in default of any financial obligations. The Company has complied with the existing loan covenants and restrictions as of 31 December 2016.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

(iii) Any material 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:

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures

Reference is made to the proposed utilization of proceeds raised from the IPO as disclosed in the Company's Prospectus dated July 24, 2015 and the Disbursement of Proceeds and Progress Report dated April 15, 2016.

On May 20, 2016, the Company's Board of Directors approved the variation in and extension of timeframe for the utilization of the remaining unutilized balance of the IPO proceeds amounting to ₱670,884,497.96. The details of the reallocation and change in the use of IPO Proceeds are as follows:

(a) ₱350,000,000.00 initially allocated and earmarked for the acquisition of a real estate property located in Muntinlupa City has been redeployed and reallocated instead to fund strategic acquisitions. The project for the acquisition of the industrial property located at Brgy. Tunasan Muntinlupa City originally intended as the new warehouse depot site has been reconsidered in light of the residential communities being developed alongside the proposed warehouse location site and the likely locational conflicts and zoning issues resulting from such change in land use.

The Company's Directors and Management considered it to be in the best interests of the Company and its shareholders that this portion of the IPO proceeds is instead channelled to further its strategy to grow its business through synergistic acquisitions that will enhance the Company's product offerings and servicing capabilities. The redeployment of such financial resources to pursue potential business-building acquisitions is in step with the strategic goal of the Company to grow its principal business and expand of its chemical operations via acquisition, and/or investments in allied chemical businesses, as and when such opportunity arises. The Company anticipates to close such projects during the period 2016-2018.

(b) ₱100,000,000.00 initially allocated and earmarked for the construction of the new Muntinlupa warehouse facilities is redeployed and reallocated instead to fund the setting up of value added services and/or construction of such facilities to enhance and increase the Company's value-added services. The Company expects to undertake these project during the period 2016-2017.

(c) ₱103,969,248.00 initially allocated and earmarked to fund specific capital expenditures as detailed in the Company's Prospectus dated July 24, 2015 is reallocated to finance investments in new equipment and machinery to include but shall not be limited to those itemized in the Company's Prospectus which investments are to be staggered during the period 2016-2017 and aligned with the current business needs of the Company.

(d) ₱100,000,000.00 initially allocated and earmarked to fund specific new product purchases as detailed in the Company's Prospectus dated July 24, 2015 is reallocated to finance the purchase and importation of additions to the Company's product portfolio to cover a much broader range of products which shall include but shall not be limited to new products and product improvements listed in the Company's Prospectus as well as fund the organization of a business development unit to strengthen sales and marketing force for the additional product offerings.

(e) ₱14,830,318.45 excess of actual IPO expenses over the estimated IPO expenses is channeled to general working capital requirements.

(f) ₱2,084,931.51 savings arising from lower actual interest expense from the interest costs estimated for the BDO debt prepayment is likewise channelled for use as additional general working capital.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations.

The sustained economic growth and strong consumer demand forecasted for 2017 are expected to provide the Company with business growth momentum. The Company expects to be able to benefit from such increase in consumption driven demand associated with the use of chemical ingredients for food, feeds, cosmetics and pharmaceutical products.

The recent slowdown in mining activities and weaker demand for industrial chemicals are seen to continue in 2017 and are expected to cause some level of uncertainty and retrained growth for industrial chemicals.

The lease arrangements of the Company with respect to the Ayala and subleased Paco properties were terminated and will no longer be continued in 2017 as a result of changes in the business requirements of the Company's lessees. The discontinuation of these lease arrangements will impact income flows in 2017.

(vi) Any significant elements of income or loss that did not arise from continuing operations.

The Company sold two of its investment properties in May 2016, and its entire 35% shareholding interests in an associate in August 2016. The sale resulted in significant

cash Inflows and a marked increase in income attributable to the net gain realized from the sale of such investment assets.

(vii) Seasonal aspects that had material effect on the financial condition or results of operations.

For some end markets served by the Company, there is a pronounced cyclicality in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicality creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicality of specific industries.

FULL FISCAL YEAR 2014 - 2015

Results of Operations

Sales for the period grew by 0.7% from ₱933.1 million in 2015 to ₱940.0 million in 2015. The increase is largely due to the higher volume sales primarily of food ingredients and industrial chemicals.

The cost of goods sold increased by ₱13.7 million or 2.0% from ₱668.5 million in 2014 to ₱682.2 million in 2015.The increment is due to the additional allowance for inventory write-down amounting to ₱12.4 million in 2015.

Gross profit declined by ₱6.8 million or 2.6% from ₱264.6 million posted in 2014 to ₱257.8 million in 2015 due to the increase in the allowance for inventory write-down.

Other operating expenses increased by 23.2% or ₱23.3 million from ₱100.4 million in 2014 to ₱123.7 million in 2015 due to higher salaries, rental expenses, insurances, as well as additional taxes and licenses, trainings, supplies, transportation, representations and advertising expenses in connection with the preparations for the Initial Public Offering of the Company. Such increase in expenses was compensated by 67.7% decline in finance charges amounting to ₱61.4 million from ₱90.6 million of 2014 to ₱29.3 million of 2015 due to the retirement of certain term loans during the year, receipt of cash dividends from HTM securities, and interest income from short term placements.

Other operating Income increased by 37.7%or ₱27.6 million in 2015 following the adjustment in property rentals on account of the scheduled annual escalation.

Equity in net losses of an associate significantly declined by 68.0% or ₱0.6 million as a result of lower losses incurred by the associate company in 2015 compared to 2014.

The income tax expenses slightly increased by 1.3% or ₱0.6 million from ₱45.7 million in 2014 to ₱46.3 million in 2015.Net profit improved by 58.7% from ₱100.2 million in 2014 to ₱ 159.0 million in 2015. This is attributed principally to the increase in rental income and reduction in finance cost.

Assets

As at 31 December 2015, total assets reached ₱3,867.8 million, consisting of ₱2,624.5 million in current assets and ₱1,243.4 million in non-current assets. As at 31 December 2014, the total assets registered ₱3,427.4 million comprising of ₱2,179.5 million in current assets and ₱1,247.9 million in non-current assets.

Cash in banks increased by 147.7% or ₱499.4 million from ₱338.1 million in 2014 to ₱837.6 million in 2015. For the period, total cash collection amounted to ₱1,710.5and was received from the following: ₱1,636.4 million in additional share subscription payment; ₱5.5 million from proceeds of the sale of HTM investment; P10.3 million from cash dividends received from HTM investment; ₱0.1 million proceeds from proceeds of sale of AFS financial assets; ₱57.2 million from sale of financial assets at FVTPL; and ₱1.0 million as foreign exchange gains. Against such collections, the cash disbursements or settlements made for the periodtotaled₱1,211.1millionandcomprised of the following: ₱57.5 million in loan repayments (net of availments), ₱365.5 million as cash dividends declared in December 2014 and paid in 2015, ₱25.6 million for the additional purchase of financial assets at FVTPL,₱0.3 million in office equipment acquisition,₱699.2 million as payment settlement of advances from related parties; ₱46.2 million in interest payments (net of interest income on short term placements), and ₱16.8 million net cash used in operating activities.

Trade and other receivables increased by 25.6% from ₱100.2 million in 2014 to ₱125.9 million in 2015 due to an increase of credit sales in the last quarter of 2015.

The inventory level slightly went down by ₱30.7 million or 2.0% from ₱1,557.9 million in 2014 to ₱1,527.2 million in 2015as a result of higher service levels in 2015.

Financial assets at fair value, which had a beginning balance of ₱29.3 million during year, were all disposed of in 2015.

Prepayments and other current assets declined by ₱20.2 million or 13.08% to ₱133.87 million in 2015 from ₱154.0 million in 2014 on account of the application on input VAT credits.

Property and equipment values dipped by P6.7 million or 30.1% to ₱15.5 million in 2015 from ₱22.2 million in 2014 as a result of the ₱7.0 million additional depreciation expense net of ₱0.3 million acquisition of office equipment during the period.

Deferred tax asset went up by 4x or ₱7.8 million from P1.8 million in 2014 to ₱9.7 million in 2015.This was attributable to the additional deferred taxon account of the additional inventory allowance and advance rentals.

Other non-current assets slightly declined by 2.1% or ₱5.4 million from ₱250.1 million in 2014 to ₱244.7 million in 2015 due to full disposal of certain investments in stocks.

Liabilities

The total liabilities as at 31 December 2015 amounted to ₱1,596.8 million, comprising of ₱1,227.4 million in current liabilities and ₱369.4 million in non-current liabilities. For 31 December 2014,the total liabilities was at ₱2,849.4 million, comprising of ₱1,683.7 million in current liabilities and ₱1,165.7 million in non-current liabilities.

Current loans payable grew by 303.4% or ₱743.5 million from ₱261.5 million in 2014 to ₱1,055.0 illion in 2015 as additional short terms loans were obtained to finance the settlement of advances from related parties as well as for working capital purposes.

Long term loans payable significantly fell by 73.1% or by ₱851.0 million due to the retirement of certain long term loans in 2015.

Trade and other payables declined by 49.1% or by ₱207.5 million due settlement of certain trust receipts liabilities.

Advances from related parties amounting to ₱699.2 million were fully settled in 2015.

There was no balance in the dividends payable in 2015 as the ₱265.5 million declared in 2014 was paid and distributed in 2015.

Income tax payable was reduced by 78.8% or ₱27.4 million in 2015 following the payment of the corporate income taxes of ₱34.7 million in April 2015 and three quarters of year taxes in the amount of ₱36.7 million was paid in May, August and November. The outstanding income tax payable of ₱7.4 million refers to the balance of the year income tax due for payment on April 15, 2016.

Post-employment defined benefit obligation has an accumulation of 215.1% or ₱4.7 million from ₱2.2 million in 2014 to ₱6.9 million in 2015 on account of a recognized re-measurements on DBO of ₱4.3 million, current service cost of ₱0.3 million, and ₱0.1 million interest cost.

Total Equity

The total equity as at 31 December 2015 was ₱2,271.6 million, comprising of ₱1,200.0 million in capital stock, ₱898.4 million in additional paid in capital stock, ₱176.4 million in retained earnings gross of ₱3.7 million revaluation reserves. For the period ended 31 December 2014, total equity amounted to ₱578.0 million comprising of ₱262.0 million in capital stock, ₱200 million in additional paid in capital stock, ₱117.4 million in retained earnings gross of ₱1.4 million revaluation reserves.

Capital stock increased from ₱262.0 million in 2014 to ₱1,200.0 million in 2015 due to the additional subscription and issue of ₱353 million common shares, collection of ₱165.0 million subscription receivable from Anesy Holdings Corporation, and additional of ₱420.0 million from initial public offering in August 10, 2015.

Retained earnings increased by 50.3% or ₱59.0 million from ₱117.4 million in 2014 to ₱176.4 million in 2015.This is attributed to the ₱159.0 million net income realized for the current period less the declaration of cash dividends of ₱100.0 million in 2015 out of the 2014 unrestricted retained earnings.

Liquidity and Capital Resources

Net cash flows from operating activities

The 2015 cash flows from operating activities resulted to a net outflow of ₱16.8 million. The cash receipts were mainly used for inventory purchases and about 10% thereof on other current assets.

Net cash flows from investing activities

The net cash flow from investing activities went up with the additional net inflow of ₱51.7 million. The cash balance increased as a result of the sale of, and cash dividends received from, HTM securities, interest earned on short term placements, and proceeds from the sale of FVTPL financial assets amounting to ₱73.1 net of purchases.

Net cash flows used in financing activities

The net cash flow from financing activities resulted in a net inflow of ₱463.5 million. The major inflows came from the new subscriptions of common shares of the Company while majority of the cash dividends declared, and partial settlement on advances from related parties.

Key Performance Indicators

	2015	2014	2013
Current Ratio[1]	205.5%	129.4%	175.9%
Debt to Equity Ratio [2]	70.3%	493.0%	604.9%
Asset to Equity Ratio [3]	170.3%	593.0%	704.9%
Return on Assets [4]	4.4%	2.9%	1.8%
Return on Equity [5]	11.3%	18.5%	12.7%
Earnings per Share [6]	₱0.19	₱1.80	₱2.74

[1] Current Assets over Current Liabilities
[2] Total Liabilities over Equity
[3] Total Assets over Equity
[4] Net Income over Average Assets
[5] Net Income over Average Equity
[6] Net Income over Weighted Average Number of Common Outstanding Shares

Other qualitative and quantitative factors

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any

cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Company does not expect any liquidity problems and is not in default of any financial obligations. The Company has complied with the existing loan covenants and restrictions as of 31 December 2015.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

(iii) Any material 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:

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures

As earlier disclosed in connection with the use of the IPO proceeds, the Company plans to allocate a portion of the net proceeds from its Initial Public Offering to finance capital expenditures to enhance operating efficiencies and bring down costs. These involve investments in (i) enhancement of information technology systems for warehouse operations for better management of warehouse inventory to minimize costs and maximize use of warehouse space as well as business processing systems to enhance productivity and increase business performance, (ii) renewable energy saving systems to reduce energy use and bring down overhead costs, (iii) construction of additional warehouse building improvements to expand warehousing space and (iv) purchase of warehouse machinery and equipment such as forklifts and pallets for more efficient warehouse operations. The Company also is considering the acquisition of an industrial real estate property located in south of Metro Manila be utilized as a possible site for a south depot facility.

These proposed capital expenditures are currently being evaluated to ensure a sound and efficient use of the IPO proceeds.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations

The strong macroeconomic growth of the Philippine economy is expected to provide SBS with business growth momentum. SBS intends to capitalize on these industry market growth trends and opportunities to grow its market shares and operating margins. However, the Company also expects some price volatility for its chemical products in 2016asthe impact of the drop crude oil prices and commodity prices may begin to be felt in certain sectors in the energy and commodity value chains by the first half of 2016.

(vi) Any significant elements of income or loss that did not arise from continuing operations

None

(vii) Seasonal aspects that had material effect on the financial condition or results of operations

For some end markets served by the Company, there is a pronounced cyclicality in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicality creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicality of specific industries.

External Audit Fees and Services

The external auditors of the Company, Punongbayan & Araullo, billed the amounts, inclusive of VAT and out of pocket expenses, of ₱550,000in 2014, ₱650,000 in 2015, and ₱800,000 in 2016 as fees for professional services rendered for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2014, 2015 and 2016.

No other services were rendered or fees billed by the external auditors of the Company for 2014, 2015 and 2016.

The engagement of the external auditors of the Company as well as the handling partner is approved by the Audit Committee, the Board of Directors and the stockholders of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the SEC, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

INTERESTS OF NAMED EXPERTS AND COUNSEL

Independent Auditor

The audited financial statements of the Company as of the fiscal years ended 31 December 2014, 2015 and 2016, and reviewed financial statements of the Company for the six-month period ended 30 June 2017, which are also incorporated by reference in this Prospectus, have been audited for the fiscal year financial statements and reviewed for the first quarter financial statements the auditing firm of Punongbayan & Araullo.

Punongbayan & Araullo, external auditor of the Company, has no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission. The external auditor will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

Legal Counsels

The validity of the Rights Shares and other matters concerning the Offer were passed upon for the Company by Pacis & Reyes, Attorneys, the legal adviser of the Company and Martinez, Vergara, Gonzalez & Serrano Law, the legal adviser of the Underwriter for the Offer.

Pacis & Reyes, Attorneys, and Martinez, Vergara, Gonzalez & Serrano Law have no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company The legal counsels will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

THE COMPANY

The Company was incorporated on 17 July 2001 and was formerly known as Sytengco Philippines Corporation. The change to its present name was approved by the SEC on 18 November 2014. On 10 August 2015, the Company became a public company and was admitted to the Main Board of the Exchange under the stock symbol SBS.

The Company is 65.4% owned by Anesy Holdings Corporation, 9.8% by the directors, officers, employees and affiliates of the Company, and the rest by the public. Its registered office address and principal place of business is 10 Resthaven Street, San Francisco Del Monte, Quezon City.

The Company is one of the major chemical trader-distributors in the Philippines. The Company sources, markets and distributes over 3,000 chemical products sourced from over 500 producers and suppliers worldwide and sells to more than 1,900 customers all over the Philippines.

The Company also takes advantage of the opportunities in the real estate market to build its capital and have some recurring income base. Such assets are held as investments for capital gains and were provisionally offered for commercial leasing for passive cash flows. For the year ended 31 December 2016, investments in real properties contributed 42% in revenue while chemical sales contributed 51%. For the six-month period ended June 30, 2017, revenues from property investments amounted to 0% of total revenues while 96% were accounted by chemical sales.

Core Chemical Trading and Distribution Business

Currently, the principal business is in chemical trading and distribution, supplying a diverse customer base of more than 1,900 customers nationwide with over 3,000 chemical products sourced from more than 500 suppliers. The Company offers a comprehensive selection of chemical products to service the following industries: (i) food ingredients, (ii) industrial, (iii) agribusiness, feeds and veterinary care, (iv) pharmaceutical, (v) personal care and cosmetics. It also provides value-added service to its customers by providing logistics management in sourcing, procuring, warehousing and transporting the chemical products and materials. The top customers of the Company in terms of sales are RDL Pharmaceutical Laboratory, Inc., Uni-President (Phils.) Corporation, Zamboanga Carrageenan Manufacturing Corporation, CDO and Zeno Chemical Industries, Inc. Its top products in terms of sales include food seasoning, starches, acidulant, mineral salt, and active pharma ingredient.

The Company provides a one-stop-shop business solution that allows for choice and convenience to its customers. The Company engages in multiple sourcing from different chemical producers and sells a diverse and broad range of chemical products and ingredients. Its highly diversified portfolio of products allows the Company to bundle and combine multiple orders of different products in smaller volumes, providing for a convenient stable source and “one-stop shop” single partner for the various chemical needs of its market customers. Clients are offered a full line of chemical and ingredient products on stock for which they can order in great variety and programmed for dispatch and delivery in accordance with their requirements.

Presently, the Company maintains a network of 15 distribution warehouses in five (5) sites in the Greater Manila Area and province of Bulacan. These storage facilities have a combined floor area of approximately 50,000sqm. and a storage capacity of over 18,000MT. It likewise has its own private fleet of delivery trucks comprising of as trailers, ten-wheeler trucks, forklifts and small and medium size trucks and closed vans to service a wider area and ensure products are delivered on a timely manner.

Such warehousing and distribution capabilities provide for opportunities for collaborations in supply chain optimization with its business partners. This logistics infrastructure provides for enormous flexibility as the Company is able to offer a variety of products to a diverse set of customers and markets. Specifically, these warehousing and distribution capabilities allow the Company to service the requirements of its customers in a just-in-time delivery basis such that the Company effectively acts as if it holds the chemical inventory of their customers. "Just-in-time" deliveries provide customers with a cost-effective way to manage their inventory carrying cost which is increasingly important to customers in choosing their supply partners.

The Company's scale and distribution reach, combined with its diversified product offering and deep industry knowledge, provide the Company with a distinct competitive advantage as the "one-stop shop" resource for its customers' chemical requirements. The Company also provides value-added service to its customers by providing logistics management in sourcing, procuring, warehousing and transporting the chemical products and materials. For the years 2016, 2015 and 2014, the Company registered total sales of ₱1,002.13 million,₱940.00 million, and₱933.08 million, respectively. For the period ending 30 June 2017, total sales were ₱512.7 million.

Principal Products and Markets

The Company sells chemicals that are used in manufacturing processes and as components of or ingredients in other products. It has a diversified portfolio of chemical products which includes: (i) food ingredients, (ii) industrial, (iii) feeds, agriculture and veterinary care, (iv) pharmaceutical, and (v) personal care and cosmetics chemicals. For the year ended December 2014, the Company's product sales comprise of 90% Commodity Chemicals and 10% Non-Commodity Chemicals. Food ingredient chemicals accounted for 35% of 2016 sales while industrial chemicals accounted for 31% of sales. Feed, agriculture and veterinary care chemicals such as feed additives and premixes, quinolones and coccidiostatics account for 23%. For the six months ended 30 June 2017, the industrial chemicals accounted for 30% of sales, food ingredients for 36% of sales and Feeds at 25% of sales. The Company continuously works to refresh its product offerings with chemicals that meet the key trends affecting its target market sectors.

The Company sells and distributes its products to a diverse group of significant industry market customers that includes food ingredients, industrial, feeds and veterinary care, pharmaceutical, personal care and cosmetics, and veterinary health. These are composed of small to mid-sized companies as well as multinational and big conglomerates with global sourcing and production.

For the food ingredients market, the Company offers a wide variety of food ingredient chemicals such as food additives, processing aids, nutritional supplements, dairy and egg products, starch and bakery ingredients. These include sweeteners, texturants, thickeners, preservatives, colorants, flavors and extracts, stabilizers and emulsifiers, phosphate and natural spices.

For the industrial sector, the Company distributes caustic soda, hydrochloric acid, absorbents, and mineral products.

In the case of feeds, agriculture and veterinary care, the product lines include feed additives and premixes, quinolones and coccidiostatics.

For the pharmaceutical segment, the Company sells active chemical ingredients for antihistamines, antibiotics, anti-diabetics, anti-fungals, antiviral, antihemintics, steroids and drugs for the central nervous, cardio-vascular, and gastroenteric systems, and mineral products, to name a few.

For the personal care and cosmetics markets, the Company supplies various chemicals used in making lotions, shampoos, conditioners, coloring, and other beauty and cleansing products, including natural oils, herbal and plant extracts.
No single significant customer contributed for more than 4.0% of sales. The Company is also not dependent on the sales of specific products as its top ten best-selling product groupings accounted for less than 40.0% of total sales.

Domestic sales accounted for 100% of sales for the year 2016, with exports merely constituting a meager fraction of sales to customers in Indonesia.

Competition

The Company mostly deals in commodity chemicals which are either produced by, or available from, various chemical producers and chemical distributors worldwide. As these chemicals are typically made to standard industry specifications and are essentially fungible goods, commodity chemicals can be purchased from a variety of sources which include chemical traders, brokers, wholesalers and distributors and also directly from producers. As a result, the Company sees the chemical trading and distribution business to be highly competitive in the Philippines as well as internationally.

The Company competes with both local traders and regional distributors which may have comparable range of chemical products sold by the Company as well as with niche players focusing on a specific industry market or a particular chemical product market. It competes on the basis of price, service, variety of product items and its availability, compatibility with industrial production trends and market requirements. Among the local key competitors of the Company include Connell Brothers Company, Trans-World Trading, Brenntag Ingredients, Inc. and Himmel Industries Inc. These are engaged in the trading and distribution chemical raw material commodities and services the chemical requirements of various market segments.

The Company's network of warehouses and logistics capability provide it with operating and scale efficiencies that allow it to store and market a comprehensive inventory of products. Combined with its financial strength, the Company believes that is has a unique significant competitive advantage over global competitors due to its considerable domestic warehouse and logistics infrastructure, high procurement scale and purchasing power, attractive pricing due to volume discounts its receives, and strong long-standing relationships with a wide set of chemical suppliers and market customers. Further, its scale and broad portfolio of products offerings vastly differentiate it from small competitors. This competitive advantage enabled the Company to have a prominent Philippine market position in the chemical trading industry. It also fostered strong relationships with a wide set of producers and customers as it provided for opportunities to integrate the Company's procurement and logistic capabilities in their business processes and promote collaborations for supply chain optimization.

Pricing

Together with its suppliers and customers as the case may be, the Company agree on the order quantities, which are reviewed from time to time as necessary. The Company and its suppliers agree on prices on the basis of a price list that is amended from time to time, or on a case-by case basis. In turn, the Company determines the price of the products to be sold to its customers on the basis of its cost base, prevailing market prices and historical price trends, and the competitive circumstances in the particular market industry and after taking into account internal margins and sales targets. For imported products, pricing is further subject to a foreign exchange adjustment mechanism. Depending on the size and frequency of the sales order, the sale prices may be fixed on a semi-annual or annual basis.

Suppliers

The Company sources chemicals from premier chemical producers and global chemical distributors, many of whom have been supplier-partners of the Company for several decades already, some since the 1980s.The Company sources a majority of its products from Asia (90%) and less than 10% sourced from Europe and the Americas. The Company has a highly diversified supplier base which is currently made up of over 500 suppliers, with no single supplier accounting for more than 10% of the Company's chemical inventory for 2016 and no single supplier is relied upon to supply any particular chemical or group of chemicals. The Company's business is not dependent on one or limited number of suppliers.

While the Company holds some distributor arrangements with certain chemical producers, it generally maintains strong long-term relationships with various chemical producers to ensure flexibility in sourcing and protection against disruptions in supply. By and large, the Company usually procures its chemical supplies through spot purchase orders rather than through long term supply contracts. For key producers, the Company normally enters into supply framework agreements which operate on an annual basis and provide for a credit term. These agreements provide for an annual order volume forecast subject to shipment orders issued by the Company. Except for some uncommon orders which are shipped directly to certain customers, the chemicals purchased are more commonly shipped to the Company's distribution warehouses. Deliveries to customers are either undertaken by the Company or contracted to third party logistics providers.

Customers

The Company sells to a broad and diverse range of customers comprising of manufacturers, integrators, processors, refineries, millers and traders. These entities vary from small and mid-sized companies to multinational corporations and conglomerate businesses involved in industrial manufacturing, food and beverage, agriculture, pharmaceutical, personal care and cosmetics, and veterinary health. With over 1,900 customers, no single customer is material to the business of the Company. As of 30 June 2017, no single customer accounts for more than 5% of Company sales, and the Company is not exposed to any concentration risk. The top customers of the Company in terms of sales includes RDL Pharmaceutical Laboratory, Inc., Uni-

President (Phils.) Corporation, Zamboanga Carrageenan Manufacturing Corporation, CDO and Zeno Chemical Industries.

Credit Facilities and Loan Obligations

Short Term Loans

The Company, by itself or together with its Affiliates, obtained short-term credit facilities from various banking institutions to finance its working capital requirements, which include a trust receipt line, a foreign exchange settlement line, a bills purchase line and other short-term facilities.

The following are the Company's existing short-term credit facilities:[

Bank	Facility Amount	Date of Availment	Expiry Date	SBS Outstanding Amount (as of 24 August 2017)
BDO Unibank, Inc.[1]	₱ 1,000 million	Various	30 September 2017	₱139 million
China Banking Corporation[2]	₱300 million	No current availments	31 October 2017	-
Metrobank[3]	₱ 800 million	₱ 420 million on November 28, 2016	31 January 2018	₱ 390 million
		₱ 350 million on March 24, 2017		₱ 200 million
Security Bank Corporation[4]	₱500 million	No current availments	31 August 2017	-
Total	**₱2,600 million**			**₱729 million**

[1]*The credit facility is made available only to the Company.*
[2]*The credit facility is a group line made available to the Company and its Affiliate, Baler Industrial Corporation whose specific availments are the liability of the borrowing entity concerned. There were no availments made by the affiliate.*
[3]*The credit facility is a group line made available to the Company and its Affiliate, Baler Industrial whose specific availments are the liability of the borrowing entity concerned. There have been no availments made by the affiliates.*
[4]*The credit facility is a group line made available to the Company and its Affiliates, Baler Industrial Corporation, ULife Corporation and Berny Realty & Development Corporation whose specific availments are the liability of the borrowing entity concerned. There are no availments made by the affiliates.*

These credit lines provide for competitive market floating interest rates and are made available to the Company as well as certain of its Affiliates. The drawings or drawdowns from these credit facilities are the liability of the respective borrowers. No cross quarantees or suretyship arrangements are provided by the Company for the credit line availments of its affiliates.

Long Term Loans

There are two (2) outstanding five (5) year term loans availed from Security Bank Corporation:

(a) ₱200 million 5-year term loan obtained on 1 April 2014, and total of ₱177,500,000.00 have already been paid. It has an outstanding balance of ₱22.5 million currently. The loan has a one (1) year grace period with a fixed interest rate of 4.25% p.a. and will mature on 1 April 2019. The loan was used for working capital; and

(b) ₱2.5 billion 5-year term loan facility obtained and approved by the Board of Directors on 17 April 2017 of which ₱2.0 billion has been drawn by the Company. The loan has a fixed preferential interest rate of 4.875% p.a. with a two (2) year grace period on principal amortizations. The loan is secured by lien over the Ayala Avenue property of the Company. The proceeds of the loan are to be used to bankroll purchases of property related investments of the SBS group to be made through SBS Holdings and Enterprises Corporation. The loan will mature on 16 April 2022.

Employees

As of 30 June 2017, the Company has a workforce of 104, which is broken down as follows:

Position	Headcount
Executive	12
Manager and Supervisors	19
Staff	73
Total	**104**

There is no organized labor union in the Company since its organization in 2001 and there has been no record of strike or threat of a strike. The Company continues to nurture open, cooperative and harmonious relationship with its personnel.

The Company intends to increase its headcount by 10% by the end of 2017.

Lease Contracts

The Company is leasing its principal place of business, including certain warehouses, at No 10 Resthaven St., San Francisco Del Monte, Quezon City from Aneco Realty & Development Corporation, an Affiliate. The monthly rental for 6,230 sqm. property is ₱1.05 million, inclusive of VAT. The lease is valid until 31 December 2017 and is extendible by mutual agreement of the parties. There is no lien or encumbrance on this leased property.

The Company leases its warehouse facilities from related and non-related parties as follows:

Location	Use	Lessor	Area (in sqm.)	Monthly Rental (Inc. of VAT)	Expiration
Resthaven, San Francisco Del Monte, Quezon City	Corporate Offices	Aneco Realty & Development Corporation*	1,505	₱252,890	31 December 2017
Resthaven, San	Warehouse	Aneco Realty &	4,725	₱793,733	31 December

Francisco Del Monte, Quezon City	facility & distribution depot	Development Corporation*			2017
Barangay Namayan, Mandaluyong City	Warehouse facility & distribution depot	Canon Realty & Development Corporation*	13,727	₱440,900	31 December 2017
Marilao, Bulacan	Warehouse facility & distribution depot	Anase Realty and Enterprises Corporation*	21,342	₱1,195,152	31 December 2017
Malabon	Warehouse facility & distribution depot	Everfield Holdings Corporation	1,800	₱180,000	31 December 2017
Judge Luna, San Francisco Del Monte, Quezon City	Warehouse facility & distribution depot	Necisto U. Sytengco*	1,890	₱236,250	31 December 2017

- *Related Party*

Lease contracts for the warehouses are extendible for one year by mutual agreement of the parties.

Legal Proceedings

As of 30 June 2017, the Company is not involved in litigation regarding an event that occurred in the last five years which is considered material.

PROPERTY RELATED INVESTMENTS

To create further value to its shareholders and transform the Company beyond its core business of chemical distribution towards a diversified business interests, the Company expanded its horizon for growth by making strategic investments in property related assets and businesses. This investment strategy will allow the Company to grow and capture opportunities presented in the robust real property sector and is intended to balance and counteract some of the fluctuations in the chemical trading business and at the same time grow and diversify the Company's revenue and earnings streams.

The Company has solid fundamentals to support its property related activities. Specifically, it has strong balance sheet and supportive shareholders. It has the ability to generate significant free cash flows and improve return on equity. Furthermore, the Company's strong financials allow access to various funding sources.

Property Related Holdings

The chemical trading business has been highly successful that the Company was able to invest its surplus funds to take advantage of opportunities in the real estate market to build its capital assets and have some recurring income base. These property assets are held as investments

for capital gains. The gains from these real estate investments would grow and diversify the Company's income streams and work to counterbalance some of the fluctuations in the chemicals business.

Since 2002, the Company has been intensifying such land banking investments with prime land acquisitions as the real estate market is seen to offer rich opportunities for Company's asset value creation given the robust economy, rising foreign exchange inflows, availability of credit and lower financing terms, and the growing requirements of the property development industry.It has financed its land banking program by internally generated cash, borrowings and proceeds from the sale of investment assets.

The Company believes that it has achieved successful investment performance given the significant improvement in values of its real estate investments. In 2016, the Company unlocked the value of such property investments and disposed of the following property assets and related holdings: 1,083 sq. m. lot located in McKinley Business Park, Bonifacio Global City in Taguig, 3.4 hectares property located along the Zapote Road in Barangay Pamplona, Las Pinas City and 35% shareholding interests in property holding company, Neschester Corporation. The Company completed with a significant one-off gain from the disposal of such property investments in the amount of P858.8 million. Net gain of P826.3 million was realized from the disposal of the investment properties located in Las Piñas City and Taguig City while a net gain of P32.5 million was attributed to the disposal of the investments in shares of stocks in Neschester Corporation, an associate company. These property related assets are non-core assets of the Company and were held for investment and capital growth. The divestment was fully settled in cash.

As of 30 June 2017, the following are the investment properties owned directly by the Company:

Location	Area in sqm.	Date of Acquisition	Description	Purpose
Ayala Avenue, Makati City	2,400	9 October 2008	Commercial	For landbank-capital appreciation
Alabang-Zapote Road, Barangay Almanza, Las Piñas City	15,318	9 December 2010	Residential/ Commercial	
Barangay South Triangle, Quezon City	3,300	25 June 2001	Commercial	
Barangay Sta.Cruz, Gapan, Nueva Ecija	49,966	20 January 2004	Agricultural	

The above-described properties in Ayala Avenue, Quezon City and Las Piñas City are subject to a lien to secure certain loan facilities provided to the Company.

The total fair value of the investment properties owned by the Company as of 30 June 2017 determined by reference to current and most recent prices for similar property in the same location amounts to ₱2.9 billion from an investment carrying amount of ₱632.0 million.

To continue with such investment strategy in 2016, the Company has acquired a minority ownership stake in affiliate property holding companies set up to serve as vehicles for real estate investments. These investments of the Company involve a 37% shareholding interests in

Lakerfield Philippine Holdings Corp., 25% shareholding interests in Ayschester Holdings Corp., 37.25% shareholding interests in Cleon Phils. Holdings Corp., and 17% shareholding interests in I Bonding Holdings Corporation, for a total investment of ₱152.0 million. These investments were approved by the Board on May 20, 2016 and ratified by the Company's shareholders on June 9, 2017.

LakerfieldPhils. Holdings Corp. was incorporated on 5 February 2016 as a holding company. It is owned 57.5% by the Sytengco Family and 5.25% by Anesy Holdings Corporation. It is the registered owner of a 13,867.5 sq. m. residential lot in Mandaluyong City.

Ayschester Holdings Corporation was incorporated on 22 February 2016 as a holding company. It is owned 37.5% by the Sytengco Family and 37.25% by Anesy Holdings Corporation. It is the registered owner of a 1,776 sqm. commercial lot located along EDSA in Mandaluyong City.

Cleon Phils. Holdings Corp was incorporated on 25 January 2016 as a holding company. It is owned 9.6%% by the Sytengco Family and 53.0% by Anesy Holdings Corporation. It is currently exploring property investment opportunities.

I Bonding Holdings Corporation was incorporated on 2 August 2016 as a holding company. It is owned 80.3% by the Sytengco Family and 2.5% by Anesy Holdings Corporation. It acquired certain commercial properties located in San Antonio Village in Makati City and is in discussions to acquire additional adjacent properties.

These share subscriptions were in line with the Company's investment strategy to have diversified interests in different property holdings at a lower capital requirement and risk exposure to the Company.

Diversification Program

In its meeting of 28 February 2017 and 21 April 2017, the Board of Directors approved the Amendment of the Second Article of the Articles of Incorporation of the Company relative to the secondary purposes to diversify the business of the Company to include the holding, acquiring or participating in investments in property related assets as well as shares or interests in entities involved in property related businesses (hereafter collectively referred to as "New Businesses"), as and when the appropriate opportunities arise.

On 9 June 2017, the Company's shareholders approved such amendments to the Company's secondary purposes (which is in the process of being filed with the SEC) and authorized the Company to pursue strategic investments opportunities and invest its funds in property related assets and businesses. The shareholders also approved to separate the operation of the New Business from the Company's core chemical business to be undertaken by the Company's wholly owned subsidiary, SBS Holdings and Enterprises Corporation ("SHEC"), to allow the property related business to benefit from the strategic focus of a dedicated board and management given the distinctive strategic directions, operating needs, capital requirements and selling programs of the two businesses,

Subsidiary and Associate Companies

SHEC was incorporated on 5 December 2016 as a wholly owned subsidiary of the Company with an initial capitalization of ₱1.25 million. Its principal business is to acquire and hold property

related assets, investments and shares or interests in any entity involved in property related investments and businesses as well as to undertake in property related businesses. SHEC intends also to engage in the business of providing property management services and the supply and distribution of building construction materials to be undertaken in 2018. It is currently in the organizational stage and will start commercial operations in the fourth quarter of 2017. To date, no revenues have been generated by SHEC.

On 2 June 2017, the authorized capital stock of SHEC was increased from ₱1.3 million to ₱5.5 billion with the Company initially infusing P800 million in cash to ensure that the subsidiary has the resources to immediately take advantage of acquisition targets that become available.

About ₱1.2 billion of the net proceeds to be raised from the Offer will be used primarily as an additional capital infusion in SHEC to build up its property related investments and businesses.

To date, SHEC has acquired a minority ownership stake in the following affiliate property holding companies with real estate investments: These investments are in furtherance of the diversification and investment strategy of the SBS Group to invest in small ownership stake in companies investing in real properties to have a more diversified interests in different property holdings at a lower capital requirement and risk exposure to the Company.

These investments involve a 17.65% shareholding interests in Goldchester Holdings Corporation, 25% shareholdings interests in ICare Holdings Corporation, 25.9 % shareholding interests in Milia Holdings Corporation, 17.5% shareholdings interests in Scott Holdings Corporation, 17% equity interests in Aresa Holdings Corporation, 17% equity interests in Morechester Phils. Inc, 22% equity interests in Apschester Holdings Corp., 17% equity interests in Asida Holding Corp., and 17% equity interests in Mansfield Holdings Corp.

- Goldchester Holdings Corporation was incorporated on 2 March 2015 as a holdings company and is the owner of a commercial-industrial complex comprising of buildings, other land improvements and land with a total area of 31,423.5 sqm. located along the north side of Epifanio De Los Santos Avenue (EDSA) in Quezon City and adjacent to the LRT Roosevelt Station and across the Cloverleaf Balintawak property. The company is 81.9% owned by the Sytengco Family.

- ICare Holdings Corporation was incorporated on 19 June 2017 as a holding company and is the owner of a 56,470 sqm. industrial property in Marilao, Bulacan. The company is 73.5% owned by the Sytengco Family

- Scott Holdings Corporation was incorporated on 17 October 2016 as a holding company and is the owner of an 18,697 sq. m. residential lot in Bacolod City, Negros Occidental. The company is 82.3% owned by the Sytengco Family.

- Milia Holdings Corporation was incorporated on 30 June 2017 as a holding company and is currently exploring property investment opportunities. The company is 58% owned by Swan Insurance Agency Corporation, a company owned and controlled by the Sytengco Family.

- Aresa Holdings Corporation was incorporated on 27 June 2017 as a holding company and is the owner of a 30,000 sqm. commercial lot in Malabon. The company is 83% owned by the Sytengco Family.

- Mansfield Holdings Corporation was incorporated on 2 December 2015 as a holding company _and is the owner of a 5,000 sqm. commercial-residential lot located along North EDSA in Quezon City. The company is 82.25% owned by the Sytengco Family.

- Apschester Holdings Corporation was incorporated on 5 March 2015 as a holding company and is the owner of a 1,765.5 sqm. commercial lot along Ortigas Avenue in Greenhills, Mandaluyong City. The company is 68.01% owned by the Sytengco Family.

- Morechester Phils. Inc. was incorporated on 27 February 2015 as a holding Company and is the owner of a 63,562.5 sqm. lot along Emilio Aguinaldo Hiway in Dasmarinas, Cavite City. The company is 79.06% owned by the Sytengco Family.

  Asida Holdings Corporation was incorporated on 2 December 2014 as a holding company and is the owner of a 1,647 sqm. commercial property along EDSA in Mandaluyong City. The company is 80.0% owned by the Sytengco Family.

The Group envisions SHEC to serve as holding company for investments in interests involving primarily property related assets and companies with property related holdings for capital gain. SHEC will lead the identification, qualification and assessment, and implementation of the property-related investment activities of the SBS Group.

Currently, the investment strategy of SHEC is to have a diversified interest (whether directly or indirectly) in different property holdings at a lower capital requirement and risk exposure. This strategy is presently carried out through the acquisition of a minority shareholding stake in property holding companies whose property holdings present identifiable opportunities to deliver income and capital growth. However, it is not the intention to restrict SHEC investment options though shareholding participation in property holding companies. SHEC will continue to seek opportunities to enrich its property investment portfolio. If circumstances would present more beneficial advantages for the direct acquisition and holding of certain property assets, SHEC may opt do so.

To have some recurring income base, SHEC also intends to carry out and develop, as separate business division of the company, a property management business and the supply and distribution of imported building construction materials such as glass and frames, boards and panels, and bulk furniture and accessories. These new business activities are still in the organizational stage and are expected to commence in the first (1st) quarter of 2018. SHEC started commercial operations in the third quarter of 2017.

In summary, SHEC will generate its income through its investments in property related assets and holdings, property management and trading of imported building construction materials.

The management team of SHEC will be composed of officers from the parent company, SBS Philippines Corporation, and new experts on real estate.

SHEC Business Strategies

(1) Expansion of property investments portfolio

The property market growth in the Philippines has led to a sustainable and long-term value proposition due to the optimism of the prospects of Philippine economy, availability of credit and lower financing terms and the growing requirements of the property development industry. The possible amendment to the Philippine Constitution that will allow for foreign ownership of land may also be viewed as a demand catalyst that may further make land a hot commodity. Similarly, the government's push for major infrastructure projects is generally seen as leading to appreciating land values.

Given the growth prospects of the property related investments and businesses, SHEC intends to expand the Group's strategic investments in property related assets and businesses as and when appropriate opportunities arise.

The property related investments will predominantly be for land banking purposes and would generally involve interests in sizeable urban landholdings and properties with above-average prospects for value appreciation within a period of five (5) years and with little or no emphasis on potential recurring income. In the current market environment, the focus will predominantly be on properties with size and dimension suitable for development or re-development, in the development path of sprawling cities, commercial development and government infrastructure projects.

For its investments, SHEC has for its policy to acquire diversified interests in different classes of property holdings, which shall predominantly be in prime landholdings for development and properties for re-development, that offer strong value and has the potential to deliver an attractive total return. The investment strategy carried out is to invest in small ownership stake in companies investing in real properties to have a more diversified interests in different property holdings at a lower capital requirement and risk exposure to the Company.

To date, SHEC has acquired a minority ownership stake in the following affiliate property holding companies with the following real estate investments:

(a) 17.65% shareholding interests in Goldchester Holdings Corporation which is the owner of a commercial-industrial complex comprising of buildings, other land improvements and land with a total area of 31,423.5 square meters located along the north side of Epifanio De Los Santos Avenue (EDSA) in Quezon City and adjacent to the LRT Roosevelt Station and across the Cloverleaf Balintawak property;

(b) 25% shareholdings interests in ICare Holdings Corporation which owns a 56,470 sqm. commercial property in Marilao, Bulacan;

(c) 29% shareholding interests in Milia Holdings Corporation which is in preliminary discussion for a target property investment;

(d) 17.5% shareholdings interests in Scott Holdings Corporation which owns an 18,697 sqm. residential lot in Bacolod City;

(e) 17% equity interests in Aresa Holdings Corporation which is in preliminary discussion for a target property investment;

(f) 17% equity interests in Morechester Phils. Inc., which owns a 63,562 sqm. property in Dasmarinas, Cavite;

(g) 22% equity interests in Apschester Holdings Corp. which owns a 1,765.5 sqm. commercial lot in Greenhills, Mandaluyong City;

(h) 17% equity interests in Asida Holding Corp. which owns a 1,647 sqm. commercial lot in EDSA, Mandaluyong City; and

(i) and 17% equity interests in Mansfield Holdings Corp. which owns a 5,000 sq. m. commercial-residential lot in EDSA , Quezon City.

Investment Approach

The investment strategy carried out is to invest in small ownership stake in companies investing in real properties to have a more diversified interests in different property holdings at a lower capital requirement and risk exposure to the Company.

In selecting its property related investments, SHEC adopts a bottom-up approach in the investment selection and considers each target property and its attributes one at a time to determine if it is a suitable investment.However, SHEC or the Company makes no warranties or representations as to the investment merit or profit potential on any land parcel or real properties it would acquire.

Target acquisitions are evaluated and processed as follows:

a. The proposed acquisition target is reviewed and evaluated internally by management, with the assistance of financial, tax and legal advisers as needed, as to its investment objectives and merits, financial effects, legal requirements and potential risks vis-à-vis other investment options or alternative measures.

b. The investment target is then examined and screened through a formal due diligence process.

c. An assessment of the risks and identification of risk mitigants or risk mitigation strategies are performed and evaluated.

d. The proposal is presented to the Executive Committee for their review and evaluation as to its investment merit.

e. Upon approval of the Executive Committee, the project proposal shall be endorsed to the Board of Directors for approval of the offer terms and authorization to negotiate the final terms and conditions for the transaction.

f. When a consensus has been reached on the final terms of definitive agreements the buyer, the sales transaction will be presented anew to the Board of Directors for approval and endorsement to the shareholders.

g. Upon approval of the Board and signing of the definitive agreements, the proposed deal will be disclosed to the public subject to such shareholder and regulatory approvals being obtained as applicable.

Divestments are evaluated and processed as follows:

a. The divestment proposal is reviewed and analyzed internally by Management in relation to the SHEC's business objectives and how the divestment would effectively support SHEC's growth.

b. If the divestment proposal is found to be meritorious, the proposal will be presented to the Executive Committee who will determine if the divestment would be carried out and the target selling price.

c. If the divestment option is considered, invitations for the sales bid will be disseminated and interested buyers will be required to sign non-disclosure and exclusivity agreements for the release of Company information in respect of the proposed asset for divestment and the conduct of a due diligence.

d. Purchase offers will be evaluated, screened and presented to the Executive Committee for selection and approval.

e. Upon approval by the Executive Committee, it will authorize the negotiation of the final terms under certain given parameters. Once a consensus on the final terms of the definitive agreement have been negotiated, the same will be presented to the Board for approval.

f. Upon approval of the Board and signing of the definitive agreements, the proposed deal will be disclosed to the public subject to such shareholder and regulatory approvals being obtained as applicable.

(2) Construction Materials Supply

To tap into the growth of the construction and housing market and provide for a diversified business mix of property related investments, SHEC shall be embarking also on the wholesale construction supply business with focus primarily in the supply of prefabricated building materials, glass building materials, frames and boards, bulk furniture and kitchen accessories for property development projects. The Group may also explore joint venture and/or strategic alliances to carry out this new business as and when the opportunity arises.

This business activity is seen as being complementary to the other businesses of the Group as it creates linkages with the customers and clients of the property investment business while sharing the warehousing and logistics infrastructure of the chemical distribution business. This synergy among the different businesses allows for greater flexibility and operational efficiency.

The Philippine construction industry is forecasted to rise from $30.20 billion in 2015 to $47.00 billion in 2020, at a compound annual growth rate (CAGR) of 9.22% as reported in Timetric's CIC report on the Construction in the Philippines- Key Trends and Opportunities to 2020 issued in March 2016.The report also provides that the residential market is expected to account for as much as 33.9% of the industry's total value in 2020 in view of an expanding middle-class population, urbanization trends and greater housing projects for low-and middle-income groups.

(3) Property Management Services

SHEC will be appointed as Administration Manager and Property Administrator of the real estate investment properties of the Company and its affiliates, as well as those owned by the Sytengco family. In consideration for such services, fees will be paid to SHEC.

As Administration Manager, SHEC will provide for the following services:

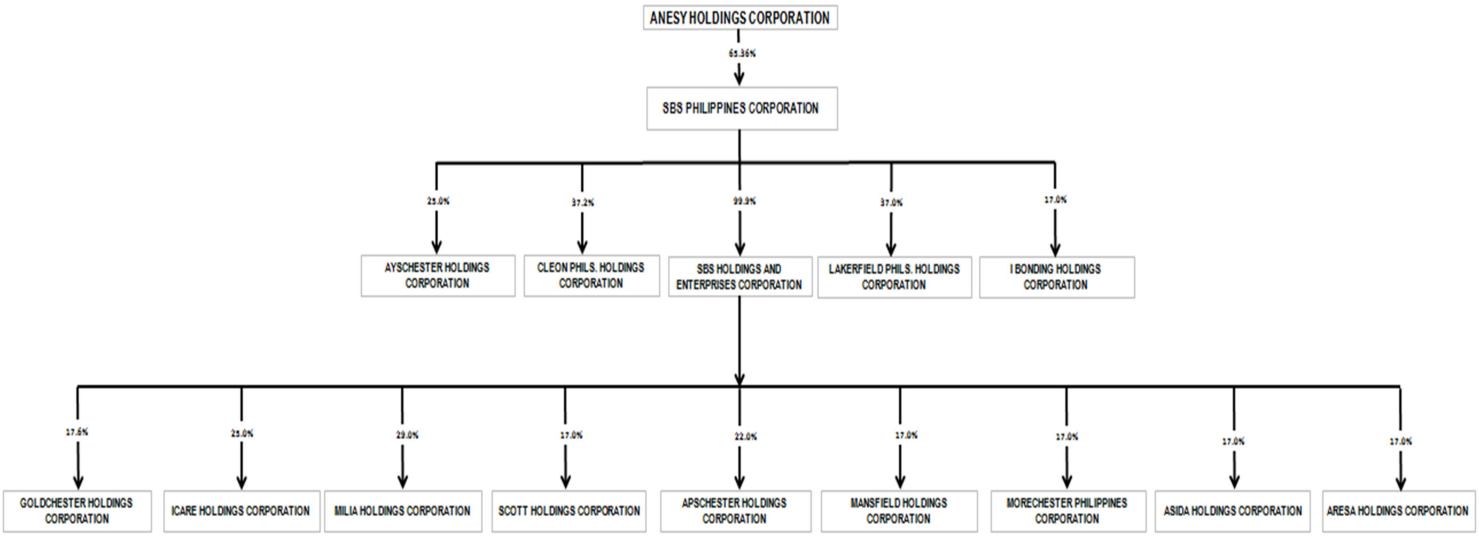
- Back office services and assistance pertaining to operations and financial matters – such accounting services for bookkeeping and financial reporting, treasury services relating to cash management and financing; and

- Corporate support services such as corporate secretarial services, legal assistance and documentation, regulatory and tax compliances.

As Property Administrator, SHEC will oversee and handle repair and maintenance, security, rights of access, ventilation, utility services, and privacy. Overall, it aims to maintain the desirable land use and marketability of the property, including compliance.

This arrangement not only provides additional income stream to SHEC but more importantly, it allows the Group to secure its property related investments by ensuring control and management of the property and entities holding the Group property investments.

As of the date of this Prospectus, the group structure of the SBS Group of Companies is shown below:



INDUSTRY OVERVIEW

Outlook on Chemical Distribution

The global economic and chemical output growth is expected to accelerate in 2017 due to improving economic prospects, with the strongest growth to be in the developing nations of Asia such as the Philippines.

The chemical industry produces essential raw materials and supplies for companies in the manufacturing and industrial sectors. The chemicals are supplied not only to all manufacturing sectors but also to companies within those sectors varying from large conglomerates to small manufacturers. All of these, however, create for a challenging environment for chemical producers as they are required to supply a wide range of products in differing quantities to a hugely diverse customer base. This is particularly true in the case of the Philippine market where it has a larger share of small to medium size customers which typically do not have the critical mass in sales and purchasing volumes to be serviced directly by chemical producer. Accordingly, global chemical producers rely on third party distributors like the Company to distribute their products in the Philippine market.

Based on research of the Boston Consulting Group for the period 2006-2008, about 9% of global chemical consumption is distributed by third party distributors and this third party distributor market have grown at an annual compounded growth rate of 10% for the period under review. Based on the survey conducted, this chemical distribution market is expected to grow at a much faster growth rate from 10% to 13% given the growth of industrial output and the increasing demand for chemicals.

Larger distributors like the Company are also expected to gain market share from relatively smaller competitors as customers and chemical producers rationalize their distribution relationships by decreasing the number of chemical distributors with whom they interact. Further, higher importation costs brought by additional charges imposed by shippers on account of the post congestion, result to more manufacturers preferring to obtain their chemical requirements from local distributors who are well equipped to handle regulatory compliances, importations and inventories, to reduce complexity and systems costs.

Outlook on Philippine Real Estate

Office vacancy rates are expected to jump which means an increase in office stock. Meanwhile, office demand is expected to be flat, which is broadly in line with the IT-BPO Association's new BPO employee targets. Thus, the Metro Manila capital is expected to have its office vacancy increase while rental rates are expected to stay flat in 2017.

The residential sector is expected to experience rising vacancy resulting in falling prices. Residential days receivable and past due ratios of some developers are rising. There is a forecast of annual declines in pre-sales for most developers in 2017, which is mostly due to the high base of pre-sales and the anticipated upcoming condominium supply.

Retail and malls remain a stable performer in Philippine property as proven historically. This segment is expected to be boosted by the salary increases of government workers. The Department of Finance's Tax Package One should lower personal income tax rates while conditional cash transfers to the poorest families will provide further support. Because of this, mall revenue growth for 2017 is anticipated.

REGULATORY AND ENVIRONMENTAL MATTERS

The operations of the Company are subject to a number of regulatory requirements which relate to product regulation, environmental protection, storage, handling, transportation and disposal of hazardous chemicals and controlled substances, and occupational health and safety matters. Provided below are the significant regulatory requirements applicable to the business of the Company:

Product Regulatory Approvals

As an importer, trader, marketer and distributor of diverse line of chemical products, the Company is subject to extensive product regulations by a number of government agencies including the Food and Drug Administration (FDA), Fertilizer and Pesticides Authority (FPA), Philippine National Police - Firearms and Explosives Office (PNP-FEO),Bureau of Animal Industry (BAI), Bureau of Plant Industry(BPI), Philippine Drug Enforcement Agency (PDEA),the Environmental Management Bureau (DENR-EMB), Bureau of Customs (BOC) and BIR-Excise Tax Division with respect to importation, registration, product attributes, storage and distribution. These agencies prescribe standards and requirements for product safety, purity, performance and labelling.

The FDA regulates the chemicals used in food, food processing and pharmaceutical applications while the FPA controls the chemicals used in the distribution and sale of pesticides and biocides. Similarly, the BAI regulates the importation of products intended for animal use, and the BPI regulates the importation of plant-derived chemicals. Relatedly, the PNP-FEO polices the importation, storage and distribution of chemicals for use in explosives while the PDEA oversees the use of essential chemicals in regulated drugs. Furthermore, the DENR-EMB regulates the handling, storage and transportation of hazardous chemicals, the BOC regulates importations through the collection of customs duties and the issuance of clearances, and the BIR-Excise Tax Division manages the importation and distribution of mineral chemical products through the collection of excise tax All the foregoing required permits and licenses have been duly obtained by the Company and are currently valid and existing, and/or currently being processed for renewal with the pertinent government agency.

Environmental, Health and Safety

The operations of the Company are subject to various laws related to the protection of the environment, human health, and safety of employees. These safety regulations govern the treatment, handling, and storage of food chemicals and ingredients, pharmaceuticals, veterinary and feed chemicals as well as certain hazardous chemicals. Compliance with these regulations requires some testing, special policies and procedures and segregation of products. In addition, the warehousing facilities of the Company are subject to periodic inspections by national and local authorities to ensure compliance with such business permits, operating licenses and health and safety regulations.

Further, the Company is required to obtain an Environmental Clearance Certificate (“ECC”) for its warehouses that store flammable and hazardous chemicals. In this regard, the Company holds an ECC registered under its amended name, SBS Philippines Corporation, with registration number ECC-NCR-0303-0172, issued on 19 December 2014. The ECC was issued

for Warehousing and Trading of Industrial Chemicals located on a 3,000 sqm. parcel of land at Lot 3, Gozon Compound, Letre Road, Tonsuya, Malabon City.

The Company is committed to comply with all current regulatory requirements and the Company believes that its facilities and practices are sufficient to materially comply with all applicable laws and regulations. The Company similarly requires its third party service providers to comply with the health, safety and environmental legal requirements. As a trading company, costs related to environmental compliance have been minimal and not material.

All the foregoing required permits and licenses have been duly obtained by the Company and are currently valid and existing, and/or currently being processed for renewal with the pertinent government agency.

Effect of Existing or Probable Government Regulations on the Company's Business

The Company is required to comply with the laws discussed above, and to follow strictly the terms of the permits and licenses from the various government authorities. Violation of the government permits and licenses can result to forfeiture thereof while failure to renew said permits and licenses will bar the Company from distributing the products covered by said permits and licenses.

There can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

BOARD, SENIOR MANAGEMENT AND CERTAIN SHAREHOLDERS

The Board of Directors is responsible for the overall direction of the Company and management of the Company. The Company's By-Laws provide that board meetings be held monthly to review and monitor the Company's financial position and operations.

To assist the Board on its responsibilities, the Board established an Executive Committee who may act on corporate matters which are within the competence of the Board except the following authorities that are specially reserved for the Board: (a) approval of any action of which shareholder approval is also required; (b) amendment or repeal of By-Laws or adoption of new By-Laws; (c) approval of the annual report and accounts;(d) exercise of powers delegated by the Board to other committees;(e) board appointments and removals;(f) selection of the Chairman and President & Chief Executive Officer; nominations for Board membership following recommendations from the Nomination Committee; (g) appointment or removal of the Corporate Secretary and Treasurer; (h) appointment, reappointment or removal of the external auditor; and (i) distribution of cash dividends to shareholders.

The Board of Directors is composed of nine (9) directors, three (3) of whom are independent directors. The directors hold office for a term of one year until their successors are elected and qualified in accordance with the Company's By-Laws.

As of the date of this Prospectus, the Board of Directors of the Company is composed of the following individuals:

Name	Age	Nationality	Position	Year Elected/Appointed	Date of Last Election
Necisto U.Sytengco	63	Filipino	Chairman of the Board	2001	9 June 2017
Gerry D. Tan	51	Filipino	Executive Director	2016	9 June 2017
Esmeraldo A. Tepace	64	Filipino	Executive Director	2013	9 June 2017
Aylene Y.Sytengco	34	Filipino	Executive Director	2008	9 June 2017
Necisto Y. Sytengco II	33	Filipino	Executive Director	2010	9 June 2017
Ricardo Nicanor N. Jacinto	56	Filipino	Non-Executive Director	2015	9 June 2017
Yvonne C. Lih	66	Filipino	Independent Director	2017	9 Oct 2017
Lilian S. Linsangan	67	Filipino	Independent Director	2015	9 June 2017
Roberto F. Anonas, Jr.	62	Filipino	Independent Director	2017	9 Oct 2017

The day to day operations of the Company are entrusted to the Officers and Senior Executives responsible for the different functions of the Company. As of the date of this Prospectus, the following are the Officers and Senior Executives of the Company:

Name	Age	Nationality	Position	Date Appointed
Necisto U. Sytengco	63	Filipino	Chairman of the Board	5 March 2015
Gerry D. Tan	51	Filipino	President & Chief Executive Officer	29 January 2016
Esmeraldo A. Tepace	64	Filipino	Executive Vice President, Chief Operating Officer& Chief Risk Officer	5 March 2015
Aylene Y.Sytengco	34	Filipino	Chief Financial Officer & Treasurer	5 March 2015
Necisto Y. Sytengco II	33	Filipino	Senior Vice President for Marketing Operations& Assistant Treasurer	9 July 2015
Lali Y.Sytengco	67	Filipino	Vice President for Purchasing	5 March 2015
Ned Bryan Y. Sytengco	34	Filipino	Vice President for Investments	5 March 2015
Christine P. Base	47	Filipino	Corporate Secretary	1 January 2017
Regina Simona B. De Guzman	54	Filipino	General Counsel & Compliance Officer	6 February 2015/ 9 June 2017
Jennifer B Balao	47	Filipino	AVP & Accounting Head	1 December 2014
Sabrina Adamelle Poon-Sytengco	33	Filipino	Corporate Information Officer & Investor Relations Officer	1 January 2017
Emerson P. Paulino	36	Filipino	Internal Auditor	21 March 2016

Below is the list of the members of the Board, and the corporate officers and their business experience during the past five (5) years:

Necisto U. Sytengco is the Founder of the business of the Company and has been its Chairman of the Board since the organization of the Company in 2001. He has over 40 years of experience in the chemical trading business and has been responsible for shaping the Company strategy and leading the growth of the Company. He also currently serves as Board Chairman of the corporations owned by the Sytengco Family which includes Aneco Industries Corporation, Anesy Holdings Corporation, Sytengco Foundation, Baler Industrial Corporation, Sytengco Enterprises Corporation, and Swan Insurance Agency Corporation.

Gerry D. Tan joined the Company in January 2016 as President & Chief Executive Officer. Mr. Tan has over 30 years of experience in the chemical distribution industry in the Philippines and the Asia-Pacific region. Prior his appointment in the Company, he was Senior Adviser and General Manager of Bluestar Silicones Asia-Pacific and a board director of Bluestar Silicones Shanghai of the China National Bluestar Corporation Group, a global frontrunner in new chemical materials. He led a successful career spanning key senior positions at Bluestar Silicones Asia-Pacific (2007 – 2015), Rhodia Silicones Asia-Pacific(1998-2007) and Rhone-Poulenc Philippines (1986-1998).Mr. Tan earned his BS Chemistry degree magna cum laude from Siliman University and holds a Master's Degree in Business Administration from the Ateneo de Manila University.

Esmeraldo A. Tepace joined the Company in 2004 and has served as its Chief Operating Officer/General Manager since 2004.Prior to joining the Company, he was the Sales & Marketing executive of Baler Industrial Corporation, JY International Marketing Corporation, CAWC, Inc. and Chemphil Manufacturing Corporation. Mr. Tepace has over 35 years of experience in the chemical distribution business in the Philippines. He also currently serves as President of the following corporations owned by the Sytengco Family: Aneco Industries Corporation, Baler Industrial Corporation, Johny Realty & Enterprises Corporation, Sytengco Enterprises Corporation, Seren Philippines Corporation and ULife Corporation. Mr. Tepace graduated from Manuel L Quezon University with a degree on BS Chemical Engineering.

Aylene Y. Sytengco joined the Company as Treasurer in 2008 and has served as its Chief Financial Officer since 2013. She is responsible for the day to day management of the financial affairs of the Corporation which covers accounting, financing & treasury, budget & financial planning and investment management. She also currently serves as an executive director (Director & Treasurer)of the corporations owned by the Sytengco Family which includes Anesy Holdings Corporation, ADZ On Wheels Corporation, Bewin Philippine Corporation, Anase Realty & Enterprises Corporation, Baler Industrial Corporation, Canon Realty & Development Corporation, Sytengco Enterprises Corporation, Seren Philippines Corporation and ULife Corporation. She holds a degree in BS Management of Applied Chemistry from the Ateneo De Manila University.

Necisto Y. Sytengco II joined the Company as Purchasing Officer in 2008 and was appointed as VP Sales in 2010 and SVP – Marketing Operations in 2015 and Assistant Treasurer on 9 July 2015.He is responsible for planning and implementing sales and marketing programs of the Company. He also currently serves as an executive director (Director & Vice President) of the corporations owned by the Sytengco Family which includes Aneco Realty & Development Corporation, Benly Realty & Development Corporation, Bernly Realty & Development Corporation, Besty Realty & Development Corporation, Nessi Realty & Development Corporation, Nesso Realty & Development Corporation, Selec Realty & Development Corporation, Anesy Holdings Corporation and Tamni Realty & Development Corporation. He earned his BS Entrepreneurial Management Degree cum laude from the University of Asia and the Pacific.

Ricardo Nicanor N. Jacinto was elected as non-executive director of the Company on 9 July 2015.He is currently the Chief Executive Officer of the Institute of Corporate Directors, a non-stock, not-for-profit organization dedicated to the professionalization of Philippine corporate directorship. He also serves a as an Independent Director of Metro Retail Stores Group, Inc. He was formerly a Managing Director of Ayala Corporation and President & CEO of Habitat for

Humanity Philippines. He also served as a director of Manila Water Corporation from 2011-2014. Mr. Jacinto earned his BS Business Economics magna cum laude from the University of the Philippines and holds a Master's in Business Administration from the Harvard Business School.

Lilian S. Linsangan was elected as an independent director of the Company on March 2015. She is currently the Chairperson of the Company's Audit, Risk Management and Related Party Transaction Committee. She is previously served as a director of the Women's Business Council of the Philippines. Prior to her retirement in 2011, she was Head of the Advisory Services Division (formerly also head of the Audit Division) of Punongbayan & Araullo. She also served as Chairman and President of the Association of Certified Fraud Examiners Philippines in 2013-2014 and 2009-2012, respectively. She has been a speaker and lecturer in various local and international conferences and seminars on risk management, corporate governance, best practices of Audit Committees, and fraud detection and prevention.

Yvonne C. Lih was elected as independent director on October 9, 2017 and is also the Lead Independent Director. She is a CPA and licensed real estate broker and holds a Masters in Business Administration from the Ateneo Graduate School of Business and is a graduate of the University of Negros Occidental –Recoletos, *magna cum laude*. Prior to her appointment in the Company, she was previously Chief Marketing Officer for Habitat for Humanity International, Senior Vice President, Property Sales and Leases Division of the Bank of the Philippines Islands and BPI Family Savings Bank, and Vice President, Centralized Operations Group of Citytrust Banking Corporation. She has over 40 years of experience in real estate management, audit and business control, strategic and project management and corporate governance.

Roberto F Anonas, Jr. was elected as independent director on October 9, 2017 and is also the Chairman of the Corporate Governance, Nomination and Remuneration Committee. He holds a Masters in Business Administration from IMEDE, a Management Development Institute under the University of Lausanne, Switzerland and is currently a member of the faculty of the University of Asia and the Pacific, School of Management as lecturer in Finance and management mentor/coach in the Enterpreneurial Management Program. He has attended training programs in financial management, investment and universal banking with Dillon Read & Co, NYC and Dresdner Bank AG, Frankfurt and has previously held senior management and executive positions in PLDT, PCI Capital Corporation and Philippine Commercial Capital, Inc. He is also a director of Pentarch Stalwark Builders, Inc. and an independent director of Macay Holdings, Inc.

Lali Y. Sytengco joined the Company in 2001 and has since served as the VP for Purchasing. She is responsible for product sourcing and supplier relationship management. She has over 20 years' experience in chemical procurement business. She is a graduate of University of Sto. Tomas, with a degree in BS Medical Technology.

Ned Bryan Y. Sytengco served as director of the Company from 2008 to 2015 and was appointed VP for Investments in 2015. He assists the Chief Investment Officer in overseeing the investments portfolio of the Company and sourcing for financing of investments acquisitions. He also serves as director of the corporations owned by the Sytengco Family which includes Swan Insurance Agency Corporation, Seren Philippines Corporation, Berny Realty & Development Corporation, Enaja Realty & Development Corporation, Lancer Realty & Development Corporation, and Altec Realty & Development Corporation.

Christine P. Base was appointed as Corporate Secretary of the Company in January 2017.Atty C. P. Base is a senior partner of Pacis & Reyes Law offices and is both a lawyer and CPA by profession. She obtained her J.D. degree from the Ateneo De Manila University. She also serves as corporate secretary of the following companies: Italpinas Development Corporation, SL Agritech Corporation, Ever Gotesco Resources and Holdings, Inc., Asiasec Equities, Inc., Araneta Properties, Inc., and Anchor Land Holdings, Inc.

Regina Simona B. De Guzman is the General Counsel and Compliance Officer of the Company. Prior to this, she served as the Compliance Officer and General Counsel of the D & L Industries group of companies and the General Counsel of Del Monte Philippines Inc. of the multinational food and beverage group Del Monte Pacific Limited. She earned her LLB degree from the Ateneo De Manila University and her BS Business Economics Degree from the University of the Philippines.

Jennifer B. Balao joined the Company in 2014 as Assistant Vice President and Accounting Head. She was previously the HR and Finance Director of Pinnacle Real Estate Consulting Services Inc. and the Accounting Manager of Expressions Stationary Shop, Inc. She is a Certified Public Accountant and earned her Accounting degree from the Polytechnic University of the Philippines. She also holds MBA units from De La Salle University.

Sabrina Adamelle Poon-Sytengco is the Investor Relations Officer and Corporate Information Officer of the Company. Prior to her joining the Company, Ms. Poon previously worked as Program Officer in the Office of the Presidential Adviser on the Peace Process. She holds a Bachelors of Arts degree in International Studies, Major in International Relations from Miriam College and continuing education units in Women and Gender Studies from University of Delaware.

Emerson P. Paulino joined the Company in 2015 as Internal Auditor. Mr. Paulino is a certified public accountant (CPA) and a certified internal auditor (CIA).He has over 10 years' experience in Internal Audit in areas of manufacturing, IT, project management, finance (SOX), sales and administration. His professional work experience also extends to SAP security and IT audit involving multinational firms and conglomerate businesses.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

There has been no occurrence of any of following events during the past five (5) years up to the date of this Prospectus which are material to an evaluation of the ability or integrity of any director, any person nominated to become a director, executive officer or control person of the Company:

1. Any insolvency or bankruptcy petition filed by or against any business of which such persons were a general partner or executive officer either at the time of insolvency or bankruptcy or within two years prior to that time;

2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking activities; and

4. Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

There are no material legal proceedings to which the Company or its Associates and Affiliates or any of their properties is involved in or subject to any legal proceedings which would have a material adverse effect on the business or financial position of the Company or its Associates and Affiliates.

Corporate Governance

On 11 May 2017, the Company adopted its Revised Manual of Corporate GovernanceIn compliance with SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 8, Series of 2017. The Revised Manual of Corporate Governance ("Manual") supplements the Articles and By-Laws of the Company in setting the standards for the corporate governance process and the corporate governance structures, principles, policies and practices to govern the performance of the duties and responsibilities of the Board of Directors, Management and employees for the effective and prudent management of Company in line with the long-term best interests of the shareholders and other stakeholders.

The Company's corporate governance framework is anchored on the core values of honesty and integrity, hard work and perseverance, and productivity and excellence. the Board of Directors, Officers, Management and Employees of the Company is committed to responsible corporate governance and is guided by the principles and best practices in corporate governance contained in the Manual.

Evaluation System and Compliance

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board of Directors, the provisions of Section 28 of the Philippine Corporation Code shall be observed.

Investor Relations

The Company's investor relations officer is Sabrina Adamelle Poon-Sytengco who can be reached at +63 2 371 1111. The investor relations officer is primarily responsible for communicating to the investment community regarding the Company's performance and investment merits, handling inquiries from shareholders and stock analysts, undertaking preparation of annual reports, SEC-PSE filings, other company reports and disclosures.

Executive Compensation Summary

Director and Executive Compensation

From May 1,2017, each independent and non-executive Director receives a per diem allowance of ₱25,000 for each Board meeting attended. In addition, the independent and non-executive Directors receive a fixed per diem of ₱10,000 for each Board Committee meeting attended. Executive directors receive a per diem allowance of ₱2,500 for each Board meeting attended.

Other than the payment of reasonable per diem allowances as discussed above, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

The officers of the Company are covered by appointment letters which describe their responsibilities, compensation package and other conditions of work. Except for the legally mandated benefits for termination of employment or retirement from office, there are no special arrangements for compensation to be paid to executive officers in the event of termination of employment or resignation or change in control of the Company. No options or stock warrants are payable to director and executives.

The total remuneration paid to the President & CEO and the top four senior officers as well as to the other directors and officers is disclosed in the table herein below provided. The total annual compensation reported includes the basic salary and 13th month bonus pays.

Summary of Annual Compensation

Name and Principal Position	Year	Salary	Bonuses	Other Annual Compensation
1. Gerry D. Tan, President& Chief Executive Officer 2. Esmeraldo A. Tepace, EVP &Chief Operating Officer 3. Victorina B. Ladringan, EVP & Chief Investments Officer 4. Aylene Y. Sytengco, Chief Financial Officer & Treasurer 5. Necisto Y. Sytengco II, SVP – Marketing Operations & Assistant Treasurer	2017 (estimate)	₱3,419,000.00	₱273,520.00	₱1,806,006.39
	2016	₱2,355,047.78	-	₱1,567,334.63
	2015	₱699,712.20	₱58,982.40	₱4,508,983.29
All other officers and directors as a group unnamed	2017 (estimate)	₱4,236,000.00	₱338,880.00	₱82,044.73
	2016	₱4,119,128.65	-	₱71,405.76

	2015	₱1,342,295.59	₱111,893.13	₱332,710.11

Standard Arrangements

Other than payment of reasonable per diem allowance of ₱25,000 for every attendance of a director in Board Meetings and a per diem allowance of ₱10,000 for every attendance of Board Committee members in Board Committee meetings for independent and non-executive directors; and a per diem allowance of ₱2,500 for each Board meeting attended for executive directors, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, for any services provided as a director.

Employment Contracts with Executive Officers

There are no special employment contracts between the Company and its named executive officers.

Warrants and Options Held by the Executive Officers and Directors

As of the date of this Prospectus, there are no outstanding warrants or options for the Common Shares held by the executive officers and directors of the Company. Except as described above, there are no other arrangements pursuant to which any of the Company's directors and executive officers was compensated, or is to be compensated, directly or indirectly.

Certain Relationships and Related Transactions

Except as described elsewhere in this Prospectus, there are other no significant related party transactions involving the Company.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

As of the date of this Prospectus, the Company has 7 stockholders. The table below sets out the security ownership of record and beneficial owners of the Company's voting securities as of the date of this Prospectus:

Class of Shares	Name& Address of Record Owner & Relationship with Company	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares held As of 30 September 2017	Ownership Percentage
Common	PCD Nominee Corporation (Filipino) 37 F Tower I The Enterprise Center, Ayala Avenue, Makati City Stockholder	Multiple Owners PCD participants (acting for themselves or their clients) the beneficial owners of the shares indicated	Filipino	1,233,484,540	98.84%
Common	PCD Nominee Corporation (Non-Filipino) 37 F Tower I The Enterprise Center, Ayala Avenue, Makati City Stockholder		Non-Filipino	14,510,555.00	1.162%
Common	Haidee A. Generoso &/OR Sandy Edward A. Generoso #26 St. Mary Avenue, Provident Village, Marikina City		Filipino	4,240	0.00%
Common	Jesus San Luis Valencia		Filipino	300	0.00%
Common	Alexander S. Timbol 729 San Rafael St., Brgy. Plainview, Mandaluyong City		Filipino	208	0.00%

Common	Joselito C. Herrera Lot 10 Block 3 La Brea Dona Carmen Heights Commonwealth, Quezon City	Filipino	104	0.00%
Common	Owen Nathaniel S AU ITF: LI Marcus AU L5 B9 Mt. Tabor St., Mt View Subd., Mandalagan, Bacolod City	Filipino	52	0.00%
		Grand Total	1,247,999,999	100.0%

Beneficial owners owning more than 5% : For themselves or their clients (a) BDO Securities Corporation - 821,450,008 common shares representing 65.82% shareholdings interests; this includes the 815,700,808 common shares owned by the Company's parent company, Anesy Holdings Corporation, representing 65.36% shareholding interests in the Company; (b) Abacus Securities Corporation - 314,307,615 common shares, representing 25.18% shareholding interest in the Company.

Security Ownership of Directors and Management

The table set forth below describes the security ownership of the Company's directors and officers as of the date of this Prospectus. Except as shown above, no director or key officer of the Company directly owns at least ten percent (10%) of the Company's issued and outstanding shares of common stock.

Class of Shares	Name of Beneficial Owner	Citizenship	Number of Shares Held as of September 30, 2017	Ownership Percentage
Common	Necisto U. Sytengco	Filipino	44,650,784	3.58%
Common	Gerry D. Tan	Filipino	26,000	0.0%
Common	Esmeraldo A. Tepace	Filipino	187,616	0.02%
Common	Aylene Y. Sytengco	Filipino	8,410,768	0.67%
Common	Necisto Y. Sytengco II	Filipino	4,238,000	0.34%
Common	Ned Bryan Y. Sytengco	Filipino	3,343,392	0.27%
Common	Lali Y. Sytengco	Filipino	2,256,092	0.18%
Common	Ricardo Nicanor N. Jacinto	Filipino	52,000	0.0%
Common	Lilian S. Linsangan	Filipino	52,001	0.0%
Common	Roberto F. Anonas, Jr.	Filipino	1,000	0
Common	Yvonne C. Lih	Filipino	1,000	0
Common	Christine P. Base	Filipino	0	0
Common	Regina Simona B. De Guzman	Filipino	52,000	0.0%
Common	Jennifer B. Balao	Filipino	0	0.0%
Common	Emerson P. Paulino	Filipino	0	0
Common	Sabrina Adamelle Poon-Sytengco	Filipino	0	0

Voting Trust Holders of 5% or More

The Company knows of no person holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

Change in Control

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

RELATED PARTY TRANSACTIONS

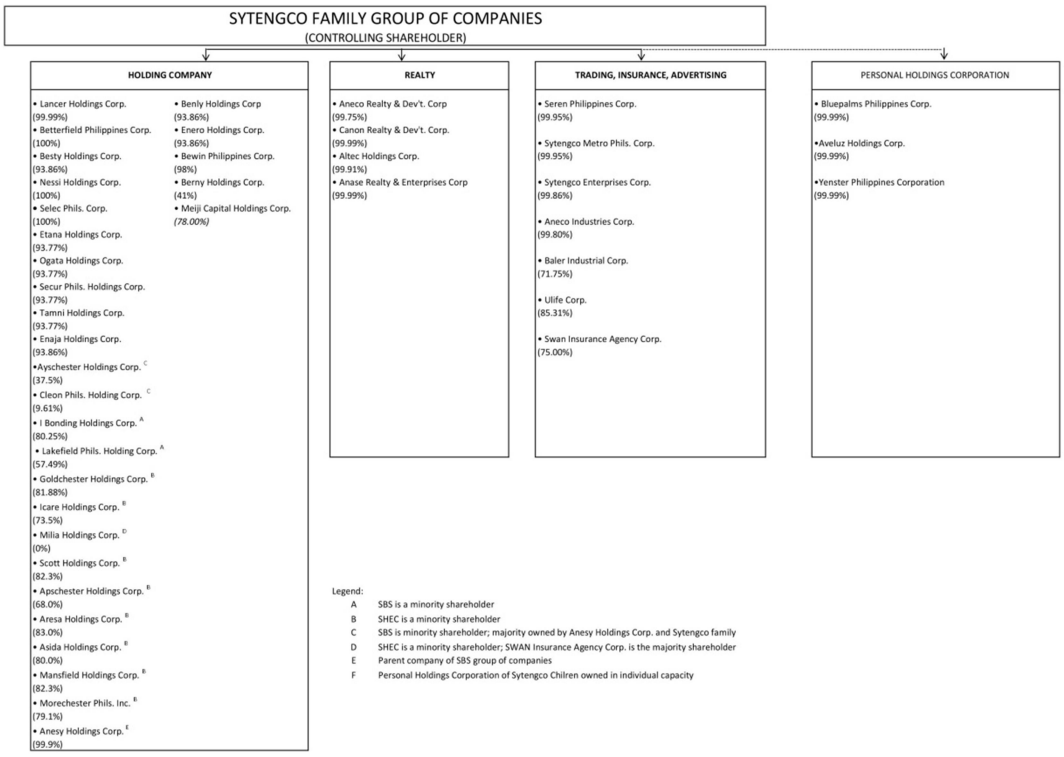
Certain Relationships and Related Party Transactions

The Company, in the regular course of business, engages in transactions with its affiliates and other related parties, principally in the form of advances and reimbursement of expenses, leasing and management, and administrative service agreements.

An individual or entity is related to the Company if they are subject to common control or the party exercises control or significant influence over the Company. For transactions with related parties, the Company considers all relevant factors that are in the best interest of the Company and its shareholders.

Related Entities

The following table sets forth the conglomerate map of the Sytengco Family group of companies:



Related Party Transactions

The Company's related parties include its parent company, companies under common ownership and its key management personnel. The transactions with these related parties are discussed below.

	Amount of Transactions		Outstanding Balances	
	30 June 2017	**30 June 2016**	**30 June 2017**	**31 December 2016**
Related Parties Under Common Ownership				
Sale of goods	**P 4,962,017**	P 4,681,036	**P -**	P 5,242,760
Lease agreements	**16,608,885**	6,754,556	**-**	-
Shared business & management services	**893,368**	889,536	**-**	-
Equity investment in investee companies	**510,884,550**	38,750,000	**654,919,766**	147,964,483
Key Management Personnel and Others				
Fees paid	**1,730,267**	8,038,912	**-**	-

(a) Sale of Goods - The Company in the normal course of business provides or obtains goods from its affiliates. Sales and purchases of goods to and from its related parties are made at arms-length and at terms no less favourable than those entered between unrelated parties. For the periods ended June 30, 2017 and 2016, the Company sold goods to Baler Industrial Corporation, a related party under common ownership, and to an entity owned by the Company's shareholder and BOD Chairman. There is no outstanding receivable from this transaction as of June 30, 2017.

(b) Leases - The Company is leasing its corporate offices and warehouse facilities from its affiliates. The lease arrangement allows the Company to continue with its asset-light approach to its chemical business operations. The lease rates charged by affiliate-lessors of the Company's leased offices and warehouses are at terms comparable to prevailing market rates offered by unrelated parties within the localities. The terms of its operating lease agreement with Canon Realty and Development Corp., Aneco Realty and Development Corp, Anase Realty and Enterprises Corporation, are disclosed on page ___ under section on Leases. The leases are with an average term of one to three years. There were no outstanding rentals as of June 30, 2017 and December 31, 2016.

(c) Business and Management Services Agreement - The Company and its affiliates have entered into a resource sharing arrangement to benefit from the operating efficiencies created from the pooling of certain manpower resources and the sharing of services. Under these shared services agreements, the Company extends back office services. These include provision for corporate services to attend to the statutory and regulatory reportorial obligations of the affiliate as well as the provision of general company secretarial, management information systems, and administrative services. It also covers treasury services accounting and tax services such as records keeping, billing and collection, order processing, preparation of financial reports and tax return preparation. The shared services operations provide for a centralized delivery of back-office services and are intended to manage costs through the sharing of facilities and equipment and the standardization of business processes for greater efficiency especially on compliance matters. Under this arrangement, the Company is paid a monthly service fee which take into consideration the fully allocated or distributed costs of the services

provided depending whether the serviced company is an inactive company or an operating company.

(d) Equity investments in affiliate companies - Investments in associates accounted for under the equity method. These investments are discussed on pages _____ on Associate companies.

(e) Payments to Key Management Personnel – These payments pertain to service fees paid to certain directors and officers. There were no outstanding service fees as of June 30, 2017 and December 31, 2016.

Leases

Lease of the Principal Office

The Company is leasing its principal place of business, including certain warehouses, at No 10 Resthaven St., San Francisco Del Monte, Quezon City from Aneco Realty & Development Corporation, an Affiliate. The combined monthly rental for 6,230 sqm. floor area is ₱1.05 million, inclusive of VAT. The lease is valid until 31 December 2017 and is extendible by mutual agreement of the parties.

The Company leases its warehouse facilities from related and non-related parties as follows:

Location	Lessor	Area (in sqm.)	Monthly Rental (Inclusive of VAT)	Expiration
Resthaven,San Francisco Del Monte, Quezon City	Aneco Realty & Development Corporation*	1,505	₱252,890	31 December 2017
Resthaven,San Francisco Del Monte, Quezon City	Aneco Realty & Development Corporation*	4,725	₱793,733	31 December 2017
Barangay Namayan, Mandaluyong City	Canon Realty & Development Corporation*	13,727	₱440,900	31 December 2017
Marilao, Bulacan	Anase Realty and Enterprises Corporation*	21,342	₱1,195,152	31 December 2017
Malabon	Everfield Holdings Corporation	1,800	₱180,000	31 December 2017
Judge Luna, San Francisco Del Monte, Quezon City	Necisto U. Sytengco*	1,890	₱236,250	31 December 2017

*Related Party

Lease contracts for the warehouses are extendible for one (1) year by mutual agreement of the parties.

Business and Management Services Agreement

The Company and its Affiliates have entered into a resource sharing arrangement to benefit from the operating efficiencies created from the pooling of certain manpower resources and the sharing of services. These Affiliates are Anase Realty & Enterprises Corporation, Aneco Realty & Development Corporation, Anesy Holdings Corporation, Asida Holdings Corporation, Baler Industrial Corporation, Canon Realty & Development Corporation,Sytengco Enterprises Corporation, Ulife Corporation, Lancer Holdings Corporation and Aneco Industries Corporation. All these Affiliates are directly owned by the Sytengco Family who indirectly owns the Company.

The Agreements have been effective beginning 1 January 2015 and will expire on 31 December 2020 or after five (5) years. The shared services provided by the Company to its Affiliates will continue even after the Company becomes a publicly listed company.

Under these shared services agreements, the Company extends back office services. These include provision for corporate services to attend to the statutory and regulatory reportorial obligations of the affiliate as well as the provision of general company secretarial, management information systems, and administrative services. It also covers treasury services accounting and tax services such as records keeping, billing and collection, order processing, preparation of financial reports and tax return preparation. The shared services operations provide for a centralized delivery of back-office services and are intended to manage costs through the sharing of facilities and equipment and the standardization of business processes for greater efficiency especially on compliance matters.

Under this arrangement, the Company is paid a service fee ranging from ₱2,000 to ₱20,000 per month which take into consideration the fully allocated or distributed costs of the services provided depending whether the serviced company is an inactive company or an operating company.

PHILIPPINE STOCK MARKET

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government and undertaken over the last few years have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system which integrates all bids and ask quotations from the bourses.

In June 1998, the SEC granted the PSE a Self-Regulatory Organization ("SRO") status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On 8 August 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Securities Regulation Code. The PSE has an authorized capital stock of ₱36.8 million, of which ₱15.3 million is subscribed and fully paid-up. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On 15 December 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, mining and oil sectors, companies are listed either on the PSE's Main Board, or the Small and Medium Enterprises Board. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PSEi, which as at the date hereof reflects the price movements of 30 selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective 3 April 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On 26 July 2010, the PSE launched its current trading system, PSE Trade.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

Selected Stock Exchange Data
in ₱ billions

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
1999	2,142.9	226	1,937.7	713.9
2000	1,494.5	230	2,577.6	357.6
2001	1,168.1	232	2,142.6	159.5
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	236	4,766.2	206.6
2005	2,096.0	237	5,984.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,621.6	244	7,978.5	1,338.2
2008	1,872.8	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,717.7
2013	5,898.8	257	11,931.3	2,564.3
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	216	13,465.1	2,172.5
2016	7,796.2	264	15,253.5	931.7

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. The trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading date). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Trading on the PSE pre-opens at 9:00 am and opens from 9: 30 am to 12:00 p.m., then recesses until 1:29 pm. The market re-opens at 1:30 pm. At 3:15 pm the market pre-closes then enter a run-off period at 3:20 pm, finally closing at 3:30 pm. Trading days are Monday to Friday, except legal and special holidays.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.0% or down by 50.0% in one day (based on the last traded price), the price of that security is automatically frozen by the PSE, unless there is an official statement from the relevant company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading will be allowed only when the disclosure of the issuer is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result ina breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.

In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities; 15.0% for security cluster B; and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of the Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three (3) Business Days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines (SCCP) is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. It is responsible for (a) synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment (DVP) clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the Exchange; (b) guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund (CTGF); and (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under PDTC's book entry system. Each Trading Participant maintains a Cash Settlement Account with one of the existing Settlement Banks of SCCP which are BDO Unibank, Inc., Metropolitan Bank and Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hong Kong Shanghai Banking Corporation Limited, Maybank Philippines Inc., and Rizal Commercial Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its new clearing and settlement system called Central Clearing and Central Settlement (CCCS) last 29 May 2006. CCCS employs multilateral netting whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, Inc., Metropolitan Bank and Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hong Kong Shanghai Banking Corporation Limited, Maybank Philippines Inc., and Rizal Commercial Banking Corporation.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation (‘‘PCD Nominee’’), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. ‘‘Immobilization’’ is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of PCD Nominee through the PDTC participant will be recorded in the Issuer’s registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant’s aggregate holdings, in the PDTC system, and with respect to each beneficial owner’s holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities. If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current ''de facto'' custodianship role.

Amended Rule on Lodgement of Securities

One 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the PSE's Revised Listing Rules.

Further, the PSE apprised all listed companies and market participants on 21 May 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

a. The offer shares/securities of the applicant company in the case of an initial public offering;

b. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
c. New securities to be offered and applied for listing by an existing listed company; and
d. Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:
"For new companies to be listed at the PSE as of 1 July2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee Corp. but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.

On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as a confirmation date."

PHILIPPINE FOREIGN INVESTMENT AND FOREIGN EXCHANGE CONTROLS

Foreign Ownership

Foreign investors are permitted to invest in the securities of a Philippine corporation unless otherwise limited by restrictions on foreign ownership imposed under the Constitution and Philippine statutes, as provided in the Foreign Investment Negative List. Among the principal restricted business activities is the ownership of private land where the Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.00% of whose capital is owned by such citizens.

The SEC and the Department of Justice have consistently applied the so-called "Control Test" in determining the required Filipino equity in restricted business activities. The Control Test states that shares belonging to corporations or partnerships at least 60.00% of the capital of which is owned by Filipino citizens shall be considered as of Philippine nationality. Thus, although such corporation has foreign shareholdings, it shall be considered as 100.00% Filipino-owned.

However, in December 2010, the SEC issued an opinion concerning Medusa Mining Ltd., where it indicated that the "Grandfather Rule" should be utilized in determining compliance with the allowable limits of foreign equity in an entity which seeks to comply with nationality requirements provided by the 1987 Philippine Constitution. The Grandfather Rule states that, in determining whether an entity is compliant with the limit provided for in the Constitution, the SEC is mandated to look into the citizenship of the individual stockholders (i.e. natural persons) of an investor corporation of an entity engaged in a nationalized or partly-nationalized activity. If shares in said investor corporation are in turn held by another investor corporation, the SEC must also inquire into the citizenship of the individual stockholders of said second tier investor corporation and so on and so forth. Thus, under the Grandfather Rule, only the number of shares actually held by the ultimate individual stockholders who are Filipino citizens shall be counted as of Philippine nationality.

Moreover, the Court of Appeals recently promulgated a decision in the case of Redmont Consolidated Mines Corporation v. Narra Nickel Mining and Development Corporation, et al., wherein it pronounced that the Grandfather Rule applies when there is doubt in the 60-40 Filipino-equity ownership in a corporation. When there is none, the control test is applied.

However, on 9 October 2012, the Supreme Court, in the case of Wilson P. Gamboa v. Finance Secretary Margarito Teves, et.al., ruled that if a corporation, engaged in a partially nationalized industry, issues a mixture of common and preferred non-voting shares, at least 60 percent of the common shares and at least 60 percent of the preferred non-voting shares must be owned by Filipinos. Hence, the 60-40 ownership requirement in favor of Filipino citizens must apply separately to each class of shares, whether common, preferred non-voting, preferred voting or any other class of shares. The Supreme Court went on to declare that this uniform application of the 60-40 ownership requirement in favor of Filipino citizens clearly breathes life to the constitutional command that the ownership and operation of public utilities shall be reserved exclusively to corporations at least 60 percent of whose capital is Filipino-owned. Applying uniformly the 60-40ownership requirement in favor of Filipino citizens to each class of shares, regardless of differences in voting rights, privileges and restrictions, guarantees effective Filipino control of public utilities, as mandated by the Constitution.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon will be sourced from the banking system. If the foreign exchange required for servicing such capital repatriation or dividends, profits, and earnings remittance will be sourced outside the banking system, registration with the BSP is not required. The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) a purchase invoice, or subscription agreement and/or proof of listing in the PSE; and (ii) a credit advice or bank certification showing the amount of foreign currency inwardly remitted and converted to Pesos through a commercial bank; and (iii) in certain instances, transfer instructions from the stockholder and/or dealer, as the case may be. Upon submission of the required documents, a Bangko Sentral Registration Document ("BSRD") will be issued by the BSP or the investor's custodian bank.

Proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the BSRD, at the exchange rate applicable on the date of actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, is also remittable in full. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based on laws, regulations, rulings, income tax conventions (tax treaties), administrative practices and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investments in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the shares under applicable tax laws of other applicable jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the shares in such other jurisdictions. This summary does not purport to address all tax aspects that may be important to a holder of the Common Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL AND NATIONAL TAX LAWS.

Corporate Income Tax

A domestic corporation is generally subject to a tax of 30% of its taxable income[1] from all sources within and outside the Philippines except, among others, (i) gross interest income from currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (ii) interest income

[1]Taxable income refers to the pertinent items of gross income specified in the National Internal Revenue Code of 1997, as amended (the "Tax Code") less the deductions and/or personal and additional exemptions, if any, authorized for such types of income by the Tax Code or other special laws.

from a depository bank under the expanded foreign currency deposit system which is subject to a final tax rate of 7.5% of such income.

Further, in computing the corporate income tax, companies are given a choice to claim itemized deductions or the optional standard deduction ("OSD"), with the former being presumed unless specific election of OSD is signified in the tax return. The OSD election is irrevocable for the taxable year for which the tax return is made. The OSD is equivalent to an amount not exceeding 40.0% of the company's gross income. For this purpose, "Gross Income" means all income derived from whatever source, including, but not limited to, compensation for service, gross income derived from the conduct of trade or business or exercise of profession, gains derived from dealings in property, interests, rent, royalties, dividends, annuities, prizes and winnings.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three (3) immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure or legitimate business reasons.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term "non-resident holder" means a holder of the Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Cash and property dividends received by domestic corporations or resident foreign corporations are not subject to tax.

Cash and property dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to a final withholding tax at the rate of 30%, which may be reduced to 15%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15% rate if the country in which the non-resident foreign corporation is domiciled (i) imposes no taxes on foreign-sourced dividends or (ii) allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	**Dividend (in %)**	**Capital gains tax due on disposition of Shares outside of the PSE (in %)**
Canada	25[1]	Exempt [8]
France	15[2]	Exempt[8]
Germany	15[3]	5/10[9]
Japan	15[4]	Exempt
Singapore	25[5]	Exempt
United Kingdom	25[6]	Exempt[10]
United States	25[7]	Exempt [8]

Notes:

(1) 15.0% if recipient company controls at least 10.0% of the voting power of the company paying the dividends.

(2) 10.0% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends.

(3) 10.0% if the recipient company (excluding a partnership) owns directly at least 25.0% of the capital of the company paying the dividends.

(4) 10.0% if the recipient company holds directly at least 10.0% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the six-month period immediately before the date of payment of the dividends.

(5) 15.0% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15.0% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.

(6) 15.0% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(7) 20.0% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 10.0% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation. The withholding tax on dividends paid to corporations domiciled in the United States may be further reduced to 15.0% under the tax-sparing clause of the Tax Code provided certain conditions are met.

(8) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, In which case the sale is subject to Philippine taxes. Under Philippine tax regulations, the term "principally" means more than 50% of the entire assets of the Philippine corporation in terms of value.

(9) Under the RP-Germany Tax Treaty, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5.0% on the net capital gains realized during the taxable year not in excess of ₱100,000.00 and 10.0% on the net capital gains realized during the taxable year in excess of₱100,000.00.

(10) Under the RP-UK Tax Treaty, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident.

The Bureau of Internal Revenue ("BIR") has prescribed, through administrative issuances, certain procedures for the availment of preferential tax rates or tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident shareholder (or its duly authorized representative) prior to the first taxable event, or prior to the first and only time the

income tax payer is required to withhold the tax thereon, or should have withheld taxes thereon had the transaction been subject to tax. The “first taxable event” has been construed by the BIR as “payment of the dividend”. Subject to the approval by the BIR of a non-resident shareholder’s application for tax treaty relief, the company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder. Failure to file with the BIR an application for tax treaty relief before the first table event may disqualify the said application. However, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest the taxpayer the entitlement to the tax relief as it would constitute a violation of the duty required by good faith to comply with the treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and in BIR Form No. 1901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of tax residence consists of a consularized certification from the tax authority of the country of residence of the non-resident shareholder which states that the non-resident stockholder is a tax resident of such country under the applicable tax treaty. If the non-resident shareholder is a juridical entity, an authenticated certificated true copy of its articles of incorporation or articles of association issued by the proper government authority should also be submitted to the BIR in addition to the foregoing.

If the regular tax rate is withheld by the company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of common shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro-rata to any holder of shares of stock are not generally subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to capital gains or stock transaction tax, and documentary stamp tax. Moreover, a stock dividend constitutes income if it gives the shareholder an interest different from that which his former stockholdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old.

Sale, Exchange or Disposition of Shares

Capital Gains Tax, if sale was made outside the PSE

The net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock (i.e. secondary sale of common shares by the holder to another party) outside the facilities of the PSE are subject to tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on the gains over ₱100,000.00. If an applicable tax treaty exempts the gains from tax, an application for tax treaty relief must be properly filed with the Philippine tax authorities and should precede any availment of an exemption under a tax treaty.

The transfer of shares shall not be recorded in the Company's books unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Stock Transaction Tax

A sale or other disposition of shares of stock through the facilities of the PSE by a resident or a nonresident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Philippine Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax and although it is paid in lieu of a capital gains tax, it is not a tax on income, hence, cannot be subject of the tax exemption or preferential rates provided under tax treaties as discussed herein.

On 7 November 2012, the BIR issued Revenue Regulations No. 16-2012 which provided that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership ("MPO") requirement after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also required publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

The PSE shall impose a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on MPO which requires listed companies to maintain its MPO at 10% of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code.

Value Added Tax

Value Added Tax (VAT) of 12% may generally be imposed on the gross income earned by dealers in securities and on the commission earned by the PSE-registered broker from services provided in connection with the sale of shares. VAT is generally passed on to the client.

Documentary Stamp Tax

The original issue of shares of stock is subject to documentary stamp tax (DST) of ₱1.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares of stock issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200, or fractional part thereof, of the par value of the shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and

is thus payable either by the vendor or the purchaser of the shares. However, the sale, barter or exchange of the Company's common shares listed and traded through the PSE are exempt from documentary stamp tax.

Estate and Donor's Tax

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine situs, and any transfer thereof by way succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax, respectively.

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine estate taxes at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.00.

On the other hand, individual stockholders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donor's tax on such transfer of shares ranging from 2% to 15% of the net gifts during the calendar year exceeding ₱100,000.00. The rate of tax with respect to net gifts made to a stranger (i.e., one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%. Donations between business organizations, and between individuals and business organizations are considered donations made to a stranger.

The sale, exchange or transfer of shares outside the facilities of the PSE may also be subject to donor's tax when the fair market value of the shares of stock sold is greater than the amount of money received by the seller. In this case, the excess of the fair market value of the shares of stock sold over the amount of money received as consideration shall be deemed a gift subject to donor's tax.

Estate and donor's tax, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation Outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax. For the same reason, the transfer of such shares by way of donation (gift) or succession is subject to Philippine donor's or estate taxes, respectively as stated above.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations on non-resident holders of shares of stock under laws other than those of the Philippines.

FINANCIAL STATEMENTS

1. Reviewed Unaudited Consolidated Financial Statements of SBS Philippines Corporation and Subsidiaries for the 2nd quarter ended June 30, 2017 and 2016

2. Audited Consolidated Financial Statements of SBS Philippines Corporation and Subsidiary for the period ended December 31, 2016 and 2015

3. Audited Consolidated Financial Statements of SBS Philippines Corporation and Subsidiary for the period ended December 31, 2015 and 2014

ANNEX ___: LIST OF PERMITS AND LICENSES

SBS PHILIPPINES CORPORATION

LIST OF PERMITS AND LICENSES

1. **Securities and Exchange Commission (SEC)**

   SEC Registration No. A200110402

2. **Bureau of Internal Revenue (BIR)**

   BIR Tax Identification Number 213-054-000.

   Under its Certificate of Registration, SBS is registered with BIR for the following tax types: (a) income tax, (b) value-added tax, (c) expanded withholding tax, (d) withholding tax on compensation, and (e) final withholding tax.

3. **Quezon City Local Government**

   SBS was issued a business permit by the Office of the Mayor of Quezon City for 2017 on May 08, 2017.

4. **Social Security System (SSS)**

   SBS is registered with the SSS with Employer ID No. 03-9052279-3 as indicated in the Certificate of Membership issued on August 12, 2016.

5. **Home Development Mutual Fund (HDMF)**

   SBS is registered with the HDMF with Employer No. 201806690009 as indicated in the Certificate of Registration dated June 22, 2016.

6. **Philippine Health Insurance Corporation (PhilHealth)**

   SBS is registered with the PhilHealth as Employer No. 002000000490 as indicated in its Certificate of Registration dated November 14, 2016.

7. **Department of Environment and Natural Resources-Environmental Management Bureau**

   Environmental Clearance Certificate registered under SBS Philippines Corporation as amended dated March 14, 2016, with registration number ECC-NCR-0303-0172, issued on December 19, 2014. The ECC was issued for Warehousing and Trading of Industrial

Chemicals located on a 3,000 square meter parcel of land at Lot 3, Gozon Compound, Letre Road, Tonsuya, Malabon City.

8. Philippine Drug Enforcement Agency (PDEA)

SBS holds the License to Handle Controlled Precursors and Essential Chemicals (CPECS) with PDEA Control No. P51-017810001-R082. The P-License was issued on August 1, 2017 and valid until July 30, 2018.

9. Food and Drug Administration

SBS hold the License to Operate No. CFRR-NCR-DI-4138 issued by the FDA to operate as drug distributor/importer issued on April 01, 2016 and valid until April 19, 2018.

SBS hold the License to Operate No. CFRR-NCR-FI-6271 issued by the FDA to operate as food distributor/importer issued on April 01, 2016 and valid until April 01, 2018.

Examples of Certificates of Product Registrations issued by the FDA are as follows:

FDA PRODUCT REGISTRATION NO.		VALIDITY
1.	FR-4000000782647	October 12, 2021
2.	FR-4000000613073	June 16, 2018
3.	FR-4000000613305	June 10, 2018
4.	FR- 4000000726294	August 3, 2021
5.	FR-4000000705260	January 3, 2019
6.	FR-4000000728519	August 18, 2021
7.	FR-4000000828743	November 9, 2021
8.	FR-4000000613347	June 13, 2018
9.	FR-4000000687854	June 21, 2018
10.	FR-4000000619185	June 10, 2018
11.	FR-4000000619215	June 2, 2018
12.	FR-4000000619273	June 13, 2021
13.	FR-4000000619329	June 10, 2018
14.	FR-4000000705316	December 7, 2018

15.	FR-4000000619592	June 10, 2021
16.	FR-4000000705361	August 5, 2018
17.	FR-4000000619361	June 13, 2018
18.	FR-4000000619547	June 10, 2018
19.	FR-4000000684507	January 9, 2019
20.	FR-4000000683012	July 13, 2018

10. Bureau of Animal Industry (BAI)

SBS is registered with the BAI with license number VDAPDI-0029 valid until March 25, 2018. Also, Feed Establishment (RA) Importer with License No. IM-201 valid until December 31, 2017 was issued to SBS.

Examples of the product registrations issued by the BAI are as follows:

BAI PRODUCT REGISTRATION NO.		VALIDITY
1.	VRI-11-4442	September 22, 2020
2.	VRI-11-4261	May 24, 2018
3.	VRI-13-5371	December 03, 2020
4.	VRI-11-4262	May 24, 2018
5.	VRI-11-4260	May 24, 2018
6.	VRI-11-4312	July 19, 2018
7.	VRI-11-4441	September 09, 2018
8.	VRI-12-4716	July 04, 2019
9.	VRI-11-4259	May 24, 2018
10.	VRI-14-5458	February 17, 2021
11.	VRI-14-5385	December 19, 2020
12.	VRI-12-4916	September 14, 2019
13.	VRI-11-4314	July 19, 2018

14.	VRI-14-5830	October 21, 2021
15.	VRI-14-5459	February 17, 2021
16.	VRI-14-5771	September 30, 2021
17.	VRI-12-4891	November 13, 2019
18.	VRI-13-4967	January 20, 2020
19.	VRI-11-4317	July 19, 2018
20.	VRI-11-4356	August 01, 2020

11. Bureau of Plant Industry (BPI)

SBS is registered with BPI with the Certificate of Registration as Importer with Certificate No. PQS-15-508 for authority to import potato starch, rice flour, wheat starch, glutinous rice flour, garlic powder, chili powder, onion powder, cassava starch, corn starch, cocoa powder and soya bean meal valid until November 25, 2017.

12. Office of the President- Fertilizer and Pesticide Authority (FPA)

SBS holds a license with FPA with License No. 235 with Control No. 01-12L-2016 to operate as Importer of fertilizers and Distributor and is valid until December 21, 2017.

13. Philippine National Police- Firearms and Explosives Office (PNP-PEO)

SBS was issued a license to Import Explosive Ingredients/Controlled Chemical with PI No. 0630-083-2017 issued on August 14, 2017. Also, SBS holds a license to Possess Explosives by the PNP-PEO with License No. DMA05-070414-03658 and is valid until April 13, 2020.

14. Bureau of Customs (BOC)

SBS is registered with the BOC with registration number IM0003433935 and is valid until October 28, 2017.

SBS HOLDINGS AND ENTERPRISES CORPORATION

LIST OF PERMITS AND LICENSES

1. **Securities and Exchange Commission (SEC)**

   SEC Registration No. CS201628039

2. **Bureau of Internal Revenue (BIR)**

   BIR Tax Identification Number 009-475-492

   Under its Certificate of Registration, SBS is registered with BIR for the following tax types: (a) income tax, (b) value-added tax, and (c) expanded withholding tax.

3. **Quezon City Local Government**

   SBS was issued a business permit by the Office of the Mayor of Quezon City for 2017 on May 23, 2017.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 JUNE 2017**

2. Commission identification number **A200110402**

3. BIR Tax Identification No **213-054-503-000**

4. Exact name of issuer as specified in its charter **SBS PHILIPPINES CORPORATION**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. **No. 10 Resthaven Street,**
   San Francisco Del Monte, Quezon City **1105**
   Address of issuer's principal office Postal Code

8. **(632) 371-1111**
   Issuer's telephone number, including area code

9. **N/A**
   Former Name/Address/Fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of stock as of June 30, 2017
Common Shares	**1,200,000,000**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    PHILIPPINE STOCK EXCHANGE **COMMON SHARES**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the 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 ninety (90) days.

Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited financial statements of SBS Philippines Corporation ("SBS") as of and for the period ended June 30, 2017 (with comparative figures as of December 31, 2016 and for the period ended June 30, 2016) and Selected Notes to the Financial Statements is hereto attached as **Annex "A".**

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

The information required by Part III, Paragraph (A)(2)(b) of 'Annex C, as amended' is attached hereto as **Annex "B".**

PART II--OTHER INFORMATION

Outlook On Economic Position

For the core chemical business, the Company expects the sluggish demand in industrial markets particularly the mining market to continue in the second half of 2017. Also, increased pricing pressures on commodity chemicals are anticipated as a number of chemical raw material manufacturers in Asia experienced production outages due to pollution and/or environmental control issues in China and India that caused some disruptions in supply availability. The Company has taken pricing action to account for these supplier adjustments and expects such adjustments to have some dampening effect on the price competitiveness of its basic industrial products.

Meanwhile, the business development initiatives for water treatment chemicals, additives for construction and infrastructure, and other new product segments are starting to take hold and the Company expects to capture more new business gains from these products moving forward.

For the property related business, the Company is pursuing a diversification and investment strategy that will allow the Company to grow and capture opportunities presented in the robust real property sector. It is currently building its real estate portfolio and expects this action plan to help balance and counteract some of the fluctuations in the chemical trading business and at the same time grow and diversify the Company's revenue and earnings streams in the succeeding years.

Recent Events

Previously on 9 June 2017, the Company's stockholders approved the first tranche of the increase in authorized capital stock to 3,985,000,000 Common Shares and the conduct of a stock rights offering to its registered stockholders that is a combination of shares to be issued partially from the Company's unissued capital stock and partially from the increase in the Company's authorized capital stock (Offer Structure), with the Board of Directors further fixing the size of rights offer to cover up to a total of 845,487,000 common shares.

In its meeting of July 14, 2017, the Board of Directors deemed it to the best interest of the Corporation to change the Offer Structure earlier approved by the Board to provide for the separate conduct of the stock rights offering to be issued solely from the Corporation's existing unissued capital stock and those subsequently to be issued from the new shares to be created from the increase in authorized capital stock to be undertaken by the Company to provide for a more expedient solution to help accelerate the regulatory process so the Company may pursue the intended projects it is eyeing within its timetable. In this connection, the Board approved an initial Stock Rights Offering ("Offer") comprising of up to 302,000,000 common shares with a par value of P1.00 per share from the existing unissued shares of the Corporation for subscription of existing holders of Common Shares of the Company. The Offer is intended raise to up to One Billion Five Hundred Million Pesos (Php1,500,000,000.00) in gross proceeds.

On July 18, 2017, the Company filed its application for the Offer with the Securities and Exchange Commission and Philippine Stock Exchange.

On July 17, 2017, stock dividends comprising of 47,999,999 common shares were distributed and paid by the Company. This brings the Company's total shares issued and outstanding to-date to 1,247,999,999 common shares.

On July 10, 2017, the Company's subsidiary subscribed to a 17.5% equity interest in Scott Holdings Corporation ("SHC") for P46,375,000.00. SHC is owner of a 1.8-hectare prime commercial land in Bacolod City.

On August 10, 2017, the Company's subsidiary subscribed to the following shareholdings interests in affiliate property holdings companies: The share subscriptions were based on their par value.

(i) 17% equity interests in Aresa Holdings Corporation for P48,875,000.00;
(ii) 17% equity interests in Morechester Phils. Inc. for P6,459,800.00;
(iii) 22% equity interests in Apschester Holdings Corp. for P12,100,000.00;
(iv) 17% equity interests in Asida Holding Corp. for P3,750,000.00; and
(v) 17% equity interests in Mansfield Holdings Corp. for P119,000,000.00.

On August 14, 2017, the Board of Directors approved to reallocate a total of P 450 million of the unutilized IPO Proceeds for the acquisition either of a warehouse facility complex or separately for the purchase of real estate property or a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building which were previously intended for the strategic acquisition of businesses (P350 million) and facility improvements (P 100 million) from the remaining unutilized balance of the IPO proceeds.

NONE

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 in Quezon City on August 14, 2017.

GERRY D. TAN
President & Chief Executive Officer

AYLENE Y. SYTENGCO
Chief Finance Officer & Treasurer

SBS PHILIPPINES CORPORATION AND SUBSIDIARY

(A Subsidiary of Anesy Holdings Corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND DECEMBER 31, 2016

(Amounts in Philippine Pesos)

	Notes	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	1	P 2,726,987,404	P 1,383,113,717
Trade and other receivables	3	390,911,131	98,982,001
Inventories – net	1	1,179,394,928	1,313,141,596
Prepayments and other current assets	6	385,065,090	145,744,754
Total Current Assets		4,682,358,553	2,940,982,068
NON-CURRENT ASSETS			
Property and equipment – net	7	23,103,643	20,417,671
Investment properties	8	632,066,450	632,019,207
Deferred tax assets – net	1	8,025,115	4,521,287
Investments in associates	5	654,919,766	147,964,483
Held-to-maturity investments	4	244,740,000	244,740,000
Total Non-current Assets		1,562,854,974	1,049,662,648
TOTAL ASSETS		P 6,245,213,527	P 3,990,644,716
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans payable	10	P 717,500,000	P 467,500,000
Trade and other payables	9	225,442,575	307,100,775
Income tax payable		10,014,053	-
Total Current Liabilities		952,956,628	774,600,775
NON-CURRENT LIABILITIES			
Loans payable	10	1,990,446,264	-
Post-employment defined benefit obligation	1	8,160,055	8,160,055
Total Non-current Liabilities		1,998,606,319	8,160,055
Total Liabilities		2,951,562,947	782,760,830
EQUITY			
Capital stock	13	1,200,000,000	1,200,000,000
Additional paid-in capital	1	900,714,680	898,425,433
Revaluation reserves		(4,068,878)	(4,068,878)
Retained earnings	13	908,524,784	1,143,501,171
Stock dividends distributable		288,479,994	-
Treasury shares	13	-	(29,973,840)
Total Equity		3,293,650,580	3,207,883,886
TOTAL LIABILITIES AND EQUITY		P 6,245,213,527	P 3,990,644,716

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(Amounts in Philippine Pesos)
(UNAUDITED)

		April to June		January to June	
		Group	Parent Company	Group	Parent Company
		2017	2016	2017	2016
	Notes	(see Note 1)	(see Note 1)	(see Note 1)	(see Note 1)
SALE OF GOODS	11	P 250,777,703	P 266,326,335	P 512,701,509	P 517,102,486
COST OF GOODS SOLD	1	188,926,327	217,859,366	383,725,434	400,859,493
GROSS PROFIT		61,851,376	48,466,969	128,976,075	116,242,993
OTHER OPERATING INCOME (EXPENSES)					
Other operating expenses	7, 8, 11	(44,274,637)	(27,756,050)	(75,900,846)	(53,413,990)
Other operating income	8	16,085,847	27,250,337	16,085,847	54,248,731
		(28,188,790)	(505,713)	(59,814,999)	834,741
OPERATING PROFIT		33,662,586	47,961,256	69,161,076	117,077,734
FINANCE INCOME (COSTS) – NET	4, 9, 10, 11	3,284,619	991,410	4,863,274	(4,071,850)
GAIN ON SALE OF INVESTMENT PROPERTIES	8	-	826,273,802	-	826,273,802
EQUITY IN NET LOSSES OF ASSOCIATES	5	3,063,226	73,450	3,929,267	120,409
PROFIT BEFORE TAX		33,883,979	875,153,018	70,095,083	939,159,277
TAX EXPENSE	1	7,552,617	11,349,823	16,591,476	28,495,832
NET PROFIT		26,331,362	863,803,195	53,503,607	910,663,445
OTHER COMPREHENSIVE INCOME (LOSS)		-	-	-	-
TOTAL COMPREHENSIVE INCOME		P 26,331,362	P 863,803,195	P 53,503,607	P 910,663,445
EARNINGS PER SHARE	13				
Basic		P 0.02	P 0.72	P 0.04	P 0.76
Diluted		P 0.02	P 0.72	P 0.04	P 0.76

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Ancsy Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(Amounts in Philippine Pesos)
(UNAUDITED)

	Capital Stock (see Note 13)	Additional Paid-in Capital	Treasury Shares (see Note 13)	Retained Earnings (see Note 13)	Stock Dividends (see Note 13)	Revaluation Reserves	Total Equity
Group (see Note 1)							
Balance at January 1, 2017	P 1,200,000,000	P 898,425,433	(P 29,973,840)	P 1,143,501,171	P -	(P 4,068,878)	P 3,207,883,886
Acquisition of treasury shares	-	-	(168,974,313)	-	-	-	(168,974,313)
Reissuance of treasury shares	-	2,289,247	198,948,153	-	-	-	201,237,400
Stock dividends for the period	-	-	-	(288,479,994)	288,479,994	-	-
Total comprehensive income for the period	-	-	-	53,503,607	-	-	53,503,607
Balance at June 30, 2017	P 1,200,000,000	P 900,714,680	P -	P 908,524,784	P 288,479,994	(P 4,068,878)	P 3,293,650,580
Parent Company (see Note 1)							
Balance at January 1, 2016	P 1,200,000,000	P 898,425,433	P -	P 176,381,186	P -	(P 3,720,185)	P 2,271,086,434
Cash dividends	-	-	-	(44,400,000)	-	-	(44,400,000)
Total comprehensive income for the period	-	-	-	910,663,445	-	-	910,663,445
Balance at June 30, 2016	P 1,200,000,000	P 898,425,433	P -	P 1,042,644,631	P -	(P 3,720,185)	P 3,137,349,879

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	Group 2017 (see Note 1)	Parent Company 2016 (see Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 70,095,083	P 939,159,277
Adjustments for:			
Interest expense		10,439,535	13,319,094
Dividend income	4	(6,822,128)	(3,411,064)
Unrealized forex losses (gains)		(4,328,905)	86,675
Depreciation and amortization	7	2,924,421	3,070,954
Share in net loss of associates	5	3,929,267	120,409
Interest income		(1,731,890)	(4,732,113)
Gain on sale of Investment properties	8	-	(826,273,802)
Operating profit before working capital changes		74,505,383	121,339,430
Increase in trade and other receivables		(291,929,130)	(6,897,260)
Decrease in inventories		133,746,667	148,076,223
Increase in prepayments and other currents assets		(240,733,381)	(3,726,873)
Increase (decrease) in trade and other payables		(81,658,200)	5,855,878
Cash generated from (used in) operations		(406,068,661)	264,647,398
Cash paid for income taxes		(8,668,205)	(27,384,570)
Net Cash From (Used in) Operating Activities		(414,736,866)	237,262,828
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment in associates	5	(510,884,550)	(38,750,000)
Cash dividends received	4	6,822,128	3,411,064
Acquisition of property and equipment	7	(5,610,393)	(3,622,431)
Interest received		1,731,890	4,732,113
Acquisition of investment properties	8	(47,243)	(65,848)
Proceeds from sale of investment properties	8	-	1,149,607,986
Net Cash From (Used In) Investing Activities		(507,988,168)	1,115,312,884
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans	10	2,350,000,000	100,000,000
Disposal of treasury shares	13	201,237,400	-
Acquisition of treasury shares	13	(168,974,313)	-
Settlement of loans	10	(100,000,000)	(1,330,000,000)
Interest paid		(10,439,535)	(13,319,094)
Payment of dividends	13	-	(44,400,000)
Net Cash From (Used in) Financing Activities		2,271,823,552	(1,287,719,094)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		4,328,905	(86,675)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,353,427,423	64,769,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,383,113,717	837,551,006
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 2,736,541,140	P 902,320,949

Supplemental Information on Non-cash Financing Activity -

On June 9, 2017, the shareholders representing at least 2/3 of the outstanding capital stock of the Parent Company approved the declaration of stock dividends equivalent to 48.0 million common shares (see Note 12.2). The stock dividends were subsequently distributed to the shareholders on July 17, 2017 (see Note 18).

See Notes to Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all periods presented, unless otherwise stated.

1.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of SBS Philippines Corporation (the Parent Company) and subsidiary (together with the Parent Company, collectively referred to herein as the Group) have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

SBS Holdings Enterprises Corporation (SBS Holdings) became a subsidiary of the Parent Company in 2016. Accordingly, starting 2016, the Group now prepares consolidated financial statements. The financial statements as of and for the year ended December 31, 2016 is the first consolidated financial statements of the Group. Because the Parent Company has no subsidiary as of June 30, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended June 30, 2016 is that of the Parent Company only.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

1.2 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017 but had no material effect on the Group's financial statements:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses of

Discussed below are the relevant information about these amendments and improvements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(b) Effective Subsequent to 2017 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(ii) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-14, *Application of PFRS 15, "Revenue from Contracts with Customers." on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's financial statements.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases.*

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

1.3 Basis for Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiary, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expense and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

A subsidiary is an entity (including a structured entity) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A Subsidiary is consolidated from the date the Parent Company obtains control.

The Parent Company reassess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquire and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain (see Note 1.4).

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investment in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings or Losses of Associates account in profit or loss.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

1.4 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 1.16).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

1.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into loans and receivables and held-to-maturity (HTM) investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets is presented in the succeeding page.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Trade and Other Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Group were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to available-for-sale (AFS) financial assets. HTM investments are included under the Other Non-current Assets section in the statement of financial position, except those maturing within 12 months from end of the reporting period, which are presented as part of current assets. The Group currently holds government and corporate bonds designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment if there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income (Costs) – net account in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

1.6 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. The cost of merchandise inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

1.7 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. (see Note 1.16).

1.8 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	13 years
Transportation and other equipment	5 years
Furniture and fixtures	3 years

Amortization of leasehold improvements is recognized over their estimated useful life of 13 years, regardless of the term of the lease as management believes that it is probable that the Group will renew the lease agreement for the warehouses where the property and equipment and the office are located, for a period of item that may extend beyond the current lease term [see Note 2.1(e)].

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.16).

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

1.9 Investment Properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are accounted for under the cost model and are measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of preparing the asset for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.16).

An item of investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

1.10 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (excluding tax-related liabilities) and Loans Payable, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Income (Costs) – net in the statement of comprehensive income.

Loans payable and trust receipts payable (presented as part of Trade and Other Payables) were raised for working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

1.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

1.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

1.13 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods measured by reference to the fair value of consideration received or receivable by the Group, excluding value-added tax, rebates and trade discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery of the goods sold.

(b) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

(c) *Dividend income* – Revenue is recognized when the Group's right to receive payment is established.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 1.18).

1.14 Leases

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset is classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

1.15 Foreign Currency Translation and Transactions

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of profit or loss from operations.

1.16 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, investments in associates and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

1.17 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. The Group's defined post-employment covers all regular full time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs account in profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

1.18 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

1.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The Group establishes liabilities for probable and estimable assessments by the BIR resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes available.

1.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's revenue sources as disclosed in Note 12, which represent the main revenue sources provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements, except that the post-employment benefit expense is not included in the calculation of the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

1.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

1.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock and reissuance of treasury shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Stock dividends distributable pertains to the nominal value of shares which are declared as stock dividends but have not been issued.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

1.23 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Group by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

1.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

2.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Classifying Financial Assets as HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as preferred shares, as HTM investments, the Group evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances as allowed under the applicable PFRS, it will be required to reclassify the whole class as AFS financial assets. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

(b) Determining Significant Influence over an Entity in which the Company holds less than 20% Ownership

The Group determines whether significant influence exists in investment where the Group holds less than 20% ownership interest over the investee. The Company considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee and routine participation in management decisions in making judgment.

Based on management's judgment, even with 17% ownership over I-Bonding Holdings Corporation (IBHC) and 17.6% in Goldchester Holdings Corporation (GHC) as of June 30, 2017, the Group considers IBHC and GHC as associates due to the presence of significant influence, but not control, over IBHC and GHC's operations since the Parent Company's Chairman of the Board of Directors (BOD) is also a director of IBHC and GHC (see Note 5).

(c) Distinguishing Investment Properties and Owner-managed Properties

The Group determined that its parcels of land qualify as investment properties. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash-flows that are attributable not only to the property but also to other assets used in the Group's main line of business. Based on management's assessment, the properties qualify as investment properties.

(d) Distinguishing Operating and Finance Lease

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(e) Amortizing Leasehold Improvements

The Group amortizes leasehold improvements over the estimated useful life of the improvements regardless of the term of the lease because management believes that it is probable that the Group will renew the lease agreement for the warehouses where it operates for a period of time that will extend beyond the current term of the lease.

(f) Recognizing Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 1.12 and disclosures on relevant provisions and contingencies are presented in Note 13.

2.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimating Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and counterparties, the customers' and counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

Management determined that no impairment loss on trade and other receivables should be recognized for the periods ended June 30, 2017 and 2016 based on its assessment of the collectability of the accounts (see Note 3).

(b) Determining NRV of Inventories

In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. It also takes into consideration the obsolescence of the inventory in determining NRV. The future realization of the carrying amounts of inventories is affected by price changes in different market segments. These aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. Management believes that Group's inventories are properly valued at lower of cost and NRV as of June 30, 2017 and December 31, 2016.

(c) Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are presented in Note 7. Based on management's assessment as at June 30, 2017 and December 31, 2016, there is no change in the estimated useful lives of those assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 1.16). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on non-financial assets for the periods ended June 30, 2017 and 2016 based on management's assessment.

(e) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 8 to the financial statements as determined using market comparable approach reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation is the price per square meter, hence, the higher the price per square meter, the higher the fair value. The Company engages services of professional and independent appraisers applying the relevant valuation methodologies.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

(g) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management has assessed that the amount of tax benefits from its future deductible differences which is recognized as deferred tax assets as at June 30, 2017 and December 31, 2016 will be fully utilized subsequently.

3. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	**June 30, 2017**	December 31, 2016
Trade receivables	11.1	**P 109,250,673**	P 85,983,587
Advances		**251,420,117**	-
Other receivables		**30,240,341**	12,998,414
		P 390,911,131	P 98,982,001

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All of the Group's trade and other receivables have been reviewed for indications of impairment. Based on management's assessment, no impairment loss should be recognized for the periods ended June 30, 2017 and 2016.

Advances pertains to the advance payment made by the Company for the purchase of a certain property. The transaction is yet to be completed as of June 30, 2017.

4. HELD-TO-MATURITY INVESTMENTS

HTM investments amounting to P244.7 million acquired in 2014 pertain to cumulative, non-voting, class "B" series preferred shares listed in the PSE, which bear fixed interest rate of 5.58% per annum and will mature on November 5, 2024. Aside from the maturity date, these investments have an optional redemption date on November 5, 2019 and on any dividend payment date thereafter.

The Group received dividend income amounting to P6.8 million and P3.4 million for the periods ended June 30, 2017 and 2016, respectively, from its HTM investments and is presented as part of Finance Income (Costs) – net in the statements of comprehensive income.

5. INVESTMENT IN ASSOCIATES

The components of the carrying values of investments in associates accounted for under the equity method are as follows:

	% Interest Held	June 30, 2017	December 31, 2016
GHC*	17.6%	P 479,130,862	P -
Lakerfield Phils. Holding Corp. (LPHC)**	37.0%	55,568,821	56,340,763
Cleon Phils. Holding Corporation (CPHC)**	37.2%	46,216,548	46,224,648
Ayschester Holdings Corporation (AHC) **	25.0%	35,251,142	36,424,652
Icare Holdings Corporation (ICHC)*	25.0%	19,251,533	-
Milia Holdings Corporation MHC)*	29.0%	10,641,299	-
IBHC**	17.0%	8,859,561	8,974,420
		P 654,919,766	P 147,964,483

* *Associates of SBS Holdings*
** *Associates of Parent Company*

A reconciliation of the carrying amounts of investments in associates at the beginning and end of the periods of June 30, 2017 and December 31, 2016 is shown below:

	June 30, 2017	December 31, 2016
Balance at beginning of year	P 147,964,483	P 18,113,172
Additions	510,884,550	152,012,500
Disposals	-	(18,113,172)
Equity in net losses	(3,929,267)	(4,048,017)
	P 654,919,766	P 147,964,483

The Group's management believes that it does not have effective control over the investee companies but significant influence only. Consequently, the Parent Company accounted for its investment on the investee companies under the equity method. For the periods ended June 30, 2017 and 2016, the Parent Company recognized its share in the net losses of the Investee companies in the total amount of P3.9 million and P0.1 million, respectively, and is presented as Equity in Net Losses of Associates in the statements of comprehensive income.

The total amount of the assets, liabilities, expenses and net loss of these investee companies are reported in the succeeding page:

	Assets	Liabilities	Expenses	Net Loss
June 30, 2017:				
AHC	P 462,647,380	P 318,843,285	P 6,705,771	P 4,649,039
CPHC	124,349,061	1,495	33,290	21,746
LPHC	405,350,781	257,505,538	2,339,499	2,086,329
IBHC	143,750,803	90,973,569	965,638	675,641
GHC	1,918,298,333	1,929,033,970	9,353,074	9,342,566
ICHC	106,438,963	29,644,490	917,768	493,868
MHC	36,563,050	-	436,950	305,865
December 31, 2016:				
AHC	P 458,337,967	P 312,639,357	P 9,301,390	P 9,301,390
CPHC	46,245,980	590,466	906,986	906,986
LPHC	467,758,494	315,486,163	2,727,668	2,727,668
IBHC	174,803,053	122,012,349	2,209,296	2,209,296

6. PREPAYMENTS AND OTHER CURRENT ASSETS

This account is composed of the following:

	June 30, 2017	December 31, 2016
Investment subscription	P 257,592,565	P -
Input VAT	116,913,900	131,707,662
Creditable withholding tax	-	7,880,786
Others	10,558,625	6,156,306
	P 385,065,090	P 145,744,754

Investment subscription pertains to deposit for future subscription made by SBS Holdings in certain affiliate companies that are yet to be completed or executed as of June 30, 2017. Others pertain mainly to advance payments made on real property taxes, insurance premiums and security deposits.

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of the reporting periods are presented in the succeeding page.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
June 30, 2017				
Cost	P 6,842,022	P 50,996,879	P 4,536,724	P 62,375,625
Accumulated depreciation and amortization	(3,347,810)	(32,047,007)	(3,877,165)	(39,271,982)
Net carrying amount	P 3,494,212	P 18,949,872	P 659,559	P 23,103,643
December 31, 2016				
Cost	P 6,842,022	P 45,465,986	P 4,457,224	P 56,765,232
Accumulated depreciation and amortization	(3,090,017)	(29,501,313)	(3,756,231)	(36,347,561)
Net carrying amount	P 3,752,005	P 15,964,673	P 700,993	P 20,417,671
January 1, 2016				
Cost	P 6,744,206	P 34,752,279	P 4,256,754	P 45,753,239
Accumulated depreciation and amortization	(2,559,738)	(24,365,677)	(3,304,658)	(30,230,073)
Net carrying amount	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166

A reconciliation of the carrying amounts of property and equipment at the beginning and end of the reporting periods is as follows:

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 3,752,005	P 15,964,673	P 700,993	P 20,417,671
Additions	-	5,530,893	79,500	5,610,393
Depreciation and amortization charges for the year	(257,793)	(2,545,694)	(120,934)	(2,924,421)
Balance at June 30, 2017, net of accumulated depreciation and amortization	P 3,494,212	P 18,949,872	P 659,559	P 23,103,643
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166
Additions	97,816	10,713,707	200,470	11,011,993
Depreciation and amortization charges for the year	(530,279)	(5,135,636)	(451,573)	(6,117,488)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 3,752,005	P 15,964,673	P 700,993	P 20,417,671

For the periods ended June 30, 2017 and December 31, 2016, depreciation and amortization is presented under Other Operating Expenses in the statements of comprehensive income.

As of June 30, 2017 and December 31, 2016, the gross amount of the Group's fully depreciated and amortized property and equipment that are still in use is P27.1 million and P21.3 million, respectively.

8. INVESTMENT PROPERTIES

The Group's investment properties represent parcels of land held for investments and capital appreciation. A reconciliation of the carrying amount of investment properties at the beginning and end of June 30, 2017 and December 31, 2016 is shown below.

	June 30, 2017	December 31, 2016
Balance at beginning of period	**P 632,019,207**	P 955,287,542
Additions	**47,243**	-
Disposals during the period	-	(323,268,335)
Balance at end of period	**P 632,066,450**	P 632,019,207

Rental revenues earned by the Parent Company from lease and sub-lease transactions, amounting to P54.2 million for the period ended June 30, 2016, was presented as Other Operating Income in the 2016 statement of comprehensive income. The real property tax on investment properties amounting to P0.4 million and P1.4 million for the periods ended June 30, 2017 and 2016, respectively, was recognized and presented as part of Taxes and licenses under Other Operating Expenses in the statements of comprehensive income.

In May 2016, the Group sold certain investment properties with carrying amount of P323.3 million for a total consideration of P1.1 billion. The resulting gain on sale of investment properties, net of taxes and other direct costs of disposal, amounted to P826.3 million and is part of Gain on Sale of Investment Properties account in the statement of comprehensive income for the period ended June 30, 2016.

The carrying amount of investment properties as of December 31, 2016 are used as collateral to secure certain long-term loans from local banks (see Note 9). However, in 2016, the investment properties are released as collateral due to the repayment by the Company of the related loans.

As determined by independent and SEC-accredited property appraisers, the fair market values of these investment properties as of December 31, 2016 amounted to P2.1 billion. The Group's management believes that these investment properties hold the same fair market value as of June 30, 2017 by reference to current and most recent prices for similar property in the same location and condition

The Group's management believes that the investment properties are not impaired as the fair value of these properties as of the end of the reporting periods exceeds their carrying amount as reported in the statements of financial position.

9. TRADE AND OTHER PAYABLES

	Notes	June 30, 2017	December 31, 2016
Trust receipts payable	2	**P 137,570,480**	P 226,307,624
Trade payables		**40,849,246**	22,953,468
Security deposits and advance rentals		**1,870,557**	2,684,457
Accrued expenses and others	11.2, 11.4 14.2	**45,152,292**	55,155,226
		P 225,442,575	P 307,100,775

Accrued expenses and other payables include the obligations relating to the accrual of professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

The Group avails of trust receipt facilities with local banks that were used to finance its purchases of inventories. These short-term trust receipts, which are secured by the related inventories, bear interests based on prevailing market interest rates, usually ranging from 2.5% to 4.5% in periods ended June 30, 2017 and 2016.

Interest expense incurred on these transactions for the periods ended June 30, 2017 and 2016 amounted to P2.0 million and P1.6 million, respectively, and is presented as part of Interest expense under Finance Income (Costs) – net in the statements of comprehensive income. There is no unpaid interest as of June 30, 2017 and December 31, 2016.

10. LOANS PAYABLE

This account includes the following as at June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Current	**P 717,500,000**	P 467,500,000
Non-current	**2,000,000,000**	-
	P 2,717,500,000	P 467,500,000

A reconciliation of the movements in the amount of loans payable at the beginning and end of June 30, 2017 and December 31, 2016 as follows.

	June 30, 2017	December 31, 2016
Balance at beginning of period	**P 467,500,000**	P 1,367,500,000
Availments during the period	**2,350,000,000**	520,000,000
Settlements made	**(100,000,000)**	(1,420,000,000)
	P 2,717,500,000	P 467,500,000

For the current and prior years, the Group obtained secured and unsecured, short-term and long-term interest-bearing loans from local banks. These loans were subject to annual interest rates ranging from 1.1% to 4.88% for periods ended June 30, 2017 and December 31, 2016 and the proceeds from which were used for working capital requirements.

The details of the bank loans as of December 31, 2016 are as follows:

Principal amount	P 2,717,500,000
Debt issue cost	10,000,000
Net amount	2,707,500,000
Amortization	446,264
Balance as of June 30, 2017	**P 2,707,946,264**

Interest expense incurred on these loans for the periods ended June 30, 2017 and 2016 amounted to P8.4 million and P12.5 million, respectively, and is presented as part of Interest expense under Finance Income (Costs) – net in the statements of comprehensive income. There is no unpaid interest as of June 30, 2017 and December 31, 2016.

11. RELATED PARTY TRANSACTIONS

The Group's related parties include companies under common ownership and its key management personnel. The transactions with these related parties are discussed below.

		Amount of Transactions		Outstanding Balances	
	Note	June 30, 2017	June 30, 2016	June 30, 2017	December 31, 2016
Related Parties Under Common Ownership					
Sale of goods	11.1	P 4,962,017	P 4,681,036	P -	P 5,242,760
Lease agreements	11.2	16,608,885	6,754,556	-	-
Shared business & management services	11.3	893,368	889,536	-	-
Equity investment in investee companies	11.5	510,884,550	38,750,000	654,919,766	147,964,483
Key Management Personnel and Others					
Fees paid	11.4	1,730,267	8,038,912	-	-

Based on management's assessment, receivables from related parties are not impaired as of June 30, 2017 and December 31, 2016.

11.1 Sale of Goods

For the periods ended June 30, 2017 and 2016, the Group sold goods to Baler Industrial Corporation, a related party under common ownership, and to an entity owned by the Company's shareholder and BOD Chairman, which is presented as part of Sale of Goods in the statements of comprehensive income. The outstanding receivable arising from this transaction as of December 31, 2016, which is generally non-interest bearing, unsecured and settled through cash, is presented as part of Trade receivables under the Trade and Other Receivables account in the 2016 statement of financial position (see Note 3). There is no outstanding receivable from this transaction as of June 30, 2017.

11.2 Lease Agreements

The Group, as a lessee, entered into an operating lease agreement with Canon Realty and Development Corp., Aneco Realty and Development Corp, Anase Realty and Enterprises Corpoation, Everfield Holdings Corporation all related parties under common ownership, and its Chairman of the BOD, covering certain warehouseswith an average term of one to three years.

Rental expense for the periods ended June 30, 2017 and 2016 arising from the foregoing lease agreements is shown under Other Operating Expenses in the statements of comprehensive income. There were no outstanding rentals as of June 30, 2017 and December 31, 2016.

11.3 Shared Business and Management Services

In 2015, the Parent Company entered into a service agreement with its related parties under common ownership wherein the latter shall provide certain operational, management and administrative services for a fee.

Management fees charged by the Parent Company are recognized under the Finance Income (Costs) – net account in the statements of comprehensive income. There is no outstanding receivable from this transaction as of June 30, 2017 and December 31, 2016.

11.4 Payments to Key Management Personnel

Payments received by key management personnel pertain to service fees for the periods ended June 30, 2017 and 2016, which is presented under Other Operating Expenses in the statements of comprehensive income. There were no outstanding service fees as of June 30, 2017 and December 31, 2016.

In prior years, the Group has availed of various credit line facilities in which credit availmentswere subject to cross suretyship arrangements including its shareholder-directors and continuing surety arrangement of shareholder and Chairman of the BOD. The Group did not record the fair value of the guarantee liability because of the low probability of default in paying the borrowings.

As of June 30, 2017, there were no existing cross surety arrangements between the Group and any of its related parties (see Note 13.3).

12. SEGMENT REPORTING

12.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Group's three main revenue sources, which represent the products and services provided by the Group, namely Sale of Goods, Rental Income and Investment Income.

12.2 Analysis of Segment Information

The tables below and in the succeeding page present revenue and profit information regarding business segments of the Group for the periods ended June 30, 2017 and 2016:

	June 30, 2017			
	Sale of Goods	**Rental Income**	**Investment Income**	**Total**
Revenues	P 512,701,509	P 16,085,847	P 6,822,128	P 535,609,484
Cost	383,725,434	389,206	-	384,114,640
	67,124,699	15,696,641	6,822,128	151,494,844
Other operating expenses:				
Rental expense	16,608,885	-	-	16,608,885
Salaries and wages	14,115,709	-	-	14,115,709
Outside services	2,687,293	-	-	2,687,293
Insurance	2,397,787	-	-	2,397,787
Transportation and travel	1,881,360	-	-	1,881,360
Commission	493,527	-	-	493,527
Advertising and promotions	133,989	-	-	133,989
	38,318,550	-	-	38,318,550
Segment profit before depreciation and amortization	**P 90,657,525**	**P 15,696,641**	**P 6,822,128**	**P 113,176,294**

	June 30, 2016			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 517,102,486	P 54,248,731	P 3,411,064	P 574,762,281
Cost	400,859,493	1,419,912	-	402,279,405
	116,242,993	52,828,819	3,411,064	172,482,876
Other operating expenses:				
Salaries and wages	12,018,250	-	-	12,018,250
Outside services	2,893,353	-	-	2,893,353
Transportation and travel	3,158,614	-	-	3,158,614
Insurance	3,376,727	-	-	3,376,727
Advertising and promotions	821,519	-	-	821,519
Commission	200,000	-	-	200,000
	22,468,463	-	-	22,468,463
Segment profit before depreciation and amortization	P 93,774,530	P 52,828,819	P 3,411,064	P 150,014,413

Shown in the succeeding page is the Group's reconciliation of the components of reportable segments for first six months to the statement of comprehensive income:

	June 30, 2017	June 30, 2016
Revenues:		
Total revenue of reportable segments	P 535,609,484	P 574,762,281
Costs and expenses:		
Total costs and expenses of reportable segments	422,433,190	424,747,868
Other costs and expenses from non-reportable segments	38,197,936	26,575,070
Depreciation and amortization	2,924,421	3,070,954
	463,555,547	454,393,892
Finance costs – net	1,958,854	7,482,914
Gain on sale of investment properties	-	826,273,802
Profit before tax	P 70,095,083	P 939,159,277

The results of operations from the three segments are used by management to analyze the Group's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Group's operation.

Expenses are allocated through direct association of costs and expenses to operating segments.

13. EQUITY

13.1 Capital Stock

Capital stock consists of common shares with details shown in the succeeding page.

	Shares		Amount	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Authorized – P1 par value	1,550,000,000	1,550,000,000	P1,550,000,000	P 1,550,000,000
Issued and outstanding				
Balance at beginning of period	1,194,545,600	1,200,000,000	P1,176,026,160	P 1,200,000,000
Acquisition of treasury shares	(25,505,200)	(5,454,400)	(168,974,313)	(29,973,840)
Reissuance of treasury shares	30,959,600	-	198,948,153	-
Balance at end of period	1,200,000,000	1,194,545,600	P1,200,000,000	P 1,170,026,160

On August 10, 2015, a total of 1,200,000,000 common shares of the Parent Company with par value of P1 per share were listed under the Main Board of the PSE. In addition, by way of an initial public offering (IPO), the Parent Company sold 420,000,000 shares of its common stock at an offer price of P2.75 per Offer Share on the same day. The IPO resulted to recognition of additional paid-in capital amounting to P698.4 million, net of IPO-related expenses amounting to P36.6 million.

On June 9, 2017, the Company's stockholders approved the first tranche of the increase in authorized capital stock to 3,985,000,000 Common Shares and the conduct of a stock rights offering to its registered stockholders that is a combination of shares to be issued partially from the Company's unissued capital stock and partially from the increase in the Company's authorized capital stock (Offer Structure), with the BOD further fixing the size of rights offer to cover up to a total of 845,487,000 common shares.

On June 23, 2017, all of the treasury shares were sold by way of a block sale through the facilities of the PSE at an agreed price of P6.50 per share. The price represents a premium of 2.85% from its last traded price of P6.32 as of the close of trading on June 22, 2017 and 2.05% premium over the 5-day volume weighted average price of P6.3696 from June 21, 2017. The treasury shares were reissued above its acquisition cost, resulting in additional paid-in capital of P2.3 million. The proceeds from the sale will be used for general corporate purposes and capital expenditures. The treasury share sale represents a 2.58% shareholding interests.

As of June 30, 2017 and December 31, 2016, the total number of registered stockholders based on the records of the Parent Company's Stock and Transfer Agent is six, with the shares held in the name of PCD Nominee Corporation belong to 111 participants under Philippine Depository & Trust Corp. The Company's listed shares closed at P5.99 per share as of June 30, 2017.

13.2 Retained Earnings

On May 12, 2016, the Parent Company's BOD approved the declaration of cash dividends amounting to P44.4 million. There are no outstanding dividends payable as of June 30, 2017 and December 31, 2016.

On November 8, 2016, the Group's BOD approved a share buyback program and appropriated P200.0 million for this. The program commenced on November 22, 2016 and has been fully expended. On April 11, 2017, the BOD approved a new share buyback program with a volume of up to another P200 million. As of December 31, 2016, the Parent Company has outstanding treasury shares of 5,454,400 with cost amounting to P30.0 million. Meanwhile, the Parent Company has no outstanding treasury shares as of June 30, 2017 due to subsequent reissuance of treasury shares in 2017 (see Note 12.1).

On June 9, 2017, the shareholders representing at least 2/3 of the outstanding capital stock of the Parent Company approved the declaration of stock dividends to be payable at the rate of one (1) common share for every twenty-five (25) common shares owned by shareholders as of record date (or approximately up to 48.0 million common shares based on total outstanding shares as of June 23, 2017) with any resulting fractional shares to be dropped. The issuance of the stock dividends is an exempt transaction under Section 10.1(d) of the Securities Regulation Code, as amended and do not require any written confirmation of exemption from the SEC. Such stock dividends were subsequently distributed to the shareholders on July 17, 2017 (see Note 18).

13.3 Earnings per Share

Basic EPS is computed as follows:

	June 30, 2017	June 30, 2016
Income available to common shares	**P 53,503,607**	P 910,663,445
Divided by the weighted average number of outstanding common shares	**1,197,272,250**	1,200,000,000
Basic earnings per share	**P 0.04**	P 0.76

Meanwhile, diluted EPS for the period ended June 30, 2017 is computed as follows:

Income available to common shares	P 53,503,607
Divided by the weighted average number of outstanding common shares	1,245,272,250
Diluted earnings per share	P 0.04

There are no potentially dilutive shares for the period ended June 30, 2016.

14. COMMITMENTS AND CONTINGENCIES

14.1 Operating Lease Commitments – Company as Lessor

Certain real properties held by the Group as investment properties are provisionally leased out for certain minor incidental uses under an operating lease agreement in 2016. The leases have a maximum term of one year, with an option to renew under terms and conditions to be agreed upon by the parties. Such lease agreement was discontinued starting in 2017.

The security deposits, which may be refunded to the counterparties at the end of the lease term, and advance rentals, which may be applied as lease payments, amounted to P1.8 million and P2.7 million as of June 30, 2017 and December 31, 2016, respectively, and are presented under Trade and Other Payables account in the statements of financial position.

14.2 Operating Lease Commitments – Company as Lessee

The Group is a lessee under various operating lease agreements with certain related parties covering certain warehouses. In 2016, the lease agreements were renewed for one year term renewable annually with a new rental fee. The future minimum lease payable within one year under these non-cancellable operating leases amounted to P17.6 million and P28.5 million as of June 30, 2017 and December 31, 2016, respectively.

Rentals incurred amounting to P16.6 million for the period ended June 30, 2017 and P7.1 million for the period ended June 30, 2016 is shown as part of Rental under Other Operating Expenses in the statements of comprehensive income. Outstanding liability arising from these transactions amounted to P1.1 million as of December 31, 2016, is shown as part of Accrued expenses and other payables under Trade and Other Payables account in the 2016 statement of financial position. There was no outstanding liability arising from these transactions as of June 30, 2017.

14.3 Credit Facilities

The Group has availed of various credit line facilities made available on group basis to the Group, certain of its affiliates and shareholder-directors. Availments under the credit facility are subject to cross suretyship arrangements between the Group, certain of its affiliates and shareholder-directors (see Note 10). The credit lines are also subject to a continuing surety arrangement of the shareholder and BOD Chairman in his capacity as controlling shareholder of the group. There was no balance from these credit lines as of June 30, 2017 and December 31, 2016, respectively.

14.4 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the financial statements. As of June 30, 2017 and December 31, 2016, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's financial statements.

15. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities.

The Group's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group actively engages in the trading of certain financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described in the succeeding pages.

15.1 Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at June 30, 2017 and December 31, 2016, the Group is exposed to changes in market interest rates through its loans payable (see Note 9) and cash in banks, which are subject to variable interest rates.

15.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with credit worthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or the detailed analysis provided in the notes to financial statements as shown below.

	June 30, 2017	December 31, 2016
Cash and cash equivalents	**P 2,726,987,404**	P 1,383,113,717
HTM investments	**244,740,000**	244,740,000
Trade and other receivables	**390,911,131**	98,982,001
	P 3,362,638,535	1,726,835,718

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash in banks as described below and in the succeeding page.

(a) Cash and cash equivalents

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of Groupy's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under Republic Act No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Based on historical information about the counterparty default rates, management consider the credit quality of the receivable that are not past due or impaired to be good.

(c) HTM Investments

No impairment loss has been recorded in relation to the debt securities held to maturity. No amounts related to investment in debts securities are past due.

15.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of June 30, 2017, the Group's financial liabilities have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
Trade and other payables	P 225,442,575	P -	P -
Loans payable	722,082,812	-	2,225,000,000
	P 947,525,387	**P -**	**P 2,225,000,000**

This compares to the maturity of the Parent Company's financial liabilities as of December 31, 2016 as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
Trade and other payables	P 308,241,540	P -	P -
Loans payable	450,076,563	22,845,313	-
	P 758,318,103	P 22,845,313	P -

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Group monitors capital on the basis of the carrying amount of equity as presented on the statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The debt-to-equity ratio as of June 30, 2017 and December 31, 2016 is presented below.

	June 30, 2017	December 31, 2016
Liabilities	**P 2,961,116,683**	P 782,760,830
Equity	**3,284,096,844**	3,207,883,886
Debt-to-equity ratio	**0.90 : 1.00**	0.24 : 1.00

17. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

17.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		June 30, 2017		December 31, 2016	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents		P2,726,987,404	P2,726,987,404	P 1,383,113,717	P1,383,113,717
Trade and other receivables	3	390,911,131	390,911,131	98,982,001	98,982,001
		3,117,898,535	3,117,898,535	1,482,095,718	1,482,095,718
HTM investments – Debt securities	4	244,740,000	255,998,040	244,740,000	265,787,640
		P3,362,638,535	P3,373,896,575	P 1,726,835,718	P1,747,883,358
Financial liabilities					
Financial liabilities at amortized cost:					
Loans payable	9	P2,707,946,264	P2,707,946,264	P 467,500,000	P 467,500,000
Trade and other payables	12	225,442,575	225,442,575	306,978,786	306,978,786
		P2,933,388,839	P2,933,388,839	P 774,478,786	P 774,478,786

See Notes 1.5 and 1.10 for a description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 14.

17.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments as of June 30, 2017 and December 31, 2016 and does not have relevant offsetting arrangements as of the end of the reporting periods. Currently, financial assets and financial liabilities are settled on a gross basis; however, if applicable, each party to the financial instrument will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties.

18. FAIR VALUE MEASUREMENT AND DISCLOSURES

18.1 Fair value hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial asset which are measured at fair value on a recurring onion-recurring basis and those assets and liabilities not measured at fair value, but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

18.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables presented in the succeeding page summarize the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the June 30; 2017 and December 31, 2016 statements of financial position but for which fair value is disclosed.

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P2,726,987,404	P -	P -	P 2,726,987,404
Trade and other receivables	-	-	390,911,131	390,911,131
Debt security – HTM investment	255,998,040	-	-	255,998,040
	P2,982,985,444	**P -**	**P 390,911,131**	**P3,373,896,575**
Financial liabilities:				
Trade and other payables	P -	P -	P 225,442,575	P 225,442,575
Loans payable	2,707,946,264	-	-	2,707,946,264
	P2,707,946,264	**P -**	**P 225,442,575**	**P2,933,388,839**

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P1,383,113,717	P -	P -	P 1,383,113,717
Trade and other receivables	-	-	98,982,001	98,982,001
Debt security – HTM investment	265,787,640	-	-	265,787,640
	P1,648,901,357	P -	P 98,982,001	P 1,747,883,358
Financial liabilities:				
Trade and other payables	P -	P -	P 306,978,786	P 306,978,786
Loans payable	467,500,000	-	-	467,500,000
	P 467,500,000	P -	P 306,978,786	P 774,478,786

For financial assets and financial liabilities, other than HTM investment, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. HTM investment consists of debt securities with fair value determined based on prices quoted in PSE representing the bid prices at the end of the reporting period.

18.3 Fair Value Measurement for Non-financial Assets

For the fair value measurement of non-financial asset, the fair market values of investment properties as of June 30, 2017 and December 31, 2016 classified as Level 2 which are determined through appraisal reports obtained on November 11, 2016 amounted to P2.1 billion (see Note 7).

19. EVENTS AFTER REPORTING DATE

In its meeting dated July 14, 2017, the BOD deemed it to the best interest of the Corporation to change the Offer Structure earlier approved by the BOD to provide for the separate conduct of the stock rights offering to be issued solely from the Corporation's existing unissued capital stock and those subsequently to be issued from the new shares to be created from the increase in authorized capital stock to be undertaken by the Company to provide for a more expedient solution to help accelerate the regulatory process so the Company may pursue the intended projects it is eyeing within its timetable. In this connection, the BOD approved an initial Stock Rights Offering ("Offer") comprising of up to 302,000,000 common shares with a par value of P1.00 per share from the existing unissued shares of the Corporation for subscription of existing holders of Common Shares of the Company. The Offer is intended raise to up to One Billion Five Hundred Million Pesos (Php1,500,000,000.00) in gross proceeds.

On July 18, 2017, the Company filed its application for the Offer with SEC and PSE.

On July 17, 2017, stock dividends comprising of 47,999,999 common shares were distributed and paid by the Company. This brings the Company's total shares issued and outstanding to-date to 1,247,999,999 common shares.

On July 10, 2017, the Company's subsidiary subscribed to a 17.5% equity interest in Scott Holdings Corporation ("SHC") for P46,375,000.00. SHC is the owner of a 1.8-hectare prime commercial land in Bacolod City.

On August 10, 2017, the Company's subsidiary subscribed to the following shareholdings interests in affiliate property holdings companies: The share subscriptions were based on their par value.

(i) 17% equity interests in Aresa Holdings Corporation for P48,875,000.00;
(ii) 17% equity interests in Morechester Phils. Inc. for P6,459,800.00;
(iii) 22% equity interests in Apschester Holdings Corp. for P12,100,000.00;
(iv) 17% equity interests in Asida Holding Corp. for P3,750,000.00; and
(v) 17% equity interests in Mansfield Holdings Corp. for P119,000,000.00.

On August 14, 2017, the BOD approved to reallocate a total of P 450 million of the unutilized IPO Proceeds for the acquisition either of a warehouse facility complex or separately for the purchase of real estate property or a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building which were previously intended for the strategic acquisition of businesses (P350.0 million) and facility improvements (P100.0 million) from the remaining unutilized balance of the IPO proceeds.

SBS PHILIPPINES CORPORATION
LIST OF SEC SUPPLEMENTARY SCHEDULES
June 30, 2017

Supplementary Schedules to Financial Statements
(Annex 68-E, SRC Rule 68)

Schedule	Content
A	Financial Assets Loans and receivables Held-to-maturity Investments
B	Amounts Payables to Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets – Other Assets
E	Long Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A (Loans and Receivables)
Financial Assets

Name of issuing entity and association of each issue	Amount Shown in the Statements of Financial Position	Income received and accrued
Cash and cash equivalents	P 2,726,987,404	P 1,731,890
Trade and other receivables	390,911,131	-
	P 3,117,898,535	**P 1,731,890**

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A (Held-to-maturity Investments)
Financial Assets

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Ayala Corporation (Preferred) - HTM Investments	489,480	244,740,000	6,822,128
	489,480	**P 244,740,000**	**P 6,822,128**

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule B
Amounts Payable to Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts paid	Amounts reclassified	Current	Non-current	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule C
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

			Deductions				
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule D
Other Assets

Description	Beginning Balance	Additions at cost	Deductions		Other changes additions (deductions)	Ending Balance
			Charged to cost and expenses	Charged to other accounts		

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule E
Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Term Loan	**P 3,200,000,000**	**P 717,500,000**	**P 1,990,446,264**

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule F
Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule G
Guarantees of Securities of Other Issuers

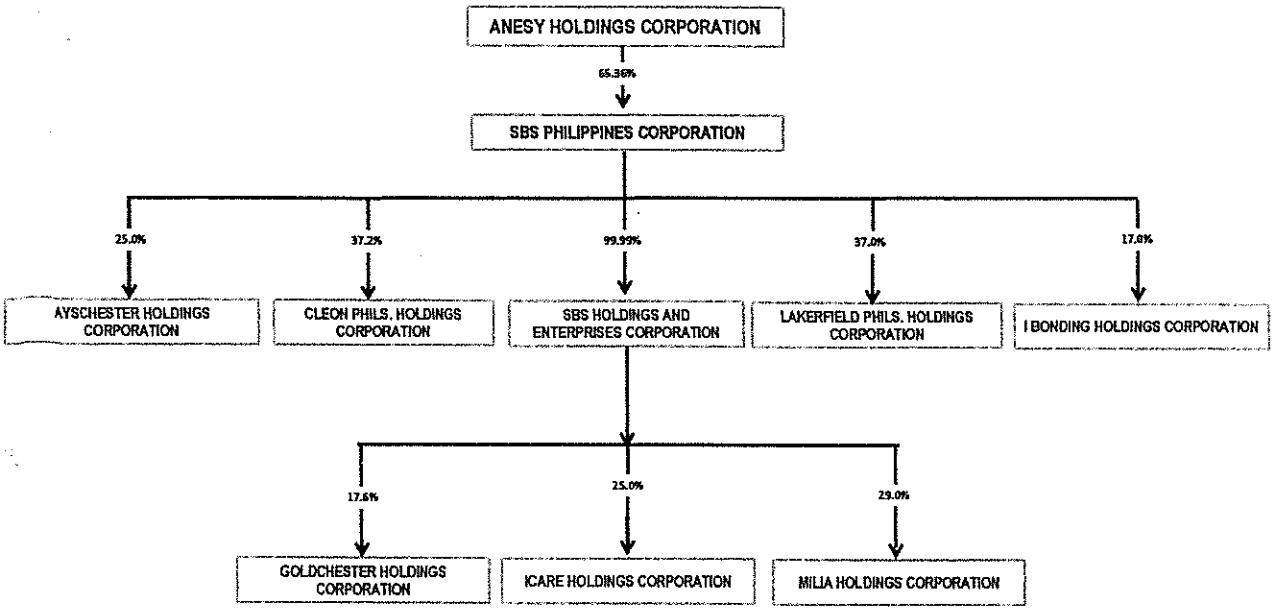
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H
Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, converstion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares - P1 par value	1,550,000,000	1,200,000,000	-	789,345,400	113,023,102	297,631,498

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP,
ULTIMATE PARENT COMPANY AND SUBSIDIARY



SBS PHILIPPINES CORPORATION
Schedule of Financial Indicators for June 30, 2017 and 2016

	2017	2016
Liquidity Ratio [1]	491.4%	1003.4%
Debt to Equity Ratio [2]	90.2%	11.9%
Asset to Equity Ratio [3]	190.2%	111.9%
Return on Assets [4]	0.9%	27.2%
Return on Equity [5]	1.6%	43.4%
Cost to Income Ratio [6]	16.7%	10.3%
Interest Cost Coverage Ratio [7]	707.9%	7151.3%
Earnings per Share [8]	PHP 0.04	PHP 0.76

1/ *Current Assets over Current Liabilities*
2/ *Total Liabilities over Equity*
3/ *Total Assets over Equity*
4/ *Net Income over Average Assets*
5/ *Net Income over Average Equity*
6/ *Cost and Expenses over Revenues*
7/ *EBIT over Interest Expense*
8/ *Net Income over Weighted Average Number of Common Outstanding Shares*

SBS Philippines Corporation
Aging of Trade Receivables
As of June 30, 2017

	Amount	Current	0-30	31-60	61-90	91-120	120-150	151-180	over 180 days
Grand Total	109,250,673	95,345,254	11,626,919	1,691,901	586,600	-	-	-	-
No. of Companies	160	147	34	6	3	-	-	-	-

PART II: **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following discussions should be read in conjunction with the Interim Unaudited Financial Statements of the Company as of and for the period 30 June 2017 (with comparative figures as of 31 December 2016 and for the period ended 30 June 2016).

Results of Operations (1H 2017 versus 1H 2016)

For the first half of 2017, the Company's net sales amounted to P512.7 million, a decline of 0.9% compared to previous year comparable period of P517.1 million. Improved sales growth was posted for food ingredients, feeds, cosmetics and personal care product segments. However, demand for industrial products remained low, affected by the downdraft from the mining industry and pricing action taken on account of the higher importation and supplier costs.

The Company posted a remarkable improvement on its gross profit from core business in the first half of 2017, which increased by 11.0% year over year as the Company benefitted from the increase in the average sales prices and improvement in the product mix. Showing the benefits of the mix enrichment strategy undertaken, gross margin increased to 25.2% from 22.5%, with market share gains in other product segments cushioning the volume decline in the industrial products.

Operating profit on a consolidated basis declined to P69.2 million from P117.1 million year on year attributed due to higher rental costs and certain one-off costs incurred in order to give effect to the diversification program and the organization, funding and capitalization of the Company's subsidiary, SBS Holdings and Enterprises Corporation ("SHEC"). These one-off costs which totalled to **P11.1 million** during the period include the SEC filing fees in connection with the increase in authorized capital stock of SHEC. Net profit for the period amounted to P53.5 million versus the P910.7 million registered for 2016 comparable period due to exceptional one-off gain reported in 1st half 2016 of P826.3 million.

Material Changes to the Statement of Comprehensive Income for the six months ended 30 June 2017 compared to the Statement of Comprehensive Income for the six months ended 30 June 2016.

Sales for the period declined by 0.9% from P517.1 million in 2016 to P512.7 million in 2017. Food ingredients and feed additives continued to lead the growth segments while sales of industrial chemicals slowed down compared to comparable period of 2016 due to low demand in the mining sector and some resistance to pricing actions taken in 2017 to reflect higher commodity product costs.

Meanwhile, cost of goods sold was lower by P17.1 million in the first half of 2017 or 4.3% from P400.9 million in 2016 comparable period to P383.7 million in 2017, reflecting gains on inventory stocking position taken earlier.

Gross profit from core operations increased by P12.7 million from P116.2 million posted in 2016 to P129.0 million in 2017. The increase is largely attributed to improved sales mix and active margin management.

Other operating expenses increased by 42.1% to P75.9 million in 2017 from P53.4 million posted in 2016 as a result of rental rate increases that took effect at the start of 2017 and the one-off costs incurred in order to give effect to the diversification program and the organization, funding and capitalization of SHEC.

Other operating income substantially declined by P38.2 million in 2017 in view of the discontinuation of previous income-generating lease arrangements on account of changes in business requirement of the contracting parties.

Equity in net losses of an associate also increased by P3.8 million year on year as a result of the additional losses incurred by four associate companies which equity interests were acquired in 2016 and three new associate companies of the Company's subsidiary acquired in 2nd quarter of 2017. The gain in 2016 pertained to another associate company which equity interests were acquired in 2012 and divested in 2016.

In 1st half 2016, an exceptional one-off gain was reported in the amount of P826.3 million related to sale of investment properties. No similar transaction reported in 1st half of 2017.

On account of such developments, net income before tax declined year on year from P939.2 million in 2016 to P60.5 million in 2017.

Due to the lower taxable income posted for the period, income tax expense fell by 41.8% or P11.9 million. Net profit consequently declined from P910.7 million in 2016 to P53.5 million in 2017 mainly attributed to the exceptional one-off gain reported in 2016 and decline in rental income during the period.

Material Changes to the Statement of Financial Position as at 30 June 2017 Compared to the Statement of Financial Position as at 31 December 2016

Assets

As at 30 June 2017, total assets on consolidated basis reached P6,245.2 million, consisting of P4,682.4 million in current assets and P1,562.9 million in non-current assets. As at 31 December 2016, the total assets registered P3,990.6 million comprising of P2,941.0 million in current assets and P1,049.7 million in non-current assets.

Cash in banks increased by 97.2% from P1,383.1 million in 2016 to P2,727.0 million in 2017. For the first six period ended 30 June 2017, a total collection of P2,293.4 million were received as follows: P6.8 million in cash dividends received from HTM investments, P4.3 million gain in exchange rates, P2,250.0 million proceeds from loan availments net of payments, and P32.3 million from reissuance of treasury shares (net of buy back shares). Against this, a total of P949.5 million in settlements were made consisting of the following: P5.6 million in office equipment acquisition which includes additional improvement costs, P510.9 million on additional investments in affiliate companies, P424.3 million used in operating activities and P8.7 million in interest payments (net of interest income on short-term placements).

Trade and other receivables increased by 294.9% from P99.0 million in 2016 to P390.9 million in 2017 as result of higher credit sales.

Inventory level went down by P133.7 million or 10.2% from P1,313.1 million in 2016 to P1,179.4 million in 2016 as a result of higher volume sales of feed ingredient products and Company decision to cut back on new purchases of certain commodity products due to price volatility on account of production outages experienced by certain supplier in India and China due to pollution and/or environmental control issues that caused some disruptions in supply availability and exerted pricing pressures.

Prepayments and other current assets increased by 164.2% or P239.3 million from P145.7 million in 2016 to P385.1 million in 2017 mainly contributed by deposit for future subscription made by SHEC in certain affiliate companies.

Carrying cost of property and equipment increased by P2.7 million or 13.2% to P23.1 million in 2017 from P20.4 million in 2016 as a result of the acquisition of P5.6 million of transportation and office equipment net of P2.9 million additional depreciation expense during the period.

Liabilities

The total liabilities as at 30 June 2017 amounted to P2,951.6 million, comprising of P953.0 million in current liabilities and P1,998.6 million in non-current liabilities. For 31 December 2016, the total liabilities was at P782.8 million, comprising of P744.6 million in current liabilities and P8.2 million in non-current liabilities.

Current loans payable was up by 53.5% or P250.0 million from P467.5 million in 2016 to P717.5 million in 2016 due availment of additional short-term bank loan of P350.0 million less payment of P100.0 million during the period for working capital.

A 5-year term loan of P2,000.0 million was availed during the period at a fixed interest rate of 4.875% per annum and discounted to its effective interest as of June 30, 2017.

Income tax payable posted at P10.0 million in 2017 refers to second quarter corporate income tax due and payable in August 2017. The first quarter income tax due of P0.4 million was due and paid in May 2017.

Total equity

The total equity as at 30 June 2017 was P3,293.7 million, comprising of P1,200.0 million in capital stock, P900.7 million in additional paid in capital stock, P908.5 million in retained earnings gross of the P4.1 million revaluation reserves and P288.5 million of stock dividends distributable. As of 31 December 2016, total equity amounted to P3,207.9 million, comprising of P1,200.0 million in capital stock, P898.4 million in additional paid in capital stock, P1,143.5 million in retained earnings gross of P4.1 million reserves and gross of the P30.0 million in treasury shares.

Capital stock remains at P1,200.0 million as of June 30, 2017 from December 31, 2016.

Additional paid-in capital increased by 0.3% or P2.3 million from P898.4 million in 2016 to P900.7 million in 2017 on account of the premium on the reissuance of the treasury shares.

Retained earnings declined by 20.5% or P235.0 million from P1,143.5 million in 2016 to P908.5 million in 2017 on account of current period earnings of P53.5 million net of the provision for stock dividends of P288.5 million.

The entire holdings of 30,959,600 treasury shares were sold by way of a block sale in June 2017 to the Company's substantial shareholder.

Liquidity and Capital Resources

Net cash flows from operating activities

The 2017 cash flows from operating activities resulted to a net outflow of P424.3 million. The cash disbursements involved interest payments, payments of trade purchases and other receivables, and an increase in prepayments.

Net cash flows from investing activities

The cash flow in investing activities resulted to a net outflow of P508.0 million mainly due to investment in associate companies partially compensated by cash dividend received from HTM investments and interest received in short term placements.

Net cash flows used in financing activities

The cash flow from financing activities resulted in a net inflow of P2,271.8 million. The cash inflows mainly comprised of proceeds from bank loans availed and the disposal of treasury shares.

Key Performance Indicators (1H 2017 versus 1H 2016)

	2017	2016
Liquidity Ratio [1]	491.4%	1003.4%
Debt to Equity Ratio [2]	90.2%	11.9%
Asset to Equity Ratio [3]	190.2%	111.9%
Return on Assets [4]	0.9%	27.2%
Return on Equity [5]	1.6%	43.4%
Cost to Income Ratio [6]	16.7%	10.3%
Interest Cost Coverage Ratio [7]	707.9%	7151.27%
Earnings per Share [8]	PHP 0.04	PHP 0.76

1/ Current Assets over Current Liabilities

2/ Total Liabilities over Equity

3/ Total Assets over Equity

4/ Net Income over Average Assets

5/ Net Income over Average Equity

6/ Cost and Expenses over Revenues

7/ EBIT over Interest Expense/

87/ Net Income over Weighted Average Number of Common Outstanding Shares

Other qualitative and quantitative factors

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

Subject to regulatory approvals, the Company will be undertaking a capital raising exercise in 2017 in the form of a the stock rights offering to be issued solely from the Company's existing unissued capital stock, comprising of up to 302,000,000 common shares for subscription of existing holders of common shares of the Company. The Rights Offer is intended raise to up to One Billion Five Hundred Million Pesos (Php1,500,000,000.00) in gross proceeds which will be used by the Company to support the capitalization requirements of its subsidiary, SBS Holdings and Enterprises Corporation to pursue investment opportunities in property related assets and businesses, and provide for general working capital requirements of the Company .

The Company's shareholders also approved the investment of funds by way of subscription in the increase of authorized capital stock of Company's wholly-owned subsidiary, SBS Holdings and Enterprises Corporation, equivalent to One Billion Five Hundred Seventy Four Million Six Hundred Eighty Seven Thousand and Five Hundred (1,574,687,500) common shares, with a par value of P1.00 per share or for an aggregate par value of One Billion Five Hundred Seventy Four Million Six Hundred Eighty Seven Thousand and Five Hundred Pesos (P1,574,687,500), with up to Eight Hundred Million Pesos (P800,000,000.00), representing 50.79% of such share subscription, to be paid by the Company upon subscription.

In July 2017, the Company's subsidiary subscribed to a 17.5% equity interest in Scott Holdings Corporation ("SHC") for P46,375,000.00. SHC is owner of a 1.8-hectare prime commercial land in Bacolod City.

On August 10, 2017, the Company's subsidiary subscribed to the following shareholdings interests in affiliate property holdings companies: The share subscriptions were based on their par value.

(i) 17% equity interests in Aresa Holdings Corporation for P48,875,000.00;
(ii) 17% equity interests in Morechester Phils. Inc. for P6,459,800.00;
(iii) 22% equity interests in Apschester Holdings Corp. for P12,100,000.00;
(iv) 17% equity interests in Asida Holding Corp. for P3,750,000.00; and
(v) 17% equity interests in Mansfield Holdings Corp. for P119,000,000.00.

Other than those disclosed above and in the notes to the financial statements, there are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation, or any material 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.

The Company does not expect any liquidity problems and is not in default of any financial obligations, including any loan covenant.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

(iii) Any material 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:

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures

Capital Expenditures

Reference is made to the proposed utilization of proceeds raised from the IPO as disclosed in the Company's Prospectus dated July 24, 2015 and the Disbursement of Proceeds and Progress Report as of June 30, 2017.

In view of the increased operational focus on improving margins and consolidating operations of the chemical distribution business, the Board of Directors deems it to best interest of the Company and its shareholders to change back to allocating part of the unutilized proceeds from the Initial Public Offering for the immediate acquisition of physical assets in the form of land and building improvement for use as its warehouse facility. This capital expenditure would not only help control residual risks in not owning major logistic facilities but it is also a good investment opportunity to broaden the Company's asset base.

Specifically, on August 14, 2017, the Board of Directors has approved to reallocate a total of P450 million of the unutilized IPO Proceeds for the acquisition either of a warehouse facility complex or separately for the purchase of real estate property or a company holding such realty property and capital expenditure for the purchase or construction of a warehouse building which were previously intended for the strategic acquisition of businesses (P350 million) and facility improvements (P100 million) from the remaining unutilized balance of the IPO proceeds amounting to P634,674,672.26.

Meanwhile, the amount of P87,569,456.61 will continue to be used for in new equipment and machinery acquisitions to include but shall not be limited to those itemized in the Company's Prospectus to undertaken during the period 2017-2018 to be aligned with the business requirements of the Company.

Also, the amount of P94,618,561.65 will continue to be earmarked and allocated for the purchase and importation of new additions to the Company's product portfolio as well as fund the organization of a business development unit to strengthen sales and marketing force for the additional new product offerings.

The establishment of a south depot-distribution warehouse will allow greater opportunities for Company customers cut down on their logistics and sourcing organization, integrate the Company's procurement and logistic capabilities in their business processes, and promote collaborations for supply chain optimization to simplify their operations. Further, this capital expenditure would not only help control residual risks in not owning major logistic facilities but it is also a good investment opportunity to broaden the Company's asset base.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations

The Company expects some price volatility for its commodity chemical products to continue in the 2nd half of 2017 as several chemical raw material manufacturers in Asia experienced production outages due to pollution and/or environmental control issues in China and India that caused some disruptions in supply availability and exerted pricing pressures.. The Company had taken pricing action to account for these supplier adjustments, which affected the price competitiveness of products offered by the Company and resulted in some sales weakness that is expected to continue in the second half of 2017.

Certain income-generating lease arrangements of the Company were no longer continued in 2017 as a result of changes in the business requirements of its contract parties.

(vi) Any significant elements of income or loss that did not arise from continuing operations

One-off costs were incurred in order to give effect to the diversification program and the organization, funding and capitalization of the Company's subsidiary, SBS Holdings and Enterprises Corporation ("SHEC"). These costs which totalled to **P 11.1 million** during the period include the SEC filing fees in connection with the increase in authorized capital stock of SHEC.

(vii) Causes for any material change from period to period

Please refer to the discussions provided on the material changes in the results of operations, comprehensive income and financial position under the management's discussion and analysis of financial conditions and results of operations stated above.

(viii) Seasonal aspects that had material effect on the financial condition or results of operations

For some end markets served by the Company, there is a pronounced cyclicality in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicality creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicality of specific industries.

SBS PHILIPPINES CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SBS Philippines Corporation** (the "Parent Company") **and Subsidiary** (collectively referred hereinafter as "the Group") is responsible for the preparation and fair presentation of the statements of financial position of the Group as at December 31, 2016 and of the Parent Company as of December 31, 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the year ended December 31, 2016 and of the Parent Company for the years ended December 31, 2015 and 2014, and notes to the financial statements, including a summary of significant accounting policies, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan and Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group and the Parent Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Necisto U. Sytengco
Chairman of the Board

Gerry D. Tan
President

Aylene Y. Sytengco
Chief Financial Officer

Signed this 27th day of Feb. 2017

BIR RDO 38 NORTH Q.C.
RECEIVED
FEB 28 2017
EVANGELINE E. BALEN
COLLECTION SECTION

SUBSCRIBED AND SWORN to before me this FEB 27 2017 day of February 2017, affiant(s) exhibiting to me his/her Tax Identification Number as follows:

NAME	TIN nos.
Necisto U. Sytengco	103-910-452
Gerry D. Tan	112-830-652
Aylene Y. Sytengco	213-000-548

ATTY PORTIA G. FLORES-DIESTA
NOTARY PUBLIC UNTIL DEC. 31, 2017
PTR NO 31212330 1/3/17 – Q.C.
IBP LRN 03543 – Q.C. CHAPTER
ATTORNEY'S ROLL NO. 41164
MCLE COMP. V NO. 0023925

Doc no. 137
Page no. 28
Book no. XI
Series of 2017.

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SBS PHILIPPINES CORPORATION

ANNEX A

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE UNAUDITED FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for SBS Philippines Corporation for the period ending December 31, 2016.

In discharging this responsibility, I hereby declare that I am the AVP and Accounting Head of SBS Philippines Corporation.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of Punongbayan & Araullo, which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

Jennifer A. Bague-Balao
PRC License no. 0087193
Valid until Nov. 11, 2019
BOA Accreditation filed on 12/5/2016
Still on process

SUBSCRIBED AND SWORN TO BEFORE ME
THIS ___ DAY OF ___ AT QUEZON CITY
FEB 2 8 2017

Doc. No. 470
Page No. 94
Book No. 144
Series of 2017 _____

ATTY. LUIS M. DE VERA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
NOTARY PUBLIC
PTR No. [illegible] / 01-03-2017, Q.C.
IBP No. [illegible] / Q.C.
ROLL No. [illegible] / No. 0032[illegible]
Pasig City
MCLE No. [illegible]
MIR RIO [illegible] Q.C.

RECEIVED
FEB 2 8 2017
EVANGELINE E. BALEN
CORPORATION SECRETARY

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Financial Statements and Independent Auditors' Report

SBS Philippines Corporation and Subsidiary

December 31, 2016, 2015 and 2014

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

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Report of Independent Auditors

The Board of Directors
SBS Philippines Corporation and Subsidiary
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

Opinion

We have audited the financial statements of SBS Philippines Corporation and subsidiary (collectively, the Group), and of SBS Philippines Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2016 and 2015, respectively, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the year ended December 31, 2016 and of the Parent Company for the years ended December 31, 2015 and 2014, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of SBS Philippines Corporation and subsidiary as at December 31, 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended, and the financial position of the Parent Company as at December 31, 2016, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed more fully in Note 2 to the financial statements, the Group started preparing its consolidated financial statements in 2016 due to the investment in a wholly owned subsidiary that was incorporated during the year.

Key Audit Matters

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

(a) Existence and Valuation of Inventories

Description of the Matter

Inventories amounting to P1,313.1 million as of December 31, 2016 represents 32.9% of the Group's total assets. Valuation of inventories is at lower of cost or net realizable value (NRV). As discussed in Note 6 to the financial statements, portion of the inventories is carried at cost while the rest is at NRV, based on the estimated selling price less the estimated costs necessary to make the sale. Due to the significant carrying amount of inventories and the high level of judgment in estimating the account's NRV, we consider this to be a key audit matter.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included:

On existence of inventories:

- observing the physical inventory count and performing the related roll-forward procedures to test the quantities of inventory items as of December 31, 2016; testing the relevant internal control procedures related to the physical inventory count; and, obtaining relevant cut-off information and copy of count control documents.

- analyzing in detail the inventory-related ratios such as, but not limited to, inventory turnover and current year's components of inventories.

On valuation of inventories:

- determining whether the method of inventory costing and whether the application of the lower of cost and NRV is appropriate and consistent with prior periods.

- performing a price test on sample inventory items by examining supporting purchase invoices and importations.

- critically assessing the sufficiency and appropriateness of the amount of allowance for impairment of inventories by evaluating the key assumptions used on the expected realization of old, slow-moving and obsolete inventories.

(b) Valuation of Trade and Other Receivables

Description of the Matter

The provision for allowance for impairment of trade and other receivables is considered to be a matter of significance to our audit as it necessarily requires use of assumptions by management. The Group assesses whether objective evidence of impairment exists by evaluating the certainty of collection of its accounts based on available facts and circumstances. If needed, impairment allowance is provided equivalent to the difference between the receivables' carrying amounts and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. As of December 31, 2016, trade receivables amounting to P48.9 million are past due based on a 30-day credit term; however, historically, all accounts are collected within one year, thus, there are no accounts aged for more than a year. As such, no allowance for impairment is recognized by management.

The Group's disclosures about its trade and other receivables are included in Note 5 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of trade and other receivables include testing, on a sample basis, of subsequent collection activities and an evaluation of the historical collection experience of customers with past due accounts.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A (but does not include the financial statements and our auditors' report thereon) and Annual Report for the year ended December 31, 2016. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Apr. 30, 2017)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 28, 2017

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	Group 2016 (See Note 2)	Parent Company 2015 (See Note 2)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 1,383,113,717**	P 837,551,006
Trade and other receivables	5	**98,982,001**	125,872,241
Inventories – net	6	**1,313,141,596**	1,527,199,944
Prepayments and other current assets	9	**145,744,754**	133,870,638
Total Current Assets		**2,940,982,068**	2,624,493,829
NON-CURRENT ASSETS			
Held-to-maturity investments	7	**244,740,000**	244,740,000
Investments in associates	8	**147,964,483**	18,113,172
Property and equipment – net	10	**20,417,671**	15,523,166
Investment properties	11	**632,019,207**	955,287,542
Deferred tax assets – net	19	**4,521,287**	9,691,399
Total Non-current Assets		**1,049,662,648**	1,243,355,279
TOTAL ASSETS		**P 3,990,644,716**	P 3,867,849,108
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans payable	13	**P 467,500,000**	P 1,055,000,000
Trade and other payables	12	**307,100,775**	215,009,295
Income tax payable		**-**	7,350,543
Total Current Liabilities		**774,600,775**	1,277,359,838
NON-CURRENT LIABILITIES			
Post-employment defined benefit obligation	17	**8,160,055**	6,902,836
Loans payable	13	**-**	312,500,000
Total Non-current Liabilities		**8,160,055**	319,402,836
Total Liabilities		**782,760,830**	1,596,762,674
EQUITY	20		
Capital stock		**1,200,000,000**	1,200,000,000
Additional paid-in capital		**898,425,433**	898,425,433
Treasury shares – at cost		**(29,973,840)**	-
Revaluation reserves		**(4,068,878)**	(3,720,185)
Retained earnings		**1,143,501,171**	176,381,186
Total Equity		**3,207,883,886**	2,271,086,434
TOTAL LIABILITIES AND EQUITY		**P 3,990,644,716**	P 3,867,849,108

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	**Group 2016 (See Note 2)**	Parent Company 2015 (See Note 2)	Parent Company 2014 (See Note 2)
SALE OF GOODS	18	**P 1,002,128,379**	P 940,000,603	P 933,080,958
COST OF GOODS SOLD	14	**793,889,721**	682,200,131	668,512,426
GROSS PROFIT		**208,238,658**	257,800,472	264,568,532
OTHER OPERATING INCOME (EXPENSES)				
Other operating expenses	14	**(123,069,990)**	(123,726,997)	(100,389,507)
Other operating income	15	**110,200,271**	100,777,804	73,179,541
		(12,869,719)	(22,949,193)	(27,209,966)
OPERATING PROFIT		**195,368,939**	234,851,279	237,358,566
GAIN ON SALE OF INVESTMENT PROPERTIES AND AN ASSOCIATE	8, 11	**858,662,859**	-	-
FINANCE INCOME (COSTS) – NET	16	**4,858,312**	(29,265,769)	(90,620,087)
EQUITY IN NET LOSSES OF ASSOCIATES	8	**(4,048,017)**	(275,520)	(861,208)
PROFIT BEFORE TAX		**1,054,842,093**	205,309,990	145,877,271
TAX EXPENSE	19	**43,322,108**	46,304,100	45,705,084
NET PROFIT		**1,011,519,985**	159,005,890	100,172,187
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	17	**498,133**	4,276,321	780,504
Tax income	19	**(149,440)**	(1,282,896)	(234,151)
		348,693	2,993,425	546,353
Item that will be reclassified subsequently to profit or loss				
Fair value of available-for-sale (AFS) financial assets				
Fair value loss on disposed AFS financial assets reclassified to profit or loss		-	(673,568)	-
Fair value loss during the year		-	-	673,568
		-	(673,568)	673,568
Other Comprehensive Loss		**348,693**	2,319,857	1,219,921
TOTAL COMPREHENSIVE INCOME		**P 1,011,171,292**	P 156,686,033	P 98,952,266
EARNINGS PER SHARE - Basic and Diluted	20	**P 0.84**	P 0.18	P 1.80

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Capital Stock (see Note 20)	Additional Paid-in Capital (see Note 20)	Treasury Shares (see Note 20)	Revaluation Reserves (see Note 20)	Retained Earnings (see Note 20) Appropriated	Retained Earnings (see Note 20) Unappropriated	Total Equity
Group (see Note 2)							
Balance at January 1, 2016	P 1,200,000,000	P 898,425,433	P -	(P 3,720,185)	P -	P 176,381,186	P 2,271,086,434
Treasury shares	-	-	(29,973,840)	-	-	-	(29,973,840)
Appropriation during the year	-	-	-	-	200,000,000	(200,000,000)	
Cash dividends	-	-	-	-	-	(44,400,000)	(44,400,000)
Total comprehensive income (loss) for the year	-	-	-	(348,693)	-	1,011,519,985	1,011,171,292
Balance at December 31, 2016	**P 1,200,000,000**	**P 898,425,433**	**(P 29,973,840)**	**(P 4,068,878)**	**P 200,000,000**	**P 943,501,171**	**P 3,207,883,886**
Parent Company (see Note 2)							
Balance at January 1, 2015	P 262,000,000	P 200,000,000	P -	(P 1,400,328)	P -	P 117,375,296	P 577,974,968
Collection of subscription receivable during the year	165,000,000	-	-	-	-	-	165,000,000
Issuance of shares during the year	773,000,000	698,425,433	-	-	-	-	1,471,425,433
Cash dividends	-	-			-	(100,000,000)	(100,000,000)
Total comprehensive income (loss) for the year	-	-	-	(2,319,857)	-	159,005,890	156,686,033
Balance at December 31, 2015	P 1,200,000,000	P 898,425,433	P -	(P 3,720,185)	P -	P 176,381,186	P 2,271,086,434
Parent Company (see Note 2)							
Balance at January 1, 2014	P 22,000,000	P 200,000,000	P -	(P 180,407)	P 275,000,000	P 7,697,447	P 504,517,040
Issuance of shares during the year	240,000,000	-	-	-	-	-	240,000,000
Reversal of appropriation during the year	-	-	-	-	(275,000,000)	275,000,000	-
Cash dividends	-	-	-	-	-	(265,494,338)	(265,494,338)
Total comprehensive income (loss) for the year	-	-	-	(1,219,921)	-	100,172,187	98,952,266
Balance at December 31, 2014	P 262,000,000	P 200,000,000	P -	(P 1,400,328)	P -	P 117,375,296	P 577,974,968

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	**Group 2016 (See Note 2)**	Parent Company 2015 (See Note 2)	Parent Company 2014 (See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 1,054,842,093**	P 205,309,990	P 145,877,271
Adjustments for:				
Gain on sale of investment properties	11	**(826,273,803)**	-	-
Gain on sale of investment in an associate	8	**(32,389,056)**	-	-
Interest expense	16	**19,345,507**	50,843,630	95,086,591
Dividend income from held-to-maturity (HTM) investment	7, 16	**(10,233,191)**	(10,306,503)	-
Interest income	4, 16	**(8,807,425)**	(4,584,332)	(175,484)
Depreciation and amortization	10	**6,117,488**	7,019,390	6,746,374
Share in net loss of associate	8	**4,048,017**	275,520	861,208
Unrealized foreign currency losses (gains)		**(2,563,116)**	(998,123)	143,103
Gain on sale of financial assets at fair value through profit or loss (FVTPL)		**-**	(2,310,003)	(6,134,247)
Loss on sale of available-for-sale (AFS) financial assets		**-**	735,579	-
Gain on sale of HTM investment	7	**-**	(261,187)	-
Fair value loss on financial assets at FVTPL		**-**	-	618,100
Operating profit before working capital changes		**204,086,514**	245,723,961	243,022,916
Decrease (increase) in trade and other receivables		**26,890,240**	(25,667,462)	(15,312,900)
Decrease (increase) in inventories		**214,058,348**	30,728,441	(75,069,144)
Decrease in advances to related parties		**-**	-	326,274,850
Decrease (increase) in prepayments and other current assets		**(11,874,116)**	17,794,892	(10,924,146)
Increase (decrease) in trade and other payables		**92,091,480**	(207,814,704)	238,136,850
Increase in post-employment defined benefit obligation		**456,051**	339,705	221,066
Cash generated from operations		**525,708,517**	61,104,833	706,349,492
Cash paid for income taxes		**(45,353,099)**	(77,889,246)	(19,200,765)
Net Cash From (Used in) Operating Activities		**480,355,418**	(16,784,413)	687,148,727
CASH FLOWS FROM INVESTING ACTIVITIES				
Net proceeds from disposal of investment properties	11	**1,149,542,138**	-	-
Acquisition of investment in associates	8	**(152,012,500)**	-	-
Net proceeds from disposal of investment in an associate	8	**50,502,228**	-	-
Dividends received from HTM investment	7, 16	**10,233,191**	10,306,503	-
Acquisition of property and equipment	10	**(11,011,993)**	(330,307)	(5,002,202)
Interest received	4, 16	**8,807,425**	4,584,332	175,484
Acquisition of intangible asset		**-**	-	-
Proceeds from sale of financial assets at FVTPL		**-**	57,192,545	34,132,707
Purchases of financial assets at FVTPL		**-**	(25,622,827)	(5,959,325)
Proceeds from sale of AFS financial assets		**-**	62,477	96,929
Proceeds from sale of HTM investment		**-**	5,521,187	-
Acquisition of HTM investment		**-**	-	(250,000,000)
Acquisition of investment properties		**-**	-	(6,271,013)
Acquisition of AFS financial assets		**-**	-	(894,985)
Net Cash From (Used in) Investing Activities		**1,056,060,489**	51,713,910	(233,722,405)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of loans	13	**(1,420,000,000)**	(1,182,500,000)	(1,528,000,000)
Proceeds from availment of loans	13	**520,000,000**	1,125,000,000	550,000,000
Dividends paid	20	**(44,400,000)**	(365,494,338)	-
Acquisition of treasury shares	20	**(29,973,840)**	-	-
Interest paid		**(19,042,472)**	(50,747,251)	(95,086,591)
Net proceeds from issuance of shares of stock	20	**-**	1,121,425,433	-
Settlement of advances from related parties	18	**-**	(349,192,601)	(100,497,916)
Collection of subscription receivable during the year	20	**-**	165,000,000	240,000,000
Advances obtained from related parties	18	**-**	-	770,330,926
Net Cash From (Used in) Financing Activities		**(993,416,312)**	463,491,243	(163,253,581)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,563,116**	998,123	(143,103)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**545,562,711**	499,418,863	290,029,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**837,551,006**	338,132,143	48,102,505
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,383,113,717**	P 837,551,006	P 338,132,143

Supplemental Information on Non-cash Financing Activities:

1) In 2014, the Parent Company entered into an assignment of receivables and offsetting arrangement with certain related parties wherein the balances of the Parent Company's advances to its affiliates amounting to P414.3 million were assigned in payment and set-off against the equivalent amount of the Parent Company's advances from its shareholder and Chairman of the Board of Directors (see Note 18).

2) In 2014, the Parent Company's Board of Directors approved the declaration of cash dividends amounting to P265.5 million in favor of stockholders of record as of December 31, 2014 to be paid and distributed in proportion to their shareholdings in the Parent Company in March 2015. The said dividends were fully settled in 2015 (see Note 20).

3) In 2015, Anesy Holdings Corporation (Anesy) subscribed to an additional 353,000,000 common shares of the Parent Company which was fully paid by virtue of the conversion of its P350,000,000 advances to the Parent Company into common shares and with the remaining balance paid in cash by Anesy to the Parent Company (see Note 20).

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARY

(A Subsidiary of Anesy Holdings Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

SBS Philippines Corporation (the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 2001. Its registered office address and principal place of business is No. 10 Resthaven Street, San Francisco Del Monte, Quezon City.

The Parent Company's common shares are listed and traded in the Philippine Stock Exchange (PSE) beginning August 10, 2015 (see Note 20.1).

The Parent Company is a subsidiary of Anesy Holdings Corporation ("Anesy" or the "Ultimate Parent Company"). Anesy is engaged in the business of holding, owning and acquiring shares of stocks, bonds and other investments in any and all types of business enterprise engaged in any productive or commercial activity. Its registered office, which is also its principal place of business, is located at No. 37 Judge Juan Luna St., San Francisco del Monte, Quezon City.

The Parent Company is currently engaged in trading of goods and buying, selling, distributing and marketing at wholesale goods such as chemicals, fertilizers, foodstuffs, agricultural products feed ingredients, industrial products and medical devices.

On October 15, 2014, the Board of Directors ("BOD)" and stockholders of the Parent Company approved the following amendments to the Parent Company's Articles of Incorporation and By-laws, which amendments were approved by the SEC on November 18, 2014 and by the Bureau of Internal Revenue (BIR) on September 2, 2015:

(a) change in the Parent Company's corporate name from Sytengco Philippines Corporation to SBS Philippines Corporation;

(b) change in the Parent Company's registered office, which is also its principal place of business, from Rm. 503 Regina Garden II, Reina Regente Street, Binondo, Manila to No. 10 Resthaven Street, San Francisco Del Monte, Quezon City; and,

(c) increased the authorized capital stock from 220,000 common shares with par value of P100 per share to 1.0 billion common shares with par value of P1.00 per share.

On December 2, 2014, the BOD and stockholders of the Parent Company approved a further increase in the authorized capital stock of the Company to 1.6 billion common shares with par value of P1.00 per share (see Note 20.1), which was approved by the SEC on December 18, 2014.

On December 5, 2016, the Parent Company subscribed to 311,897 common shares, with a par value of P1.00 per share, representing a 99.8% ownership interest in SBS Holdings and Enterprises Corporation ("SBS Holdings" or "Subsidiary", together with the Parent Company, collectively referred to herein as "the Group"). The principal place of business of SBS Holdings is the same as that of the Parent Company. The Subsidiary shall serve principally as a holding company for business interests in real estate and other property related businesses.

The consolidated financial statements of the Group as of and for the year ended December 31, 2016 (including the comparative financial statements of the Parent Company as of December 31, 2015 and for the years ended December 31, 2015 and 2014) were authorized for issue by the Company's BOD on February 28, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Group and the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

As discussed in Note 1, SBS Holdings became a subsidiary of the Parent Company in 2016. Accordingly, starting 2016, the Group now prepares consolidated financial statements. The financial statements as of and for the year ended December 31, 2016 is the first consolidated financial statements of the Group. Because the Parent Company has no subsidiary prior to 2016, the statement of financial position as of December 31, 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash follows for the years ended December 31, 2015 and 2014 is that of the Parent Company only.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 (Amendments)	:	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding page are the relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative.* The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation.* The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants.* The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements*. These amendments introduce a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*.

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) Effective in 2016 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's financial statements:

PAS 38 (Amendments)	:	Intangible Assets – Clarification of Acceptable Methods of Amortization
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PFRS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"

PFRS 5 (Amendments)	:	Financial Instruments: Disclosures – Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-14, *Application of PFRS 15, "Revenue from Contracts with Customers." on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Basis for Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiary, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expense and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

A subsidiary is an entity (including a structured entity) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A Subsidiary is consolidated from the date the Parent Company obtains control.

The Parent Company reassess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquire and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain (see Note 2.4).

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investment in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings or Losses of an Associate account in profit or loss.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

2.4 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into loans and receivables and held-to-maturity (HTM) investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets is as follows:

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Trade and Other Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Group were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to available-for-sale (AFS) financial assets. HTM investments are included under the Other Non-current Financial Assets in the statement of financial position, except those maturing within 12 months from end of the reporting period, which are presented as part of current assets. The Group currently holds government and corporate bonds designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment if there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income (Costs) – net account in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. The cost of merchandise inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.7 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. (see Note 2.16).

2.8 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	13 years
Transportation and other equipment	5 years
Furniture and fixtures	3 years

Amortization of leasehold improvements is recognized over their estimated useful life of 13 years, regardless of the term of the lease as management believes that it is probable that the Group will renew the lease agreement for the warehouses where the property and equipment and the office are located, for a period of item that may extend beyond the current lease term [see Note 3.1(e)].

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are accounted for under the cost model and are measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of preparing the asset for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

An item of investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (excluding tax-related liabilities) and Loans Payable, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Income (Costs) – net in the statement of comprehensive income.

Loans payable and trust receipts payable (presented as part of Trade and Other Payables) were raised for working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods measured by reference to the fair value of consideration received or receivable by the Group, excluding value-added tax (VAT), rebates and trade discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery of the goods sold.

(b) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

(c) *Dividend income* – Revenue is recognized when the Group's right to receive payment is established.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.18).

2.14 Leases

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset is classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Foreign Currency Translation and Transactions

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of profit or loss from operations.

2.16 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, investments in associates and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.17 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. The Group's defined post-employment covers all regular full time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs account in profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

2.18 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The Group establishes liabilities for probable and estimable assessments by the BIR resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes available.

2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's revenue sources as disclosed in Note 26, which represent the main revenue sources provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements, except that the post-employment benefit expense is not included in the calculation of the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.23 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Group by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. As of December 31, 2016 and 2015, the Group does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equivalent to the basic earnings per share.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Classifying Financial Assets as HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as preferred shares, as HTM investments, the Group evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances as allowed under the applicable PFRS, it will be required to reclassify the whole class as AFS financial assets. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost. The Group sold a portion of its HTM investments in 2015. Management deemed that the transaction is not significant in order for the full amount of investments to be reclassified out of HTM (see Note 7).

(b) Determining Significant Influence over an Entity in which the Company holds less than 20% Ownership

The Company determines whether significant influence exists in investment where the Company holds less than 20% ownership interest over the investee. The Company considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee and routine participation in management decisions in making judgment.

Based on management's judgment, even with 17% ownership over I Bonding Holdings Corporation (IBHC) as of December 31, 2016, the Company considers IBHC as an associate due to the presence of significant influence, but not control, over IBHC's operations since the Company's Chairman of the BOD is also a director of IBHC (see Note 8).

(c) Distinguishing Investment Properties and Owner-managed Properties

The Group determined that its parcels of land qualify as investment properties. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash-flows that are attributable not only to the property but also to other assets used in the Group's main line of business. Based on management's assessment, the properties qualify as investment properties.

(d) Distinguishing Operating and Finance Lease

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(e) Amortizing Leasehold Improvements

The Group amortizes leasehold improvements over the estimated useful life of the improvements regardless of the term of the lease because management believes that it is probable that the Group will renew the lease agreement for the warehouses where it operates for a period of time that will extend beyond the current term of the lease.

(f) Recognizing Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant provisions and contingencies are presented in Note 21.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimating Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and counterparties, the customers' and counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

Management determined that no impairment loss on trade and other receivables should be recognized for the years ended December 31, 2016, 2015 and 2014 based on its assessment of the collectability of the accounts (see Note 5).

(b) Determining NRV of Inventories

In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. It also takes into consideration the obsolescence of the inventory in determining NRV. The future realization of the carrying amounts of inventories as disclosed in Note 6 is affected by price changes in different market segments. These aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. Management believes that Group's inventories are properly valued at lower of cost and NRV as of December 31, 2016 and 2015.

(c) Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are presented in Note 10. Based on management's assessment as at December 31, 2016 and 2015, there is no change in the estimated useful lives of those assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on non-financial assets for the years ended December 31, 2016, 2015 and 2014 based on management's assessment.

(e) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 11 to the financial statements as determined using market comparable approach reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation is the price per square meter, hence, the higher the price per square meter, the higher the fair value. The Company engages services of professional and independent appraisers applying the relevant valuation methodologies.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense, an analysis of the movements in the estimated present value of post-employment defined benefit obligation and assumptions used are presented in Note 17.2.

(g) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management has assessed that the amount of tax benefits from its future deductible differences which is recognized as deferred tax assets as at December 31, 2016 and 2015 will be fully utilized subsequently. The carrying value of deferred tax assets is disclosed in Note 19.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2016	2015
Cash on hand and in banks	**P 855,805,119**	P 108,721,866
Short-term placements	**527,308,598**	728,829,140
	P 1,383,113,717	P 837,551,006

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods ranging from 30 to 90 days in 2016 and 2015, and earn effective interests ranging from 0.5% to 2.5% per annum. Interest income from Cash and Cash Equivalents for the years ended December 31, 2016, 2015 and 2014 is presented under the Finance Income (Costs) – net account in the statements of comprehensive income (see Note 16).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2016	2015
Trade receivables	18.1	**P 85,983,587**	P 125,448,695
Other receivables		**12,998,414**	423,546
		P 98,982,001	P 125,872,241

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All of the Group's trade and other receivables have been reviewed for indicators of impairment. Based on management's assessment, no impairment loss should be recognized for the years ended December 31, 2016, 2015 and 2014.

6. INVENTORIES

Except for the portion of inventories stated at NRV, inventories at the end of 2016 and 2015 were stated at cost. The details of inventories are shown below.

	2016	2015
At cost	**P 898,238,694**	P 1,041,201,795
At net realizable value:		
Cost	**680,807,827**	761,886,424
Allowance for inventory write-down	**(265,904,925)**	(275,888,275)
	414,902,902	485,998,149
	P 1,313,141,596	P 1,527,199,944

An analysis of the cost of inventories included in cost of sales as of December 31, 2016 and 2015 is presented in Note 14.

A reconciliation of the allowance for inventory write-down at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**P 275,888,275**	P 263,496,492
Recovery during the year	**(9,983,350)**	-
Provision during the year	**-**	12,391,783
	P 265,904,925	P 275,888,275

In 2016, the Group recognized a gain of P10.0 million following the sale and recovery of certain merchandise inventories in which costs were written-down to its NRV in previous years and is presented as part of Cost of Goods Sold account in the 2016 statement of comprehensive income (see Note 14).

In 2015, the Parent Company recognized additional provision for inventory write-down amounting to P12.4 million presented as Provision for inventory write down under the Cost of Goods Sold account in the 2015 statement of comprehensive income (see Note 14). No additional provision was recognized for the year ended December 31, 2016.

As of December 31, 2016 and 2015, the Group and the Parent Company, respectively, has no inventory purchase commitments.

7. HELD-TO-MATURITY INVESTMENTS

HTM investments amounting to P244.7 million acquired in 2014 pertain to cumulative, non-voting, class "B" series preferred shares listed in the PSE, which bear fixed interest rate of 5.58% per annum and will mature on November 5, 2024. Aside from the maturity date, these investments have an optional redemption date on November 5, 2019 and on any dividend payment date thereafter.

In 2016 and 2015, the Group received dividend income amounting to P10.2 million and P10.3 million, respectively, from its HTM investments (see Note 16). No dividend income was received in 2014.

In 2015, the Parent Company sold an insignificant portion of HTM investments amounting to P5.3 million resulting to gain on sale of P0.3 million which is presented as part of the Others – net under the Finance Income (Costs) – net account in the 2015 statement of comprehensive income (see Note 16). Accordingly, the sale did not constitute to tainting as defined under PAS 39.

8. INVESTMENTS IN ASSOCIATES

The components of the carrying values of investments in associates accounted for under the equity method are as follows:

	% Interest Held	**2016**	2015
Lakerfield Phils. Holding Corp. (LPHC)	37.0%	**P 56,340,763**	P -
Cleon Phils. Holding Corporation (CPHC)	37.2%	**46,224,648**	-
Ayschester Holdings Corporation (AHC)	25.0%	**36,424,652**	-
IBHC	17.0%	**8,974,420**	-
Neschester Corporation (Neschester)	35.0%	**-**	18,113,172
		P 147,964,483	P 18,113,172

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**P 18,113,172**	P 18,388,692
Additions	**152,012,500**	-
Disposals	**(18,113,172)**	-
Equity in net losses	**(4,048,017)**	(275,520)
	P 147,964,483	P 18,113,172

The Parent Company's investment in an associate as of December 31, 2015 pertains to the holdings of the Parent Company in Neschester which were fully sold in August 2016 for a net consideration of P50.5 million, resulting to a net gain of P32.4 million which is reported as part of Gain on Sale of Investment Properties and an Associate account in the 2016 statement of comprehensive income.

The Parent Company's management believes that it does not have effective control over the investee companies but significant influence only. Consequently, the Parent Company accounted for its investment on the investee companies under the equity method. In 2016, the Parent Company recognized its share in the net losses of the Investee companies in the total amount of P4.0 million and is presented as Equity in Net Losses of Associates in the 2016 statement of comprehensive income.

The total amount of the assets, liabilities, expenses and net loss of these investee companies are reported as follows:

	Assets	Liabilities	Expenses	Net Loss
December 31, 2016:				
AHC	**P 458,337,967**	**P 312,639,357**	**P 9,301,390**	**P 9,301,390**
CPHC	**46,245,980**	**590,466**	**906,986**	**906,986**
LPHC	**467,758,494**	**315,486,163**	**2,727,668**	**2,727,668**
IBHC	**174,803,053**	**122,012,349**	**2,209,296**	**2,209,296**
December 31, 2015:				
Neschester	P 313,233,681	P 260,636,874	P 787,590	P 787,200

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account is composed of the following:

	2016	2015
Input VAT	**P 131,707,662**	P 129,818,894
Creditable withholding tax	**7,880,786**	-
Prepaid expenses	**6,156,306**	4,051,744
	P 145,744,754	P 133,870,638

Prepaid expenses pertain mainly to advance payments made on real property taxes, insurance premiums and security deposits.

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2016 and 2015 are shown below.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
December 31, 2016				
Cost	P 6,842,022	P 45,465,986	P 4,457,224	P 56,765,232
Accumulated depreciation and amortization	(3,090,017)	(29,501,313)	(3,756,231)	(36,347,561)
Net carrying amount	**P 3,752,005**	**P 15,964,673**	**P 700,993**	**P 20,417,671**
December 31, 2015				
Cost	P 6,744,206	P 34,752,279	P 4,256,754	P 45,753,239
Accumulated depreciation and amortization	(2,559,738)	(24,365,677)	(3,304,658)	(30,230,073)
Net carrying amount	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166
January 1, 2015				
Cost	P 6,744,206	P 34,521,118	P 4,157,608	P 45,422,932
Accumulated depreciation and amortization	(2,040,953)	(18,568,740)	(2,600,990)	(23,210,683)
Net carrying amount	P 4,703,253	P 15,952,378	P 1,556,618	P 22,212,249

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2016 and 2015 is shown below.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166
Additions	97,816	10,713,707	200,470	11,011,993
Depreciation and amortization charges for the year	(530,279)	(5.135,636)	(451,573)	(6,117,488)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P 3,752,005**	**P 15,964,673**	**P 700,993**	**P 20,417,671**
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 4,703,253	P 15,952,378	P 1,556,618	P 22,212,249
Additions	-	231,161	99,146	330,307
Depreciation and amortization charges for the year	(518,785)	(5.796,937)	(703,668)	(7,019,390)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166

In 2016, 2015, and 2014, depreciation and amortization is presented under Other Operating Expenses in the statements of comprehensive income (see Note 14).

As of December 31, 2016 and 2015, the gross carrying amount of the Parent Company's fully-depreciated property and equipment that are still in use is P21.3 million and P7.3 million, respectively.

11. INVESTMENT PROPERTIES

The Group's investment properties represent parcels of land held primarily for capital appreciation. Currently, certain investment properties are provisionally being leased out to third parties for minor incidental purposes with an average lease term of one year in 2016 and 2015. A reconciliation of the carrying amount of investment properties at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**P 955,287,542**	P 955,287,542
Disposals during the year	**(323,268,335)**	-
Balance at end of year	**P 632,019,207**	P 955,287,542

Rental revenues earned by the Group from incidental lease of certain investment properties and sub-lease transactions amounted to P8.4 million in 2016, P6.8 million in 2015, and P15.2 million in 2014, and are reported under Other Operating Income in the statements of comprehensive income (see Note 15). The real property taxes on investment properties amounted to P2.7 million in 2016, P2.9 million in 2015, and P3.0 million in 2014 and were recognized and reported as part of Taxes and licenses under Other Operating Expenses in the statements of comprehensive income (see Note 14).

In May 2016, the Group sold certain investment properties with carrying amount of P323.3 million for a total consideration of P1.1 billion. The resulting gain on sale of investment properties, net of taxes and other direct costs of disposal, amounted to P826.3 million and is presented as part of Gain on Sale of Investment Properties and an Associate account in the statement of comprehensive income for the year ended December 31, 2016.

The carrying amount of investment properties as of December 31, 2015 are used as collateral to secure certain long-term loans from local banks (see Note 13). However, in 2016, the investment properties are released as collateral due to the repayment by the Company of the related loans.

As determined by independent and SEC-accredited property appraisers, the fair market values of these investment properties as of December 31, 2016 and 2015 amounted to P2.1 billion and P2.9 billion, respectively (see Note 23).

The Group's management believes that the investment properties are not impaired as the fair value of these properties as of the end of the reporting periods exceeds their carrying amounts as reported in the statements of financial position.

12. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2016	2015
Trust receipts payable		**P 226,307,624**	P 155,765,017
Accrued expenses	18.7, 18.4 21.2	**40,201,507**	8,457,070
Trade payables		**22,953,468**	9,916,495
Security deposits and advance rentals	21.1	**2,684,457**	36,830,998
Others		**14,953,719**	4,039,715
		P 307,100,775	P 215,009,295

Accrued expenses and other payables include obligations relating to the accrual of security services, professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

The Group avails of trust receipt facilities with local banks that were used to finance its purchases of inventories. These short-term trust receipts, which are secured by the related inventories, bear interests based on prevailing market interest rates, usually ranging from 2.5% to 4.5% in 2016, 2015 and 2014 and have maturity of one to twelve months.

Interest expense incurred on these transactions in 2016, 2015 and 2014 amounted to P3.1 million, P7.7 million and P6.6 million, respectively, and is presented as part of Interest expense under Finance Income (Costs) – net in the statements of comprehensive income (see Note 16). There is no unpaid interest as of December 31, 2016 and 2015.

In 2016, Certain security deposits and advance rentals amounting to P23.1 million and P11.0 million, respectively, were refunded and applied against rental payments following the termination of some lease agreements during the year.

13. LOANS PAYABLE

This account includes the following as at December 31:

	2016	2015
Current	**P 467,500,000**	P 1,055,000,000
Non-current	**-**	312,500,000
	P 467,500,000	P 1,367,500,000

A reconciliation of the movements in the amount of loans payable at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**P 1,367,500,000**	P 1,425,000,000
Availments during the year	**520,000,000**	1,125,000,000
Settlements made	**(1,420,000,000)**	(1,182,500,000)
	P 467,500,000	P 1,367,500,000

For the current and prior years, the Group obtained secured and unsecured, short-term and long-term interest-bearing loans from local banks. These loans were subject to annual interest rates ranging from 1.1% to 4.25% in 2016, 1.1% to 4.25% in 2015, and 3.0% to 5.0% in 2014 and the proceeds for which were used for working capital requirements.

Interest expense incurred on these loans in 2016, 2015 and 2014 amounted to P15.9 million, P43.0 million and P88.4 million, respectively, and is presented as part of Interest expense under Finance Income (Costs) – net in the statements of comprehensive income (see Note 16). There is no unpaid interest as of December 31, 2016.

The carrying amount of investment properties as of December 31, 2015 are used as collateral to secure certain long-term loans (see Note 11). However, in 2016, such loans were repaid by the Company; hence, the investment properties are released as collateral. The outstanding loans as of December 31, 2016 was availed using its credit line facility wherein no collateral is needed.

14. OPERATING EXPENSES BY NATURE

The components of the Group's cost of sales follow:

	Note	**2016**	2015	2014
Inventories at beginning of year	6	**P 1,803,088,219**	P 1,821,424,877	P 1,794,429,251
Purchases		**579,831,373**	651,471,690	743,581,570
Total goods available for sale		**2,382,919,592**	2,472,896,567	2,538,010,821
Provision for inventory write-down	6	**-**	12,391,783	-
Recovery on inventory write-down	6	**(9,983,350)**	-	(48,073,518)
Inventories at end of year	6	**(1,579,046,521)**	(1,803,088,219)	(1,821,424,877)
		P 793,889,721	P 682,200,131	P 668,512,426

Other operating expenses, based on their nature, are broken down as follows:

	Notes	2016	2015	2014
Salaries and wages	17.1	**P 27,436,526**	P 22,074,491	P 16,098,594
Rental	21.2	**17,016,388**	15,978,321	1,096,473
Taxes and licenses	11	**14,397,088**	16,288,224	10,046,716
Transportation and travel		**14,006,536**	8,087,789	3,718,155
Insurance		**8,251,446**	3,524,965	1,428,143
Professional fees	18.7	**6,600,289**	21,006,826	33,228,887
Depreciation and amortization	10	**6,117,488**	7,019,390	6,746,374
Outside services		**5,617,360**	7,597,289	7,384,434
Representation		**5,153,335**	5,652,346	3,944,334
Trainings and seminar		**4,153,189**	4,811,674	2,514,764
Utilities		**3,182,127**	3,095,298	2,477,280
Office supplies		**1,618,820**	1,646,228	900,153
Repairs and maintenance		**1,449,409**	1,573,588	4,749,183
Advertising and promotions		**1,251,039**	547,658	388,675
Donations		**1,051,429**	1,049,500	310,000
Dues and subscription		**1,039,738**	555,383	1,094,211
Others		**4,727,783**	3,218,027	4,263,131
		P 123,069,990	P 123,726,997	P 100,389,507

15. OTHER OPERATING INCOME

In 2016, 2015 and 2014, certain properties were subject of a direct lease and sub-lease arrangements to third parties for an average lease term of one year in 2016, 2015 and 2014 with no escalation rate (see Note 21.1). Rental revenues, presented as Other Operating Income in the statements of comprehensive income, amounted to P110.2 million, P100.8 million and P73.2 million in 2016, 2015 and 2014, respectively (see Note 11).

16. FINANCE INCOME (COSTS) – Net

This account is composed of the following:

	Notes	2016	2015	2014
Interest expense	12, 13, 17.2(b)	**(P 19,345,507)**	(P 50,843,630)	(P 95,086,591)
Dividend income	7	**10,233,191**	10,306,503	-
Interest income	4	**8,807,425**	4,584,332	175,484
Foreign currency loss (gain) – net		**2,549,600**	1,291,496	(143,103)
Gain on sale of financial assets at FVTPL		**-**	2,310,003	6,134,247
Fair value loss on financial assets at FVTPL		**-**	-	(618,100)
Others – net	7, 18.6	**2,613,603**	3,085,527	(1,082,024)
		P 4,858,312	(P 29,265,769)	(P 90,620,087)

17. EMPLOYEE BENEFITS

17.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits, which were presented as part of Other Operating Expenses, are presented below.

	Note	2016	2015	2014
Short-term benefits		**P 26,980,475**	P 21,734,786	P 15,931,621
Post-employments benefits	17.2(b)	**456,051**	339,705	166,973
		P 27,436,526	P 22,074,491	P 16,098,594

17.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group, at present, has no formal, tax-qualified retirement plan. The Group accrues post-employment benefit based on the provisions of Republic Act 7641, *Retirement Pay Law*, in accordance with the projected unit credit method wherein actuarial valuations are made with sufficient regularity to update the retirement benefit costs.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 5 years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 85% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2016 and 2015.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position amounts to P8.2 million and P6.9 million as of December 31, 2016 and 2015, respectively.

The amounts and movements in the present value of post-employment defined benefit obligation recognized in the statements of financial position are determined below:

		2016		2015
Balance at beginning of year	**P**	**6,902,836**	P	2,190,431
Current service cost		**456,051**		339,705
Interest cost		**303,035**		96,379
Remeasurements:				
Actuarial losses arising from:				
- experience adjustments		**737,526**		4,273,119
- changes in financial assumptions		**(239,393)**		3,202
	P	**8,160,055**	P	6,902,836

The components of amounts recognized in profit or loss and in other comprehensive loss in respect of the defined benefit post-employment plan are as follows:

		2016		2015		2014
Reported in profit or loss:						
Current service cost	**P**	**456,051**	P	339,705	P	166,973
Interest cost		**303,035**		96,379		54,093
	P	**759,086**	P	436,084	P	221,066
Reported in other comprehensive loss:						
Actuarial losses arising from changes in:						
- experience adjustments	**P**	**737,526**	P	4,273,119	P	748,932
- change in financial Assumptions		**(239,393)**		3,202		31,572
	P	**498,133**	P	4,276,321	P	780,504

The interest cost is included as part of Finance Income (Costs) – net in the statements of comprehensive income (see Note 16).

Amounts recognized in other comprehensive loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the post-employment defined benefit obligation, the following actuarial assumptions were used:

	2016	2015	2014
Discount rates	**4.9%**	4.4%	4.4%
Expected rate of salary increases	**4.0%**	4.0%	4.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 22 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment defined benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Rate Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2016 and 2015:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumptions	Increase in Assumptions	Decrease in Assumptions
December 31, 2016			
Discount rate	**+/- 1%**	**(P 369,763)**	**P 383,185**
Salary increase rate	**+/- 1%**	**382,833**	**(390,823)**
December 31, 2015			
Discount rate	+/- 1%	(P 297,857)	P 312,163
Salary increase rate	+/- 1%	312,163	(297,857)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

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

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2016, the Group is yet to determine how much and when to fund its post-employment defined benefit obligation.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2016	2015
Within one year	**P 4,105,708**	P 3,910,898
More than one year to five years	**1,469,809**	791,384
More than five years to ten years	**3,410,619**	2,948,309
More than ten years to 15 years	**4,688,067**	4,368,257
More than 15 years to 20 years	**3,210,834**	2,105,651
	P 16,885,037	P 14,124,499

18. RELATED PARTY TRANSACTIONS

The Group's related parties include companies under common ownership and its key management personnel. The transactions with these related parties are discussed below.

		Amount of Transactions			Outstanding Balances Receivables (Payables)	
Related Party Category	Notes	**2016**	2015	2014	**2016**	2015
Related Parties Under Common Ownership:						
Sale of goods	18.1	**P 8,472,375**	P 38,152,506	P 56,283,882	**P 4,499,053**	P 22,956,932
Advances granted	18.2	**-**	-	(740,550,680)	**-**	-
Advances obtained	18.3	**-**	(160,531,201)	(283,104,220)	**-**	-
Lease agreements	18.4	**17,008,013**	15,569,196	970,614	**2,593,058**	-
Shared business & management services	18.6	**1,778,571**	1,778,571	-	**-**	-
Key Management Personnel:						
Fees paid	18.7	**12,698,944**	2,346,000	3,582,076	**-**	-
Advances obtained	18.7	**-**	-	(538,661,400)	**-**	

Based on management's assessment, receivables from related parties are not impaired as of December 31, 2016 and 2015.

18.1 Sale of Goods

In 2016, 2015 and 2014, the Group sold goods to a certain related party under common ownership in the regular course of business and is reported as part of Sale of Goods in the statements of comprehensive income. The outstanding receivables arising from this transaction as at December 31, 2016 and 2015, which are generally non-interest bearing, unsecured and settled through cash, are reported as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

18.2 Advances to Related Parties

In 2014, the Group granted noninterest-bearing and unsecured advances to certain related parties under common ownership for working capital requirements. These advances as funding support had no repayment terms and were due and payable in cash on demand. In 2014, the Group entered into an assignment of its receivables and offsetting arrangement with related parties wherein the balance of the Group's advances to its affiliates were assigned in payment and set-off against the equivalent amount of the Group's advances from its shareholder and Board Chairman (see Note 24.2).

There were no advances granted by the Group to related parties in 2016 and 2015.

18.3 Advances from Related Parties Under Common Ownership

In 2015, 2014 and 2013, the Group obtained noninterest-bearing and unsecured interim advances from its related parties under common ownership for working capital requirements. These interim advances were due and payable on demand.

There are no outstanding liability from these transactions as of December 31, 2016 and 2015.

18.4 Lease Agreements

The Group, as a lessee, entered into operating lease agreements with Canon Realty and Development Corp., Aneco Realty and Development Corp., Anase Realty and Enterprises Corporation, Canon Freight Forwarders Corporations, all related parties under common ownership, and its Chairman of the Board of Directors, covering certain warehouses with an average term of one to three years.

Rental expense in 2016, 2015 and 2014 arising from the foregoing lease agreements is shown as part of Rentals under Other Operating Expenses in the statements of comprehensive income (see Notes 14 and 21.2). Outstanding liability arising from these transactions as of December 31, 2016 and 2015 is shown as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 12).

18.5 Cross Corporate Guarantee

In consideration of the group credit lines made available by its bankers to the Group, certain of its affiliates and shareholder-director in 2015 and 2014, the Group, the said affiliates and shareholder-director have agreed to cross-guarantee each other's obligation for short term loans obtained under the group credit facility (see Note 21.3). The Group's management assessed that the fair value of the guarantee liability, if any, is not significant to the financial statements. The cross guarantees issued by the Group to secure the bank obligations of such affiliates and shareholder-director were all terminated in March 2015 and ceased to have any effect.

18.6 Shared Business and Management Services

In 2015, the Parent Company entered into a service agreement with its related parties under common ownership wherein the latter shall provide certain operational, management and administrative services for a fee.

Management fees charged by the Parent Company are recognized as part of Others – net under the Finance Income (Costs) – net account in the statements of comprehensive income (see Note 16).

18.7 Advances from and Payments to Key Management Personnel

Payments received by key management personnel pertain to service fees in 2016, 2015 and 2014, which are presented as part of Professional fees under Other Operating Expenses in the statements of comprehensive income (see Note 14). The outstanding liability on these services is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 12).

In 2014, the Parent Company obtained noninterest-bearing and unsecured advances from its shareholder and Chairman of the Board for working capital requirements. These advances had no repayment terms and were due and payable on demand or through offsetting arrangements. A portion of these advances were paid by way of an assignment of the Parent Company of its receivables from its affiliates for set-off against the Company's payables to the shareholder and Chairman of the Board under an assignment in payment arrangement. The outstanding liability from these advances is presented as part of Advances from Related Parties in the statements of financial position. There were no new advances obtained in 2016 and 2015.

In prior years, the Group had availed of various credit line facilities in which the credit availments were subject to cross suretyship arrangements by its shareholder-directors and continuing surety arrangement of shareholder and Chairman of the Board (see Note 21.3). The Group did not record the fair value of the guarantee liability because of the low probability of default in paying the borrowings.

As of December 31, 2016, there were no existing cross surety arrangements between the Group and any of its related parties (see Note 18.5).

19. TAXES

The components of tax expense as reported in the statements of comprehensive income are presented as follows:

	2016	2015	2014
Reported in profit or loss			
Regular corporate income tax (RCIT) at 30%	**P 38,002,556**	P 52,864,689	P 43,597,383
Deferred tax expense expense (income) relating to origination and reversal of temporary differences	**5,319,552**	(6,560,589)	2,107,701
	P 43,322,108	P 46,304,100	P 45,705,084
Reported in other comprehensive loss			
Deferred tax income relating to origination and reversal of other temporary differences	**(P 149,440)**	(P 1,282,896)	(P 234,151)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the profit or loss is as follows:

	2016	2015	2014
Tax on pretax profit at 30%	**P 316,455,714**	P 61,592,997	P 43,763,181
Tax effect of:			
Non-taxable income	**(263,311,043)**	(5,017,934)	(1,815,603)
Direct costs on disposal of of investment properties and an associate	**(11,028,130)**	-	-
Non-deductible expenses	**1,208,653**	701,407	362,329
Net operating loss carryover (NOLCO)	**(3,086)**	-	-
Stock issuance costs	**-**	(10,972,370)	-
Unrecognized deferred tax asset	**-**	3,395,177	-
	P 43,322,108	P 46,304,100	P 45,705,084

The net deferred tax assets relate to the following as of December 31:

	Statements of Financial Position		Statements of Comprehensive Income					
			Profit or Loss			Other Comprehensive Loss		
	2016	2015	**2016**	2015	2014	**2016**	2015	2014
Deferred tax liabilities -								
Unrealized foreign currency gains - net	**P 768,935**	P 299,437	**P 469,498**	P 299,437	(P 771,613)	**P -**	P -	P -
Fair value gain on financial assets at FVTPL	**-**	-	**-**	-	-	**-**	-	-
Rental income	**-**	-	**-**	-	-	**-**	-	-
	768,935	299,437	**469,498**	299,437	(771,613)	**-**	-	-
Deferred tax assets:								
Accumulated actuarial loss on retirement plan	**(1,743,805)**	(1,594,365)	**-**	-	-	**(149,440)**	(1,282,896)	(234,151)
Share in net loss of associate	**(1,555,423)**	(341,018)	**(1,214,405)**	(82,656)	(258,362)	**-**	-	-
Provision for inventory write-down	**(722,530)**	(3,717,535)	**2,995,005**	(3,717,535)	-	**-**	-	-
Retirement benefit obligation	**(704,212)**	(476,486)	**(227,726)**	(147,053)	(50,092)	**-**	-	-
Advance rental	**(561,166)**	(3,861,432)	**3,300,266**	(2,955,713)	(164,478)	**-**	-	-
NOLCO	**(3,086)**	-	**(3,086)**	-	-	**-**	-	-
Fair value loss on financial assets at FVTPL	**-**	-	**-**	-	3,395,177	**-**	-	-
Unrealized foreign currency losses - net	**-**	-	**-**	42,931	(42,931)	**-**	-	-
	(5,290,222)	(9,990,836)	**4,850,054**	(6,860,026)	2,879,314	**(149,440)**	(1,282,896)	(234,151)
Net Deferred Tax Assets	**(P 4,521,287)**	(P 9,691,399)						
Deferred Tax Expense (Income)			**P 5,319,552**	(P 6,560,589)	P 2,107,701	**(P 149,440)**	(P 1,282,896)	(P 234,151)

The Parent Company is subject to minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations or the RCIT, whichever is higher. In 2016, 2015 and 2014, the Company recognized RCIT as the RCIT is higher than the MCIT in those years.

In 2016, 2015 and 2014, the Group opted to claim itemized deductions in computing its income tax due.

20. EQUITY

20.1 Capital Stock

Capital stock consists of common shares with details shown below and in the succeeding page.

		Shares			Amount		
	Note	**2016**	2015	2014	**2016**	2015	2014
Authorized – P1 par value	1						
Balance at beginning of year		**1,550,000,000**	1,550,000,000	220,000	**P 1,550,000,000**	P 1,550,000,000	P 22,000,000
Increase during the year		**-**	-	1,549,780,000	**-**	-	1,549,780,000
Change due to decrease in par value		**-**	-	-	**-**	-	(21,780,000)
Balance at end of year		**1,550,000,000**	1,550,000,000	1,550,000,000	**P 1,550,000,000**	P 1,550,000,000	P 1,550,000,000
Issued and outstanding:							
Balance at beginning of year		**1,200,000,000**	262,000,000	220,000	**P 1,200,000,000**	P 262,000,000	P 22,000,000
Issuance of shares		**-**	773,000,000	-	**-**	773,000,000	-
Collection of subscription receivable		**-**	165,000,000	240,000,000	**-**	165,000,000	240,000,000
Change due to decrease in par value		**-**	-	21,780,000	**-**	-	-
Treasury shares		**(5,454,400)**	-	-	**(29,973,840)**	-	-
Balance at end of year		**1,194,545,600**	1,200,000,000	262,000,000	**P 1,170,026,160**	P 1,200,000,000	P 262,000,000

	Shares			Amount		
	2016	2015	2014	**2016**	2015	2014
Subscribed:						
Balance at beginning of year	**1,200,000,000**	427,000,000	220,000	**P 1,200,000,000**	P 427,000,000	P 22,000,000
Change due to decrease in par value	-	-	21,780,000	-	-	-
Additional subscription during the year	-	773,000,000	405,000,000	-	773,000,000	405,000,000
Balance at end of year	**1,200,000,000**	1,200,000,000	427,000,000	**P 1,200,000,000**	P 1,200,000,000	P 427,000,000
Subscription receivable						
Balance at beginning of year				**P -**	P 165,000,000	P -
Collections during the year				-	(165,000,000)	(240,000,000)
Additions during the year				-	-	405,000,000
Balance at end of year				**P -**	P -	P 165,000,000
				P 1,200,000,000	P 1,200,000,000	P 262,000,000

On March 5, 2015, Anesy subscribed to an additional 353,000,000 common shares of the Parent Company which was fully paid by virtue of the conversion of its P350,000,000 advances to the Parent Company into common shares and with the remaining balance paid in cash by Anesy to the Parent Company.

On April 8, 2015, the Parent Company applied for the registration of its common shares with the SEC and the listing of the Parent Company's shares on the PSE. The SEC approved the registration of the 1,200,000,000 common shares of the Parent Company on July 16, 2015 and the PSE approved the Parent Company's application for the listing of its common shares on July 23, 2015.

On August 10, 2015, the Parent Company, by way of an initial public offering (IPO), sold 420,000,000 shares of its common stock at an offer price of P2.75 per Offer Share and generated net proceeds of approximately P1.1 billion. In addition, IPO resulted to the recognition of additional paid-in capital amounting to P698.4 million, net of IPO related expenses amounting to P36.6 million.

The change in the number of authorized number of shares of the Parent Company in 2014 was due to decrease in the par value from P100 per share to P1.00 per share as a result of the amendment of the Company's articles of incorporation duly approved by the SEC (see Note 1).

As of December 31, 2016, the total number of registered stockholders based on the records of the Parent Company's Stock and Transfer Agent is six, with the shares held in the name of PCD Nominee Corporation belonging to 114 participants under Philippine Depository & Trust Corp. The Parent Company's listed shares closed at P5.75 per share as of December 29, 2016 (the last trading day in 2016).

20.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive loss presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	AFS Financial Assets (see Note 8.2)	Defined Benefit Obligation	Total
Balance as of January 1, 2016	P -	P 3,720,185	P 3,720,185
Remeasurements of defined benefit post-employment obligation	-	498,133	498,133
Fair value losses on AFS financial assets	-	-	-
Other comprehensive loss before tax		498,133	498,133
Tax income	-	(149,440)	(149,440)
Other comprehensive loss after tax	-	348,693	348,693
Balance at December 31, 2016	**P -**	**P 4,068,878**	**P 4,068,878**
Balance as of January 1, 2015	P 673,568	P 726,760	P 1,400,328
Remeasurements of defined benefit post-employment obligation	-	4,276,321	4,276,321
Fair value losses on AFS financial assets	(673,568)	-	(673,568)
Other comprehensive loss before tax	(673,568)	4,276,321	3,602,753
Tax income	-	(1,282,896)	(1,282,896)
Other comprehensive loss after tax	(673,568)	2,993,425	2,319,857
Balance at December 31, 2015	P -	P 3,720,185	P 3,720,185
Balance as of January 1, 2014	P -	P 180,407	P 180,407
Remeasurements of defined benefit post-employment obligation	-	780,504	780,504
Fair value losses on AFS financial assets	673,568	-	673,568
Other comprehensive loss before tax	673,568	780,504	1,454,072
Tax income	-	(234,151)	(234,151)
Other comprehensive loss after tax	673,568	546,353	1,219,921
Balance at December 31, 2014	P 673,568	P 726,760	P 1,400,328

20.3 Retained Earnings

In 2014, the Parent Company's BOD approved the reversal of the P275.0 million appropriated retained earnings originally set aside for the planned acquisition of a parcel of land and construction of a building in relation to its corporate expansion project.

On May 12, 2016, March 5, 2015 and December 29, 2014, the Parent Company's BOD approved the declaration of a cash dividends amounting to P44.4 million, P100.0 million and P265.5 million, respectively. There are no dividends payable as of December 31, 2016 and 2015.

On November 8, 2016, the Group's BOD approved a share buyback program and appropriated P200.0 million for this. The program commenced on November 22, 2016 and will continue until the amount earmarked for the program has been fully utilized or until such earlier time as the Group's BOD determines otherwise. As of December 31, 2016, the Parent Company has outstanding treasury shares consisting of 5,454,400 shares with cost amounting to P30.0 million.

20.4 Earnings per Share

Basic earnings per share are computed as follows:

	2016	2015	2014
Income available to common shares	**P 1,011,519,985**	P 159,005,890	P 100,172,187
Divided by the weighted average number of outstanding common shares	**1,199,090,933**	868,666,667	55,750,000
Basic earnings per share	**P 0.84**	P 0.18	P 1.80

21. COMMITMENTS AND CONTINGENCIES

21.1 Operating Lease Commitments – Group as Lessor

Certain real properties held by the Group as investment properties are provisionally leased out for certain minor incidental uses under an operating lease agreement (see Note 15). The leases have a maximum term of one year, with an option to renew under terms and conditions to be agreed upon by the parties. Also, the Group has a leased property that it subleases initially for a term of three years which was subsequently renewed in December 2014 for another three years until December 2017. Future minimum rentals receivable as of December 31, 2016 and 2015 amounts to P119.6 million and P196.6 million, respectively.

The security deposits which may be refunded to the counterparties at the end of the lease term and advance rentals which may be applied as lease payments amounted to P2.7 million and P36.8 million as of December 31, 2016 and 2015, respectively, and is presented under Trade and Other Payables account in the statements of financial position (see Note 12).

21.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under various operating lease agreements with certain related parties covering certain warehouses with terms ranging from one to three years. In 2016, the lease agreements were renewed for one year term renewable annually with a new rental fee (see Note 18.4). The future minimum lease payable under these non-cancellable operating leases as of December 31 follows:

	2016	2015	2014
Within one year	**P 28,478,841**	P 17,737,500	P 970,614
More than one year but less than five years	**-**	900,000	761,748
	P 28,478,841	P 18,637,500	P 1,732,362

Rentals incurred amounted to P17.0 million in 2016, P16.0 million in 2015 and P1.1 million in 2014 are shown as part of Rentals under Other Operating Expenses in the statements of comprehensive income (see Notes 14 and 18.4). The outstanding liability arising from these transactions are shown as part of Accrued expenses and other payables under Trade and Other Payables in the statements of financial position (see Note 12).

21.3 Credit Facilities

The Group has availed of various credit line facilities made available on group basis to the Group, certain of its affiliates and shareholder-directors. Availments under the credit facility are subject to cross suretyship arrangements between the Group, certain of its affiliates and shareholder-directors (see Notes 18.5 and 18.7). The credit lines are also subject to a continuing surety arrangement of the shareholder and Chairman of the Board in his capacity as controlling shareholder of the group. Outstanding balance from these credit lines amounted to P200.0 million as of December 31, 2015. There was no outstanding balance for these credit lines as of December 31, 2016.

21.4 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the financial statements. As of the end of 2016 and 2015, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's financial statements.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities.

The Group's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group actively engages in the trading of certain financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described in the succeeding pages.

22.1 Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2016 and 2015, the Group is exposed to changes in market interest rates through its loans payable (see Note 13) and cash in banks, which are subject to variable interest rates.

The United States dollar-denominated cash in banks are tested on a reasonably possible change of +/- 46 basis points (bps) and +/- 47 bps in 2016 and 2015, respectively. The calculations are based on financial instruments held at the end of each reporting period, estimated at 99% level of confidence. On the other hand, Philippine peso-denominated cash in banks and loans payable are tested on a reasonably possible change of +/- 11 in 2016 and +/- 13 in 2015 using standard deviation, estimated at 99% level of confidence. The calculations are based on the Group's financial instruments held at end of each reporting period.

The increase in bps would increase profit before tax by P2.7 million in 2016 and P2.1 million in 2015. Conversely, if the bps would decrease, with all other variables held constant, profit before tax would decrease in 2016 and 2015 by the same amounts.

22.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or the detailed analysis provided in the notes to financial statements as shown below.

	Notes	**2016**	2015
Cash and cash equivalents	4	**P 1,383,113,717**	P 837,551,006
HTM investments	7	**244,740,000**	244,740,000
Trade and other receivables	5	**98,982,001**	125,872,241
		P 1,726,835,718	P 1,208,163,247

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash in banks as described below.

(a) Cash and Cash Equivalents

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of the Group's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Based on historical information about the counterparty default rates, management consider the credit quality of the receivable that are not past due or impaired to be good.

Trade receivables that are past due but not impaired are as follows:

	2016	2015
Not more than three months	**P 47,929,966**	P 47,661,216
More than three months but not more than six months	**774,625**	2,205,325
More than six months but not more than one year	**169,503**	23,500
	P 48,874,094	P 49,890,041

(c) HTM Investments

No impairment loss has been recorded in relation to the debt securities held to maturity (see Note 7). No amounts related to investment in debts securities are past due.

22.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2016, the Group's financial liabilities have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
Trade and other payables	P 308,241,540	P -	P -
Loans payable	450,076,563	22,845,313	-
	P 758,318,103	**P 22,845,313**	**P -**

This compares to the maturity of the Parent Company's financial liabilities as of December 31, 2015 as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
Trade and other payables	P 215,539,385	P -	P -
Loans payable	523,995,510	553,841,931	336,498,785
	P 739,534,895	P 553,841,931	P 336,498,785

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Group monitors capital on the basis of the carrying amount of equity as presented on the statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The debt-to-equity ratio as of December 31 is presented below.

	2016	2015
Liabilities	**P 782,760,830**	P 1,596,762,674
Equity	**3,207,883,886**	2,271,086,434
Debt-to-equity ratio	**0.24 : 1.00**	0.70 : 1.00

24. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding page.

		2016		2015	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	4	**P 1,383,113,717**	**P1,383,113,717**	P 837,551,006	P 837,551,006
Trade and other receivables	5	**98,982,001**	**98,982,001**	125,872,241	125,872,241
		1,482,095,718	**1,482,095,718**	963,423,247	963,423,247
HTM investments – Debt securities	7	**244,740,000**	**265,787,640**	244,740,000	254,774,340
		P1,726,835,718	**P1,747,883,358**	P1,208,163,247	P1,218,197,587

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial liabilities					
Financial liabilities at amortized cost:					
Loans payable 13	**P**	**467,500,000 P**	**467,500,000** P	1,367,500,000P	1,367,500,000
Trade and other payables	12	**306,978,786**	**306,978,786**	214,240,821	214,240,821
		P 774,478,786	**P 774,478,786**	P1,581,740,821	P1,581,740,821

See Notes 2.5 and 2.10 for description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 22.

24.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2016 and 2015 and does not have relevant offsetting arrangements as of the end of the reporting periods. Currently, financial assets and financial liabilities are settled on a gross basis; however, if applicable, each party to the financial instrument will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties.

25. FAIR VALUE MEASUREMENT AND DISCLOSURES

25.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial asset which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

25.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2016 and 2015 statements of financial position but for which fair value is disclosed.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P1,383,113,717	P -	P -	P 1,383,113,717
Trade and other receivables	-	-	98,982,001	98,982,001
Debt security – HTM investment	265,787,640	-	-	265,787,640
	P1,648,901,357	**P -**	**P 98,982,001**	**P1,747,883,358**
Financial liabilities:				
Trade and other payables	P -	P -	P 306,978,786	P 306,978,786
Loans payable	467,500,000	-	-	467,500,000
	P 467,500,000	**P -**	**P 306,978,786**	**P 774,478,786**

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 837,551,006	P -	P -	P 837,551,006
Trade and other receivables	-	-	125,872,241	125,872,241
Debt security – HTM investment	254,774,340	-	-	254,774,340
	P 1,092,325,346	P -	P 125,872,241	P 1,218,197,587
Financial liabilities:				
Trade and other payables	P -	P -	P 214,240,821	P 214,240,821
Loans payable	1,367,500,000	-	-	1,367,500,000
	P 1,367,500,000	P -	P 214,240,821	P 1,581,740,821

For financial assets and financial liabilities, other than HTM investment, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. HTM investment consists of equity securities with fair value determined based on prices quoted in the PSE representing the bid prices at the end of the reporting period.

25.3 Fair Value Measurement for Non-financial Assets

For the fair value measurement of non-financial asset, the fair market values of investment properties as of December 31, 2016 classified as Level 2 which are determined through appraisal reports obtained on November 11, 2016 amounted to P2.1 billion while the fair value as of December 31, 2015 based on the appraisal report obtained in 2014 amounted to P2.9 billion (see Note 11).

26. SEGMENT REPORTING

26.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Group's three main revenue sources, which represent the products and services provided by the Group, namely Sale of Goods, Rental Income and Investment Income.

26.2 Analysis of Segment Information

The following tables present revenue and profit information regarding business segments of the Group for the years ended December 31, 2016, 2015 and 2014:

	2016			
	Sale of Goods	**Rental Income**	**Investment Income**	**Total**
Revenues	P1,002,128,378	P 110,200,271	P 10,233,191	P1,122,561,840
Cost	793,889,721	2,748,530	-	796,638,251
	208,238,657	107,451,741	10,233,191	325,923,589
Other operating expenses:				
Salaries and wages	26,958,328	-	-	26,958,328
Outside services	5,947,151	-	-	5,947,151
Transportation and travel	11,443,208	-	-	11,443,208
Commission	210,394	-	-	210,394
Insurance	8,251,446	-	-	8,251,446
	52,810,527	-	-	52,810,527
Segment profit before depreciation and amortization	**P 155,428,130**	**P 107,451,741**	**P 10,233,191**	**P 273,113,062**

	2015			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 940,000,603	P 100,777,804	P 12,142,114	P1,052,920,521
Cost	682,200,131	3,935,330	-	686,135,461
	257,800,472	96,842,474	12,142,114	366,785,060
Other operating expenses:				
Salaries and wages	22,074,491	-	-	22,074,491
Outside services	7,597,289	-	-	7,597,289
Transportation and travel	8,087,789	-	-	8,087,789
Commission	96,291	-	-	96,291
Insurance	3,524,965	-	-	3,524,965
	41,380,825	-	-	41,380,825
Segment profit before depreciation and amortization	P 216,419,647	P 96,842,474	P 12,142,114	P 325,404,235

	2014			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 933,080,958	P 73,179,541	P 6,134,247	P1,012,394,746
Cost	668,512,426	2,973,346	-	671,485,772
	264,568,532	70,206,195	6,134,247	340,908,974
Other operating expenses:				
Salaries and wages	16,098,594	-	-	16,098,594
Outside services	7,384,434	-	-	7,384,434
Transportation and travel	3,718,155	-	-	3,718,155
Commission	1,980,024	-	-	1,980,024
Insurance	1,428,143	-	-	1,428,143
Advertising and promotions	388,675	-	-	388,675
	30,998,025	-	-	30,998,025
Segment profit before depreciation and amortization	P 233,570,507	P 70,206,195	P 6,134,247	P 309,910,949

Below is the Group's reconciliation of the components of reportable segments to the statement of comprehensive income:

	2016	2015	2014
Revenues:			
Total revenue of reportable segments	**P 1,122,561,840**	P 1,052,920,521	P 1,012,394,746
Costs and expenses:			
Total costs and expenses of reportable segments	**849,448,778**	723,580,956	702,483,797
Other costs and expenses from non-reportable segments	**65,848,326**	75,602,302	60,532,970
Depreciation and amortization	**6,117,488**	7,019,390	6,746,374
Finance costs – net	**5,374,879**	41,407,883	96,754,334
Gain on disposals of:			
Investment properties	**826,273,802**	-	-
Investment in associate	**32,509,465**	-	-
	858,783,267	-	-
Profit before tax	**P 1,054,842,093**	P 205,309,990	P 145,877,271

The results of operations from the three segments are used by management to analyze the Group's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Group's operation.

Expenses are allocated through direct association of costs and expenses to operating segments.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors
SBS Philippines Corporation and Subsidiary
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of SBS Philippines Corporation and subsidiary for the year ended December 31, 2016, on which we have rendered our report dated February 28, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Apr. 30, 2017)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 28, 2017

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)

LIST OF SEC SUPPLEMENTARY SCHEDULES COVERED BY INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2016

(1) Supplementary Schedules to Financial Statements
(Annex 68-E, SRC Rule 68)

Schedule	Content
A	Financial Assets Loans and receivables Financial Assets at Fair Value Through Profit or Loss Held-to-maturity Investments Available-for-sale Financial Assets
B	Amounts Receivables/Accounts Payables from/to Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

(2) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2016

(3) Map Showing the Relationship Between the Company and its Related Entities

(4) Reconciliation of Retained Earnings Available for Dividend Declaration

(5) Schedule of Financial Soundness Indicators

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Loans and Receivables)
December 31, 2016
(Amounts in Philippine Pesos)

Name of Issuing Entity / Description of Each Issue	*Amount Shown in the Statements of Financial Position*	*Income Received and Accrued*
Cash and cash equivalents	P 1,383,113,717	P 8,807,425
Trade and other receivables	98,982,001	-
	P 1,482,095,718	**P 8,807,425**

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Financial Assets at Fair Value Through Profit or Loss)
December 31, 2016
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Held-to-maturity Investments)
December 31, 2016
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Income received and accrued*
Ayala Corporation	489,480 shares	P 244,740,000	P 10,233,191

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Available-for-sale Financial Assets)
December 31, 2016
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts assigned or set - off	Current	Non-current	Balance at end of period

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule C - Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts paid*[2]	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*

NONE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Ancay Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*

NONE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

			Deduction			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule E - Long-Term Debt
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*
Term Loans	P 467,500,000	P -

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule F - Indebtedness to Related Parties
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

Name and designation of debtor	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule G - Guarantees of Securities of Other Issuers
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed an outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule H - Capital Stock
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value	1,550,000,000	1,194,545,600	-	754,398,100	111,390,402	328,757,098

SBS Philippines Corporation and Subsidiary
(A Subsidiary of Anesy Holdings Corporation)

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts** *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revene from Contract with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

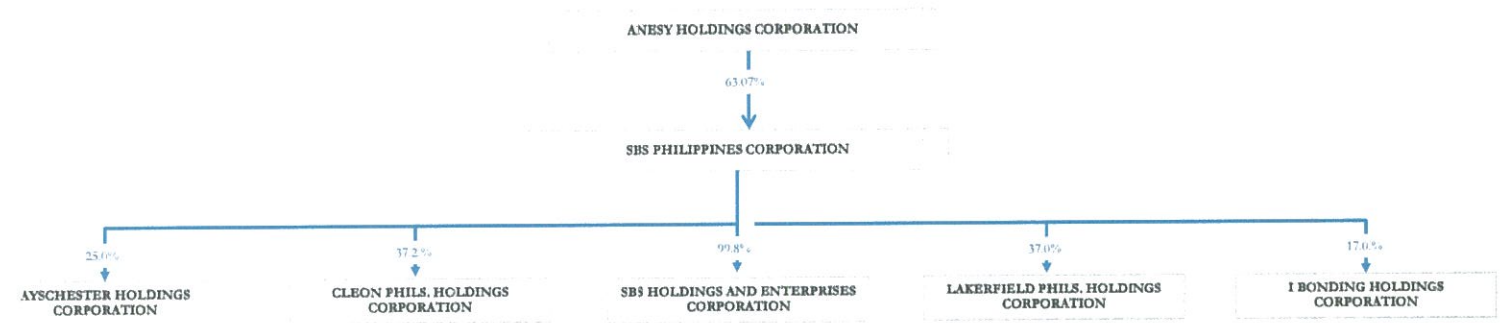
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments***	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

SBS PHILIPPINES CORPORATION

INVESTMENT MAP



SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2016
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P 176,381,186
Prior Year's Outstanding Reconciling Items		
Deferred tax income		(9,990,836)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		166,390,350
Net Profit Realized During the Year		
Net profit per audited financial statements	P 1,011,519,985	
Non-actual/unrealized income		
Deferred tax income	(1,445,157)	1,010,074,828
Dividend Declaration during the Year		(44,400,000)
Appropriation during the Year		(200,000,000)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 932,065,178**

SBS PHILIPPINES CORPORATION AND SUBSIDIARY
(A Subsidiary of Anesy Holdings Corporation)
Schedule of Financial Indicators for December 31, 2016, 2015 and 2014

	2016	2015	2014
Liquidity Ratio [1]	**379.7%**	205.5%	129.4%
Debt to Equity Ratio [2]	**24.4%**	70.3%	493.0%
Asset to Equity Ratio [3]	**124.4%**	170.3%	593.0%
Return on Assets [4]	**25.7%**	4.4%	2.9%
Return on Equity [5]	**36.9%**	11.2%	18.5%
Cost to Income Ratio [6]	**12.3%**	13.2%	19.0%
Earnings per Share [7]	**PHP 0.84**	PHP 0.18	PHP 1.80

1/ *Current Assets over Current Liabilities*
2/ *Total Liabilities over Equity*
3/ *Total Assets over Equity*
4/ *Net Income over Average Assets*
5/ *Net Income over Average Equity*
6/ *Cost and Expenses over Revenues*
7/ *Net Income over Weighted Average Number of Common Outstanding Shares*

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SBS PHILIPPINES CORPORATION

(formerly SYTENGCO PHILIPPINES CORPORATION)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **SBS Philippines Corporation** (the Company), is responsible for the preparation and fair presentation of the Company's financial position as at December 31, 2015 and 2014 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

A. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
B. Reconciliation of Retained Earnings Available for Dividend Declaration
C. Schedule of PFRS Effective as of December 31, 2015
D. Schedule of Financial Indicators for December 31, 2015 and 2014
E. Map Showing the Relationship Between and Among the Company and its Related Entities

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Necisto U. Sytengco
Chairman of the Board

Gerry D. Tan
President

Aylene Y. Sytengco
Treasurer

Signed this _____ day of FEB 2016

10 Resthaven Street San Francisco Del Monte, Quezon City
Tel. Nos. (632) 371-1111*371-1250* 371-5555*373-5555
Fax. (632) 371-1288*371-1248* 371-1260

E-Mail: imports@sytengco.com / info@sytengco.com
sales@sytengco.com / nes@sytengco.com
Website: www.sytengco.com

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SUBSCRIBED AND SWORN to before me this 29TH day of February 2016, affiant(s) exhibiting to me his/their Tax Identification Numbers as follows:

NAMES	Tax Idenfication No.
NECISTO U. SYTENGCO	100-910-452
GERRY D. TAN	112-830-452
AYLENE Y. SYTENGCO	213-000-548

Doc No.: 21;
Page No.: V;
Book No.: 127
Series of 2016.

NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR NO. 2158
IBP NO. 10
ROLL NO.
5TH MCLE
OFC ADD PASEO DE ROJAS MAKATI
QUEZON CITY

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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F +63 2 886 5506
grantthornton.com.ph

Report of Independent Certified Public Accountants to Accompany Income Tax Return

The Board of Directors
SBS Philippines Corporation
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

We have audited the financial statements of SBS Philippines Corporation for the year ended December 31, 2015, on which we have rendered the attached report dated February 29, 2016.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5321730, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Nov. 11, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2013 (until Oct. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

BIR RDO 38 NORTH Q.C.
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FEB 29 2016
EVANGELINE E. BALEN
COLLECTION SECTION

February 29, 2016

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Report of Independent Auditors

The Board of Directors
SBS Philippines Corporation
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of SBS Philippines Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed under the Basis for Qualified Opinion on the 2013 Financial Statements section, we conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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COLLECTION SECTION

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on the 2013 Financial Statements

We were appointed as external auditors of the Company in 2013; hence, we were not able to observe the year end physical count of the Company's inventories as at December 31, 2012. Since the balance of inventories as at December 31, 2012 enters into the determination of cost of goods sold and, consequently, the Company's tax expense and net profit in 2013, we were unable to determine, by means of other auditing procedures, whether adjustments might have been necessary in respect of the reported net profit in the 2013 statement of comprehensive income and the cash flows from operating activities in the 2013 statement of cash flows. Hence, our opinion on the 2013 statement of comprehensive income and 2013 statement of cash flows is qualified as to this matter.

In 2015 and 2014, because the matter described in the preceding paragraph no longer affects the Company's statements of comprehensive income and statements of cash flows, our opinion on those statements is no longer qualified with respect to the same matter.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SBS Philippines Corporation as at December 31, 2015 and 2014, and, except for the matters described under the Basis for Qualified Opinion on the 2013 Financial Statements section, its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

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FEB 29 2016
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COLLECTION SECTION

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required by the Bureau of Internal Revenue as disclosed in Note 28 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5321730, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Nov. 11, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2013 (until Oct. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 29, 2016

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FEB 29 2016
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COLLECTION SECTION

SBS PHILIPPINES CORPORATION
(A Subsidiary of Ancsy Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	P 837,551,006	P 338,132,143
Trade and other receivables	5	125,872,241	100,204,779
Inventories – net	6	1,527,199,944	1,557,928,385
Financial assets at fair value through profit or loss	7	-	29,259,715
Prepayments and other current assets	10	133,870,638	154,008,669
Total Current Assets		2,624,493,829	2,179,533,691
NON-CURRENT ASSETS			
Other non-current financial assets	8	244,740,000	250,124,488
Investment in an associate	9	18,113,172	18,388,692
Property and equipment – net	11	15,523,166	22,212,249
Investment properties	12	955,287,542	955,287,542
Deferred tax assets – net	20	9,691,399	1,847,914
Total Non-current Assets		1,243,355,279	1,247,860,885
TOTAL ASSETS		P 3,867,849,108	P 3,427,394,576
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans payable	14	P 1,055,000,000	P 261,500,000
Trade and other payables	13	215,009,295	422,823,999
Income tax payable		7,350,543	34,718,239
Dividends payable	21	-	265,494,338
Advances from related parties	19	-	699,192,601
Total Current Liabilities		1,277,359,838	1,683,729,177
NON-CURRENT LIABILITIES			
Loans payable	14	312,500,000	1,163,500,000
Post-employment defined benefit obligation	18	6,902,836	2,190,431
Total Non-current Liabilities		319,402,836	1,165,690,431
Total Liabilities		1,596,762,674	2,849,419,608
EQUITY			
Capital stock	21	1,200,000,000	262,000,000
Additional paid-in capital	21	898,425,433	200,000,000
Revaluation reserves	21	(3,720,185)	(1,400,328)
Retained earnings	21	176,381,186	117,375,296
Total Equity		2,271,086,434	577,974,968
TOTAL LIABILITIES AND EQUITY		P 3,867,849,108	P 3,427,394,576

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
SALE OF GOODS	19	P 940,000,603	P 933,080,958	P 785,947,148
COST OF GOODS SOLD	15	682,200,131	668,512,426	580,231,614
GROSS PROFIT		257,800,472	264,568,532	205,715,534
OTHER OPERATING INCOME (EXPENSES)				
Other operating expenses	15	(123,726,997)	(100,389,507)	(98,757,766)
Other operating income	16	100,777,804	73,179,541	58,851,389
Finance costs – net	17	(29,265,769)	(90,620,087)	(96,281,955)
		(52,214,962)	(117,830,053)	(136,188,332)
OPERATING PROFIT		205,585,510	146,738,479	69,527,202
EQUITY IN NET LOSSES OF AN ASSOCIATE	9	275,520	861,208	-
PROFIT BEFORE TAX		205,309,990	145,877,271	69,527,202
TAX EXPENSE	20	46,304,100	45,705,084	9,197,322
NET PROFIT		159,005,890	100,172,187	60,329,880
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	18	4,276,321	780,504	93,682
Tax income	20	(1,282,896)	(234,151)	(28,105)
		2,993,425	546,353	65,577
Item that will be reclassified subsequently to profit or loss				
Fair value of available-for-sale (AFS) financial assets				
Fair value loss on disposed AFS financial assets reclassified to profit or loss	8	(673,568)	-	-
Fair value loss during the year	8	-	673,568	-
		(673,568)	673,568	-
Other Comprehensive Loss		2,319,857	1,219,921	65,577
TOTAL COMPREHENSIVE INCOME		P 156,686,033	P 98,952,266	P 60,264,303
EARNINGS PER SHARE - Basic and Diluted	21	P 0.18	P 1.80	P 2.74

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Capital Stock (see Note 21)	Additional Paid-in Capital (see Note 21)	Revaluation Reserves (see Notes 8 and 18)	Retained Earnings (see Note 21) Appropriated	Retained Earnings (see Note 21) Unappropriated	Total Equity
Balance at January 1, 2015	P 262,000,000	P 200,000,000	(P 1,400,328)	P -	P 117,375,296	P 577,974,968
Collection of subscription receivable during the year	165,000,000	-	-	-	-	165,000,000
Issuance of shares during the year	773,000,000	698,425,433	-	-	-	1,471,425,433
Cash dividends	-	-		-	(100,000,000)	(100,000,000)
Total comprehensive income (loss) for the year	-	-	(2,319,857)	-	159,005,890	156,686,033
Balance at December 31, 2015	**P 1,200,000,000**	**P 898,425,433**	**(P 3,720,185)**	**P -**	**P 176,381,186**	**P 2,271,086,434**
Balance at January 1, 2014	P 22,000,000	P 200,000,000	(P 180,407)	P 275,000,000	P 7,697,447	P 504,517,040
Issuance of shares during the year	240,000,000	-	-	-	-	240,000,000
Reversal of appropriation during the year	-	-	-	(275,000,000)	275,000,000	-
Cash dividends	-	-	-	-	(265,494,338)	(265,494,338)
Total comprehensive income (loss) for the year	-	-	(1,219,921)	-	100,172,187	98,952,266
Balance at December 31, 2014	P 262,000,000	P 200,000,000	(P 1,400,328)	P -	P 117,375,296	P 577,974,968
Balance at January 1, 2013	P 22,000,000	P 200,000,000	(P 114,830)	P -	P 222,367,567	P 444,252,737
Appropriation during the year	-	-	-	275,000,000	(275,000,000)	-
Total comprehensive income (loss) for the year	-	-	(65,577)	-	60,329,880	60,264,303
Balance at December 31, 2013	P 22,000,000	P 200,000,000	(P 180,407)	P 275,000,000	P 7,697,447	P 504,517,040

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 205,309,990	P 145,877,271	P 69,527,202
Adjustments for:				
Interest expense	17	50,843,630	95,086,591	96,190,483
Dividend income from held-to-maturity (HTM) investment	8, 17	(10,306,503)	-	-
Depreciation and amortization	11	7,019,390	6,746,374	6,409,048
Interest income	4, 17	(4,584,332)	(175,484)	-
Gain on sale of financial assets at fair value through profit or loss (FVTPL)	7, 17	(2,310,003)	(6,134,247)	(9,139,704)
Unrealized foreign currency losses (gains)		(998,123)	143,103	(2,829,766)
Loss on sale of available-for-sale (AFS) financial assets		735,579	-	-
Share in net loss of associate	9	275,520	861,208	-
Gain on sale of HTM investment	8	(261,187)	-	-
Fair value loss on financial assets at FVTPL	7, 17	-	618,100	11,317,255
Operating profit before working capital changes		245,723,961	243,022,916	171,474,518
Increase in trade and other receivables		(25,667,462)	(15,312,900)	(15,609,125)
Decrease (increase) in inventories		30,728,441	(75,069,144)	(36,855,319)
Decrease (increase) in advances to related parties		-	326,274,850	(440,476,767)
Decrease (increase) in prepayments and other current assets		17,794,892	(10,924,146)	(23,402,408)
Increase (decrease) in trade and other payables		(207,814,704)	238,136,850	(74,588,964)
Increase in post-employment defined benefit obligation		339,705	221,066	210,197
Cash generated from (used in) operations		61,104,833	706,349,492	(419,247,868)
Cash paid for income taxes		(77,889,246)	(19,200,765)	(14,121,707)
Net Cash From (Used in) Operating Activities		(16,784,413)	687,148,727	(433,369,575)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of financial assets at FVTPL		57,192,545	34,132,707	59,434,627
Purchases of financial assets at FVTPL	7	(25,622,827)	(5,959,325)	(49,346,328)
Dividends received from HTM investment	8, 17	10,306,503	-	-
Proceeds from sale of HTM investment		5,521,187	-	-
Interest received	4, 17	4,584,332	175,484	-
Acquisition of property and equipment	11	(330,307)	(5,002,202)	(4,978,207)
Proceeds from sale of AFS financial assets	8	62,477	96,929	-
Acquisition of HTM investment	8	-	(250,000,000)	-
Acquisition of investment properties	12	-	(6,271,013)	(5,759,873)
Acquisition of AFS financial assets	8	-	(894,985)	-
Net Cash From (Used in) Investing Activities		51,713,910	(233,722,405)	(649,781)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issuance of shares of stock	21	1,471,425,433	-	-
Settlement of loans	14	(1,182,500,000)	(1,528,000,000)	(1,963,250,000)
Proceeds from availment of loans	14	1,125,000,000	550,000,000	2,316,750,000
Settlement of advances from related parties	19	(699,192,601)	(100,497,916)	-
Dividends paid	21	(365,494,338)	-	-
Collection of subscription receivable during the year	21	165,000,000	240,000,000	-
Interest paid		(50,747,251)	(95,086,591)	(94,885,957)
Advances obtained from related parties	19	-	770,330,926	199,619,526
Net Cash From (Used in) Financing Activities		463,491,243	(163,253,581)	458,233,569
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		998,123	(143,103)	1,901,548
NET INCREASE IN CASH AND CASH EQUIVALENTS		499,418,863	290,029,638	26,115,761
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		338,132,143	48,102,505	21,986,744
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 837,551,006	P 338,132,143	P 48,102,505

Supplemental Information on Non-cash Financing Activities:

1) In 2014, the Company entered into an assignment of receivables and offsetting arrangement with certain related parties wherein the balances of the Company's advances to its affiliates amounting to P414.3 million were assigned in payment and set-off against the equivalent amount of the Company's advances from its shareholder and Chairman of the Board of Directors (see Note 19).

2) In 2014, the Company's Board of Directors approved the declaration of cash dividends amounting to P265.5 million in favor of stockholders of record as of December 31, 2014 to be paid and distributed in proportion to their shareholdings in the Company in March 2015. The said dividends were fully settled in 2015.

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

SBS Philippines Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 17, 2001. The Company is currently engaged in trading of goods and buying, selling, distributing and marketing at wholesale goods such as chemicals, fertilizers, foodstuffs, agricultural products feed ingredients, industrial products and medical devices.

The Company's common shares were listed and traded in the Philippine Stock Exchange (PSE) beginning August 10, 2015 (see Note 21.1)

On October 15, 2014, the Board of Directors (BOD) and stockholders of the Company approved the following amendments to the Company's articles of incorporation and by-laws:

(a) change in the Company's corporate name from Sytengco Philippines Corporation to SBS Philippines Corporation;

(b) change in the Company's registered office, which is also its principal place of business, from Rm. 503 Regina Garden II, Reina Regente Street, Binondo, Manila to No. 10 Resthaven Street, San Francisco Del Monte, Quezon City; and,

(c) change in the authorized capital stock from 220,000 shares at P100 par value to 1.0 billion shares at P1 par value.

The amendments were approved by the SEC and the Bureau of Internal Revenue (BIR) on November 18, 2014 and September 2, 2015, respectively.

Subsequently, on December 2, 2014, the BOD and stockholders of the Company approved to further amend the Company's articles of incorporation to increase the authorized capital stock to 1.6 billion shares at P1 par value (see Note 21.1). The foregoing amendment was approved by the SEC on December 18, 2014. Anesy Holdings Corporation (Anesy or the Parent Company), a company incorporated and domiciled in the Philippines, subscribed to new shares and acquired 94% controlling interest in the Company; hence, considered as the Company's parent on the date of its acquisition of the Company's shares.

Anesy is currently engaged in holding, owning and acquiring shares of stock, bonds and other investments in any and all types of business enterprise engaged in any productive or commercial activity. Its registered office, which is also its principal place of business, is located at No. 37 Judge Juan Luna St., San Francisco del Monte, Quezon City.

The financial statements of the Company as of and for the year ended December 31, 2015 (including the comparative financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Company's BOD on February 29, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Company presents all items of income, expenses and other comprehensive income in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Company

The Company adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below and in the succeeding page are the relevant information about this amendment and annual improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions.* The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Company's financial statements since the Company's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 8 (Amendment), *Operating Segments.* This amendment requires the disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PAS 16 (Amendment), *Property, Plant and Equipment.* The amendment clarifies that when an item of property, plant and is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvement to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation.*

- PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3, *Business Combination,* and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(b) Effective in 2015 that are not Relevant to the Company

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Company's financial statements:

PFRS (2010-2012 Cycle)		
PAS 38 (Amendment)	:	Intangible Assets - Revaluation Method – Proportionate Restatement of Accumulated Amortization
PFRS 2 (Amendment)	:	Share-based Payment – Definition of Vesting Condition
PFRS 3 (Amendment)	:	Business Combinations – Accounting for Contingent Consideration in a Business Combination
PFRS (2011-2013 Cycle)		
PFRS 3 (Amendment)	:	Business Combinations – Scope Exceptions for Joint Ventures

(c) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the relevant pronouncements in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Company has no plan to change the accounting policy for its investments in an associate.

(iv) PFRS 10 (Amendment), *Consolidated Financial* Statements, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e. from January 1, 2016) indefinitely.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Company does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Company:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the four categories of financial assets is as follows:

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Trade and Other Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Company were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS financial assets. HTM investments are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position, except those maturing within 12 months from end of the reporting period, which are presented as part of current assets. The Company currently holds preferred shares with fixed date of redemption designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

(iv) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Company's AFS financial assets include only equity securities.

All financial assets within this category are subsequently measured at fair value. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as discussed in the succeeding page.

(i) Carried at Amortized Cost – Loans and Receivables and HTM Investments

If there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs – net in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. The cost of merchandise inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.5 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statement when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

2.6 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	13 years
Transportation and other equipment	5 years
Furniture and fixtures	3 years

Amortization of leasehold improvements is recognized over their estimated useful life of 13 years, regardless of the term of the lease as management believes that it is probable that the Company will renew the lease agreement for the warehouses where the property and equipment and the office are located, for a period of time that may extend beyond the current lease term [see Note 3.1(e)].

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are accounted for under the cost model and is measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of preparing the asset for its intended use.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

An item of investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment in an Associate

An associate is an entity over which the Company is able to exert significant influence but which are neither subsidiary nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings or Losses of an Associate account in profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.15).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

2.9 Financial Liabilities

Financial liabilities, which include Loans Payable, Trade and Other Payables (excluding tax-related liabilities) and Advances from Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs – net in the statement of comprehensive income.

Loans payable and trust receipts payable (presented as part of Trade and Other Payables) were raised for working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables and advances from related parties are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.10 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods measured by reference to the fair value of consideration received or receivable by the Company, excluding value-added tax (VAT), rebates and trade discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery of the goods sold.

(b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(c) *Dividend income* – Revenue is recognized when the Company's right to receive payment is established.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17).

2.13 Leases

(a) *Company as Lessee*

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset is classified as operating lease. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Company as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.14 Foreign Currency Translation and Transactions

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of profit or loss from operations.

2.15 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, investment in an associate and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.16 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plan which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The Company's defined post-employment covers all regular full time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs - net account in profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The Company establishes liabilities for probable and estimable assessments by the BIR resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes available.

Deferred tax assets or tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.19 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's management committee, its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's revenue sources as disclosed in Note 27, which represent the main revenue sources provided by the Company.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements, except that the following are not included in the calculation of the operating profit of the operating segments:

- post-employment benefit expenses; and,
- fair value losses from financial assets at FVTPL.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.20 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.21 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.22 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. As of December 31, 2015 and 2014, the Company does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equivalent to the basic earnings per share.

2.23 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Classifying Financial Assets as HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as preferred shares, as HTM investments, the Company evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Company fails to keep these investments to maturity other than for specific circumstances as allowed under the applicable PFRS, it will be required to reclassify the whole class as AFS financial assets. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost. The Company sold a portion of its HTM investments in 2015. Management deemed that the transaction is not significant in order for the full amount of investments to be reclassified out of HTM (see Note 8.1).

(b) *Determining Impairment of AFS Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The Company had disposed all of its AFS financial assets as of December 31, 2015. On the other hand, based on the evaluation of information and circumstances affecting the Company's AFS financial assets as of December 31, 2014, management has assessed that no impairment loss is to be recognized in 2014.

(c) *Distinguishing Investment Properties and Owner-managed Properties*

The Company determined that its parcels of land qualify as investment properties. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash-flows that are attributable not only to the property but also to other assets used in the Company's main line of business. Based on management's assessment, the properties qualify as investment properties.

(d) *Distinguishing Operating and Finance Lease*

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(e) *Amortizing Leasehold Improvements*

The Company amortizes leasehold improvements over the estimated useful life of the improvements regardless of the term of the lease because management believes that it is probable that the Company will renew the lease agreement for the warehouses where it operates for a period of time that will extend beyond the current term of the lease.

(f) *Recognizing Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant provisions and contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimating Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Company's relationship with the customers and counterparties, the customers' and counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

Management determined that no impairment loss on trade and other receivables and advances to related parties should be recognized for the years ended December 31, 2015, 2014 and 2013 based on its assessment of the collectability of the accounts.

(b) Determining Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Company's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Notes 7 and 8, respectively.

(c) Determining NRV of Inventories

In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. It also takes into consideration the obsolescence of the inventory in determining NRV. The future realization of the carrying amounts of inventories as disclosed in Note 6 is affected by price changes in different market segments. These aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next reporting period. Management believes that Company's inventories are properly valued at lower of cost and NRV as of December 31, 2015 and 2014.

(d) Estimating Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are presented in Note 11. Based on management's assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of those assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Assessing Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on non-financial assets for the years ended December 31, 2015, 2014 and 2013 based on management's assessment.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense, an analysis of the movements in the estimated present value of post-employment defined benefit obligation and assumptions used are presented in Note 18.2.

(g) Determining Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management has assessed that the amount of tax benefits from its future deductible differences which is recognized as deferred tax assets as at December 31, 2015 and 2014 will be fully utilized subsequently. The carrying value of deferred tax assets is disclosed in Note 20.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2015	2014
Cash on hand and in banks	P 108,721,866	P 338,132,143
Short-term placements	728,829,140	-
	P 837,551,006	P 338,132,143

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods ranging from 30 to 90 days in 2015 (nil in 2014), and earn effective interests ranging from 0.5% to 3.0% per annum. Interest income from Cash and Cash Equivalents for the years ended December 31, 2015, 2014 and 2013 is presented under the Finance Costs – net account in the statements of comprehensive income (see Note 17).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2015	2014
Trade receivables	19.1	P 125,448,695	P 100,098,695
Other receivables		423,546	106,084
		P 125,872,241	P 100,204,779

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All of the Company's trade and other receivables have been reviewed for indicators of impairment. Based on management's assessment, no impairment loss should be recognized for the years ended December 31, 2015, 2014 and 2013.

In 2014, the Company sold merchandise inventories to its related party in which the amount of receivable of P51.4 million was offset against the Advances from Related Parties account as part of their master offsetting arrangement (see Notes 19.6 and 25.2).

6. INVENTORIES

Except for the portion of inventories stated at NRV, inventories at the end of 2015 and 2014 were stated at cost. The details of inventories are shown below.

	2015	2014
At cost	P 1,041,201,795	P 1,207,799,783
At net realizable value:		
Cost	761,886,424	613,625,094
Allowance for inventory write-down	(275,888,275)	(263,496,492)
	485,998,149	350,128,602
	P 1,527,199,944	P 1,557,928,385

An analysis of the cost of inventories included in cost of sales as of December 31, 2015 and 2014 is presented in Note 15.

A reconciliation of the allowance for inventory write-down at the beginning and end of 2015 and 2014 is shown below.

	Note	2015	2014
Balance at beginning of year		P 263,496,492	P 311,570,010
Provision during the year	15	12,391,783	-
Recovery during the year	15	-	(48,073,518)
		P 275,888,275	P 263,496,492

In 2015, the Company recognized additional provision for inventory write-down amounting to P12.4 million and is presented as Provision for inventory write-down under the Cost of Good Sold account in the 2015 statement of comprehensive income (see Note 15). There were no movements in allowance for inventory write-down in 2014.

In 2014, the Company recognized a gain of P48.1 million following the sale and recovery of certain merchandise inventories in which costs were written-down to its NRV in previous years (see Note 19.1). This recovery is presented as a deduction from the Cost of Sales account in the 2014 statement of comprehensive income (see Note 15). There were no recognized and reversal of inventory write-down in 2015 and 2013.

As of December 31, 2015 and 2014, the Company has no inventory purchase commitments.

7. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL consist of equity interest in a company wherein shares are listed in the PSE. The reconciliation of the carrying amounts of FVTPL financial assets is shown in the succeeding page.

	2015	2014
Balance at beginning of year	P 29,259,715	P 51,916,950
Purchases	25,622,827	5,959,325
Disposal	(54,882,542)	(27,998,460)
Fair value loss	-	(618,100)
	P -	P 29,259,715

In 2015, 2014 and 2013, the Company recognized gain from sale of equity securities amounting to P2.3 million, P6.1 million and P9.1 million, respectively, which is presented as Gain on sale of financial assets at FVTPL under the Finance Costs – net account in the statements of comprehensive income (see Note 17).

The Company recognized fair value losses amounting to P0.6 million and P11.3 million in 2014 and 2013, respectively, which is presented as Fair value loss on financial assets at FVTPL under the Finance Costs – net account in the statements of comprehensive income, due to the mark-to-market valuation of the financial assets as of December 31, 2014 and 2013 (see Note 17). As of December 31, 2015, the Company had disposed all of financial assets at FVTPL.

8. OTHER NON-CURRENT FINANCIAL ASSETS

The amounts in the statements of financial position as of December 31, 2015 and 2014 comprise the following categories of financial assets:

	2015	2014
HTM Investment –		
Debt securities – preferred shares	P 244,740,000	P 250,000,000
AFS Financial Asset –		
Equity securities – common shares	-	124,488
	P 244,740,000	P 250,124,488

8.1 HTM Investment

HTM investment acquired in 2014 represents debt securities in a company wherein shares are listed in the PSE and pertain to cumulative, non-voting, class "B" series 2 preferred shares which bear fixed interest rate of 5.58% per annum and will mature on November 5, 2019. Aside from the maturity date, these investments have an optional redemption date on November 5, 2024 and on any dividend payment date thereafter.

In 2015, the Company received dividend income amounting to P10.3 million from its HTM investments (see Note 17). No dividend income was received in 2014.

In 2015, the Company sold an insignificant portion of HTM investments amounting to P5.3 million resulting to gain on sale of P0.3 million which is presented as part of Others – net under the Finance Costs – net account in the 2015 statement of comprehensive income (see Note 17). Accordingly, the sale did not constitute to tainting as defined under PAS 39.

8.2 AFS Financial Asset

The reconciliation of the carrying amounts of AFS financial asset is as follows:

	2015	2014
Balance at beginning of year	P 124,488	P -
Disposal	(124,488)	(96,929)
Purchases	-	894,985
Fair value loss	-	(673,568)
	P -	P 124,488

The Company's AFS financial asset represents equity interest in a company wherein shares are listed in the PSE. The fair value of the shares declined by P0.7 million in 2014. These losses were not considered permanent; hence, were recognized as part of Other Comprehensive Loss, identified as an item that will be reclassified subsequently to profit or loss (see Note 21.2).

The fair value of AFS financial asset as of December 31, 2014 has been determined based on quoted prices in active markets (see Note 26).

9. INVESTMENT IN AN ASSOCIATE

In 2012, the Company acquired 192,499 shares of Neschester Corporation (Neschester), a related company incorporated in the Philippines, with P100 par value per share for a total consideration of P19.2 million, representing 35% equity ownership interest in the investee. The registered office of the investee company, which is also its principal place of business, is located at 9/F Sage House, 110 V.A. Rufino St., Legaspi Village, Makati City. The carrying amount of this investment as of December 31, 2015 and 2014 is presented as Investment in an Associate in the statements of financial position.

The Company's management believes that it does not have effective control over the investee company but a significant influence only. Consequently, the Company accounted for its investment on the investee company under the equity method. In 2015 and 2014, the Company recognized its share in the net loss of Neschester which amounted to P0.3 million and P0.9 million, respectively. No share in net loss of Neschester was recognized in 2013 as the management believes that this will not have a significant impact in the Company's financial statements presented during the year.

The aggregated amounts of assets, liabilities, revenues and net loss of the associate are as follows:

	Assets	Liabilities	Expenses	Net Loss
2015	P 313,233,681	P 260,636,874	P 787,590	P 787,200
2014	P 303,182,825	P 250,773,747	P 2,462,172	P 2,460,594

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account is composed of the following:

	Note	2015	2014
Input VAT	28.1(b)	P 129,818,894	P 151,738,315
Prepaid expenses		4,051,744	2,270,354
		P 133,870,638	P 154,008,669

Prepaid expenses pertain mainly to advance payments made on real property taxes.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2015 and 2014 are shown below.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
December 31, 2015				
Cost	P 6,744,206	P 34,752,279	P 4,256,754	P 45,753,239
Accumulated depreciation and amortization	(2,559,738)	(24,365,677)	(3,304,658)	(30,230,073)
Net carrying amount	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166
December 31, 2014				
Cost	P 6,744,206	P 34,521,118	P 4,157,608	P 45,422,932
Accumulated depreciation and amortization	(2,040,953)	(18,568,740)	(2,600,990)	(23,210,683)
Net carrying amount	P 4,703,253	P 15,952,378	P 1,556,618	P 22,212,249
January 1, 2014				
Cost	P 6,618,248	P 30,051,295	P 3,751,188	P 40,420,731
Accumulated depreciation and amortization	(1,529,343)	(12,832,216)	(2,102,751)	(16,464,310)
Net carrying amount	P 5,088,905	P 17,219,079	P 1,648,437	P 23,956,421

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2015 and 2014 is shown below.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 4,703,253	P 15,952,378	P 1,556,618	P 22,212,249
Additions	-	231,161	99,146	330,307
Depreciation and amortization charges for the year	(518,785)	(5,796,937)	(703,668)	(7,019,390)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 4,184,468	P 10,386,602	P 952,096	P 15,523,166
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 5,088,905	P 17,219,079	P 1,648,437	P 23,956,421
Additions	125,958	4,469,823	406,421	5,002,202
Depreciation and amortization charges for the year	(511,610)	(5,736,524)	(498,240)	(6,746,374)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 4,703,253	P 15,952,378	P 1,556,618	P 22,212,249

In 2015, 2014 and 2013, the Company's recognized depreciation and amortization is presented under Other Operating Expenses in the statements of comprehensive income (see Note 15).

12. INVESTMENT PROPERTIES

The Company's investment properties represent parcels of land held primarily for capital appreciation. Currently, certain investment properties are provisionally being leased out to third parties for minor incidental purposes with an average lease term of one year in 2015 and 2014. A reconciliation of the carrying amount of investment properties at the beginning and end of 2015 and 2014 is shown below.

	2015	2014
Balance at beginning of year	P 955,287,542	P 949,016,529
Additions during the year	-	6,271,013
Balance at end of year	P 955,287,542	P 955,287,542

Incidental revenues from parking and advertising board rentals earned by the Company from its investment properties amounting to P6.8 million in 2015, P15.2 million in 2014 and P4.3 million in 2013, is presented as part of Other Operating Income in the statements of comprehensive income (see Note 16).

Real property tax on investment properties amounting to P2.9 million in 2015, P3.0 million in 2014 and P2.8 million in 2013 was recognized and presented as part of Taxes and licenses under Other Operating Expenses in the statements of comprehensive income [see Notes 15 and 28.1(f)].

The carrying amount of investment properties are used as collateral to secure the loans from local banks (see Note 14).

The fair market values of these properties as of December 31, 2015 and 2014 which are determined by reference to current and most recent prices for similar property in the same location and condition amounted to P2.9 billion (see Note 26.4).

The Company's management believes that the investment properties are not impaired as the fair value of these properties as of the end of the reporting periods exceeds their carrying amount as reported in the statements of financial position.

13. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2015	2014
Trust receipts payable		**P 155,765,017**	P 390,164,980
Trade payables		**9,916,495**	5,639,261
Security deposits and advance rentals	22.1	**36,830,998**	19,601,171
Accrued expenses	19.4, 19.6	**8,457,070**	2,632,444
Others		**4,039,715**	4,786,143
		P 215,009,295	P 422,823,999

Accrued expenses and other payables include the Company's obligations relating to the accrual of security services, professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

In 2015, 2014 and 2013, the Company obtained unsecured, interest-bearing short-term trust receipts from local banks that were used to finance its purchase of inventories. The loans bear annual interest rates ranging from 2.25% to 4.5% in 2015, 2014 and 2013 and have average maturity of one to seven months.

Interest expense incurred on these transactions in 2015, 2014 and 2013 amounted to P7.7 million, P6.6 million and P11.4 million, respectively, and is presented as part of Interest expense under Finance Costs - net in the statements of comprehensive income (see Note 17). There is no unpaid interest as of December 31, 2015 and 2014.

14. LOANS PAYABLE

This account includes the following as at December 31:

	2015	2014
Current	P 1,055,000,000	P 261,500,000
Non-current	312,500,000	1,163,500,000
	P 1,367,500,000	P 1,425,000,000

A reconciliation of the movements in the amount of loans payable at the beginning and end of 2015 and 2014 is shown below.

	2015	2014
Balance at beginning of year	P 1,425,000,000	P 2,403,000,000
Availments during the year	1,125,000,000	550,000,000
Settlements made	(1,182,500,000)	(1,528,000,000)
	P 1,367,500,000	P 1,425,000,000

In current and prior years, the Company obtained secured and unsecured, short-term and long-term interest-bearing loans from local banks. The loans bear annual interest rates ranging from 1.1% to 5.0% in 2015, 3.0% to 5.0% in 2014 and 2.9% to 8.0% 2013 in which the proceeds were used for working capital requirements.

Interest expense incurred on these loans in 2015, 2014 and 2013 amounted to P43.0 million, P88.4 million and P84.7 million, respectively, and is presented as part of Interest expense under Finance Costs - net in the statements of comprehensive income (see Note 17). There is no unpaid interest as of December 31, 2015 and 2014.

The Company's investment properties with carrying amount of P955.3 million as of December 31, 2015 and 2014 are used as collateral to secure certain long-term loans (see Note 12).

15. OPERATING EXPENSES BY NATURE

The components of cost of goods sold follow:

	Note	2015	2014	2013
Inventories at beginning of year	6	P 1,821,424,877	P 1,794,429,251	P 1,757,573,932
Purchases		651,471,690	743,581,570	617,086,933
Total goods available for sale		2,472,896,567	2,538,010,821	2,374,660,865
Provision for inventory write-down	6	12,391,783	-	-
Recovery on inventory write-down	6	-	(48,073,518)	-
Inventories at end of year	6	(1,803,088,219)	(1,821,424,877)	(1,794,429,251)
		P 682,200,131	P 668,512,426	P 580,231,614

Other operating expenses, based on their nature, are broken down as follows:

	Notes	2015	2014	2013
Salaries and wages	18.1	P **22,074,491**	P 16,098,594	P 15,982,597
Professional fees	19.6	**21,006,826**	33,228,887	12,521,830
Taxes and licenses	12, 28.1 (f)	**16,288,224**	10,046,716	8,026,397
Rental	22.2	**15,978,321**	1,096,473	769,173
Transportation and travel		**8,087,789**	3,718,155	12,636,618
Outside services		**7,597,289**	7,384,434	7,739,340
Depreciation and amortization	11	**7,019,390**	6,746,374	6,409,048
Representation		**5,652,346**	3,944,334	3,707,230
Trainings and seminar		**4,811,674**	2,514,764	2,479,628
Insurance		**3,524,965**	1,428,143	8,517,985
Utilities		**3,095,298**	2,477,280	2,546,466
Office supplies		**1,646,228**	900,153	1,479,399
Repairs and maintenance		**1,573,588**	4,749,183	5,922,563
Donations		**1,049,500**	310,000	667,000
Dues and subscription		**555,383**	1,094,211	1,316,290
Advertising and promotions		**547,658**	388,675	371,618
Others		**3,218,027**	4,263,131	7,664,584
		P **123,726,997**	P 100,389,507	P 98,757,766

16. OTHER OPERATING INCOME

In 2015, 2014 and 2013, certain properties are being leased out and sub-leased to third parties for an average lease term of one year in 2015 and 2014 and seven months in 2013 with no escalation rate (see Note 22.1). Rental revenues, presented as Other Operating Income in the statements of comprehensive income, amounted to P100.8 million, P73.2 million and P58.9 million in 2015, 2014 and 2013, respectively (see Note 12). There were no outstanding receivables from these transactions as of December 31, 2015 and 2014.

17. FINANCE COSTS – Net

This account is composed of the following:

	Notes	2015	2014	2013
Interest expense	13, 14, 18.2(b)	P **50,843,630**	P 95,086,591	P 96,190,483
Dividend income	8.1	(**10,306,503)**	-	-
Interest income	4	(**4,584,332)**	(175,484)	-
Gain on sale of financial assets at FVTPL	7	(**2,310,003)**	(6,134,247)	(9,139,704)
Fair value loss on financial assets at FVTPL	7	**-**	618,100	11,317,255
Others – net	8.1	(**4,377,023)**	1,225,127	(2,086,079)
		P **29,265,769**	P 90,620,087	P 96,281,955

18. EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits, which were presented as part of Other Operating Expenses, are presented below.

	Notes	2015	2014	2013
Short-term benefits		P **21,734,786**	P 15,931,621	P 15,847,803
Post-employments benefits	18.2(b)	**339,705**	166,973	134,794
		P **22,074,491**	P 16,098,594	P 15,982,597

18.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company, at present, has no formal, tax-qualified retirement plan. The Company accrues post-employment benefit based on the provisions of Republic Act (R.A.) 7641, *Retirement Pay Law*, in accordance with the projected unit credit method wherein actuarial valuations are made with sufficient regularity to update the retirement benefit costs.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 5 years of credited service and late retirement after age 60, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 85% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2015 and 2014.

The amounts and movements in the present value of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

		2015		2014
Balance at beginning of year	P	**2,190,431**	P	1,188,861
Current service cost		**339,705**		166,973
Interest cost		**96,379**		54,093
Remeasurements –				
Actuarial losses arising from:				
- experience adjustments		**4,273,119**		748,932
- changes in financial assumptions		**3,202**		31,572
	P	**6,902,836**	P	2,190,431

The components of amounts recognized in profit or loss and in other comprehensive loss in respect of the post-employment defined benefit plan are as follows:

		2015		2014		2013
Reported in profit or loss:						
Current service cost	P	**339,705**	P	166,973	P	134,794
Interest cost		**96,379**		54,093		47,298
	P	**436,084**	P	221,066	P	182,092
Reported in other comprehensive loss –						
Actuarial losses arising from changes in:						
- experience adjustments	P	**4,273,119**	P	748,932	P	18,604
- change in financial assumptions		**3,202**		31,572		75,078
	P	**4,276,321**	P	780,504	P	93,682

The interest cost is included as part of Finance Costs - net in the statements of comprehensive income (see Note 17).

Amounts recognized in other comprehensive loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2015	2014	2013
Discount rates	**4.4%**	4.4%	4.6%
Expected rate of salary increases	**4.0%**	4.0%	4.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 21 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment defined benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Rate Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2015 and 2014:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumptions	Increase in Assumptions	Decrease in Assumptions
December 31, 2015			
Discount rate	+/- 1%	**(P 297,857)**	**P 312,163**
Salary increase rate	+/- 1%	**312,163**	**(297,857)**
December 31, 2014			
Discount rate	+/- 1%	(P 198,054)	P 208,132
Salary increase rate	+/- 1%	206,145	(201,904)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

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

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2015, the Company is yet to determine how much and when to fund its retirement benefit obligation.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2015	2014
Within one year	**P 3,910,898**	P 265,233
More than one year to five years	**791,384**	634,717
More than five years to ten years	**2,948,309**	1,626,815
More than ten years to 15 years	**4,368,257**	4,978,000
More than 15 years to 20 years	**2,105,651**	1,528,544
	P 14,124,499	P 9,033,309

19. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, companies under common ownership and its key management personnel. The transactions with these related parties are discussed below and in the succeeding pages.

		Amount of Transactions			Outstanding Balances Receivables (Payables)	
Related Party Category	Notes	2015	2014	2013	2015	2014
Related Parties Under Common Ownership:						
Sale of goods	19.1	P 38,152,506	P 56,283,882	P 11,238,304	P 22,956,932	P 51,442,897
Advances granted	19.2	-	(740,550,680)	440,476,767	-	-
Advances obtained	19.3	(160,531,201)	(283,104,220)	199,619,526	-	(160,531,201)
Lease agreements	19.4	15,569,196	970,614	642,864	-	(327,300)
Key Management Personnel:						
Fees paid	19.6	2,346,000	3,582,076	2,231,462	-	(88,000)
Advances obtained	19.6	-	(538,661,400)	-	-	(538,661,400)

Based on management's assessment, receivables from and advances to related parties are not impaired as of December 31, 2015 and 2014.

19.1 Sale of Goods

In 2015, 2014 and 2013, the Company sold goods to related parties under common ownership, presented as part of Sale of Goods in the statements of comprehensive income. The outstanding receivable as at December 31, 2015 and 2014 from this transaction, which are generally non-interest bearing, unsecured and settled through cash within 30 days, is presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

19.2 Advances to Related Parties

In 2014 and 2013, the Company granted noninterest-bearing and unsecured advances to certain related parties under common ownership for working capital requirements. These advances have no repayment terms and are due and payable in cash on demand. In 2014, the Company entered into an assignment of its receivables and offsetting arrangement with related parties wherein the balance of the Company's advances to its affiliates were assigned in payment and set-off against the equivalent amount of the Company's advances from its shareholder and Board Chairman (see Note 25.2).

The movement of advances to related parties in 2014 are as follows:

Balance at beginning of year	P 740,550,680
Collections during the year	(326,274,850)
Advances offset during the year	(414,275,830)
Balance at end of year	P -

There were no advances granted by the Company in 2015.

19.3 Advances from Related Parties Under Common Ownership

In 2015, 2014 and 2013, the Company obtained noninterest-bearing and unsecured advances from its related parties under common ownership for working capital requirements. These advances have no repayment terms and are due and payable in cash on demand. The outstanding liability from these transactions as of December 31, 2014 is presented as part of Advances from Related Parties in the 2014 statement of financial position. There was no outstanding liability as of December 31, 2015.

The movement of advances from related parties in 2015 and 2014 follows:

	2015	2014
Balance at beginning of year	P 160,531,201	P 443,635,421
Advances obtained during the year	2,544,754	-
Advances paid during the year	(163,075,955)	(283,104,220)
Balance at end of year	P -	P 160,531,201

19.4 Lease Agreements

The Company, as a lessee, entered into an operating lease agreement with Canon Realty and Development Corp., a related party under common ownership, covering a warehouse owned by the latter. The lease is for three years from January 1, 2010 up to December 31, 2012 renewable upon mutual agreement by both parties. In 2013, both parties agreed to extend the lease term for another three years up to December 31, 2015. The contract of lease was renewed for another two years or until December 31, 2017.

The Company, as a lessee, entered into another operating lease agreement with Aneco Realty and Development Corp., a related party under common ownership, covering a warehouse owned by the latter. The lease is for a three-year term from January 1, 2012 up to December 31, 2014 subject to automatic renewal unless agreed to be terminated by both parties. In 2015, the parties agreed to renew the lease for another two years or until December 31, 2016.

The Company, as a lessee, also entered into operating lease agreements with Anase Realty and Enterprises Corporation, Canon Freight Forwarders Corporation, both related parties under common ownership, and its Chairman of the Board of Directors, covering certain warehouse premises. The leases have terms of two years starting from January 1, 2015 to December 31, 2016 renewable upon mutual agreement by the parties.

Rental expense in 2015, 2014 and 2013 arising from the foregoing lease agreements is shown as part of Rentals under Other Operating Expenses in the statements of comprehensive income (see Notes 15 and 22.2). Outstanding liability arising from these transactions as of December 31, 2015 and 2014 is shown as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 13).

19.5 Cross Corporate Guarantee

In consideration of the group credit lines made available by its bankers to the Company, certain of its affiliates and shareholder-director in 2015 and 2014, the Company, the said affiliates and shareholder-director have agreed to cross-guarantee each other's obligation for short term loans obtained under the group credit facility (see Note 22.3). The Company's management assessed that the fair value of the guarantee liability, if any, is not significant to the financial statements. The cross guarantees issued by the Company to secure the bank obligations of such affiliates and shareholder-director were all terminated in March 2015 and ceased to have any effect.

19.6 Advances from and Payments to Key Management Personnel

Payments received by key management personnel pertain to service fees in 2015, 2014 and 2013 which are presented as part of Professional fees under Other Operating Expenses in the statements of comprehensive income (see Note 15). The outstanding liability on these services which is generally unsecured and noninterest-bearing and payable in cash is presented as part of Accrued expenses under the Trade and Other Payables account in the statements of financial position (see Note 13).

In 2014, the Company obtained noninterest-bearing and unsecured advances from its shareholder and Chairman of the Board for working capital requirements. These advances had no repayment terms and were due and payable on demand or through offsetting arrangements. A portion of these advances were paid by way of an assignment of the Company of its receivables from its affiliates for set-off against the Company's payables to the shareholder and Chairman of the Board under an assignment in payment arrangement (see Note 25.2). The outstanding liability from these advances as of December 31, 2014 is presented as part of Advances from Related Parties in the 2014 statement of financial position. There was no outstanding liability as of December 31, 2015. There were no advances obtained in 2015 and 2013.

The Company has availed of various credit line facilities in which availments are subject to cross suretyship arrangements including its shareholder-directors and continuing surety arrangement of shareholder and Chairman of the Board (see Note 22.3). The Company did not record the fair value of the guarantee liability because of the low probability of default in paying the borrowings.

As of December 31, 2015, there were no existing cross surety arrangements between the Company and any of its related parties (see Note 19.5).

20. TAXES

The components of tax expense as reported in the statements of comprehensive income are presented below.

	2015	2014	2013
Reported in profit or loss:			
Regular corporate income tax (RCIT) at 30%	P 52,864,689	P 43,597,383	P 25,644,031
Deferred tax expense (income) relating to origination and reversal of temporary differences	(6,560,589)	2,107,701	(16,446,709)
	P 46,304,100	P 45,705,084	P 9,197,322
Reported in other comprehensive loss –			
Deferred tax income relating to origination and reversal of other temporary differences	(P 1,282,896)	(P 234,151)	(P 28,105)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the profit or loss is as follows:

	2015	2014	2013
Tax on pretax profit at 30%	P 61,592,997	P 43,763,181	P 20,858,161
Tax effect of:			
Stock issuance costs	(10,972,370)	-	-
Non-taxable income	(5,017,934)	(1,815,603)	(3,482,157)
Non-deductible expenses	701,407	362,329	1,415,649
Unrecognized deferred tax asset	-	3,395,177	-
Reversal of temporary differences	-	-	(9,594,331)
	P 46,304,100	P 45,705,084	P 9,197,322

The net deferred tax assets relate to the following as of December 31:

	Statements of Financial Position		Statements of Comprehensive Income					
			Profit or Loss			Other Comprehensive Loss		
	2015	2014	2015	2014	2013	2015	2014	2013
Deferred tax liabilities:								
Unrealized foreign currency gains - net	P 299,437	P -	P 299,437	(P 771,613)	(P 342,128)	P -	P -	P -
Fair value gain on financial assets at FVTPL	-	-	-	-	(9,594,331)	-	-	-
Rental income	-	-	-	-	(2,291,100)	-	-	-
	299,437	-	299,437	(771,613)	(12,227,559)	-	-	-
Deferred tax assets								
Advance rental	(3,861,432)	(905,719)	(2,955,713)	(164,478)	(741,241)	-	-	-
Provision for inventory write-down	(3,717,535)	-	(3,717,535)	-	-	-	-	-
Accumulated actuarial loss on retirement plan	(1,594,365)	(311,469)	-	-	-	(1,282,896)	(234,151)	(28,105)
Share in net loss of associate	(341,018)	(258,362)	(82,656)	(258,362)	-	-	-	-
Retirement benefit obligation	(476,486)	(329,433)	(147,053)	(50,092)	(82,732)	-	-	-
Fair value loss on financial assets at FVTPL	-	-	-	3,395,177	(3,395,177)	-	-	-
Unrealized foreign currency losses - net	-	(42,931)	42,931	(42,931)	-	-	-	-
	(9,990,836)	(1,847,914)	(6,860,026)	2,879,314	(4,219,150)	(1,282,896)	(234,151)	(28,105)
Net Deferred Tax Assets	(P 9,691,399)	(P 1,847,914)						
Deferred Tax Expense (Income)			(P 6,560,589)	P 2,107,701	(P 16,446,709)	(P 1,282,896)	(P 234,151)	(P 28,105)

The Company is subject to minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations or the RCIT, whichever is higher. In 2015, 2014 and 2013, the Company recognized RCIT as the RCIT is higher than the MCIT in those years.

In 2015, 2014 and 2013, the Company opted to claim itemized deductions in computing its income tax due.

21. EQUITY

21.1 Capital Stock

Capital stock consists of common shares with details as follows:

	Note	Shares			Amount		
		2015	2014	2013	2015	2014	2013
Authorized - P1 par value in 2015 and 2014 and P100 par value in 2013:	1						
Balance at beginning of year		1,550,000,000	220,000	220,000	P 1,550,000,000	P 22,000,000	P 22,000,000
Increase during the year		-	1,549,780,000	-	-	1,549,780,000	-
Change due to decrease in par value		-	-	-	-	(21,780,000)	-
Balance at end of year		1,550,000,000	1,550,000,000	220,000	P 1,550,000,000	P 1,550,000,000	P 22,000,000

	Shares			Amount		
	2015	2014	2013	2015	2014	2013
Issued and outstanding						
Balance at beginning of year	262,000,000	220,000	220,000	P 262,000,000	P 22,000,000	P 22,000,000
Issuance of shares	773,000,000	-	-	773,000,000	-	-
Collection of subscription receivable	165,000,000	240,000,000	-	165,000,000	240,000,000	-
Change due to decrease in par value	-	21,780,000	-	-	-	-
Balance at end of year	1,200,000,000	262,000,000	220,000	P 1,200,000,000	P 262,000,000	P 22,000,000
Subscribed:						
Balance at beginning of year	427,000,000	220,000	220,000	P 427,000,000	P 22,000,000	P 22,000,000
Change due to decrease in par value	-	21,780,000	-	-	-	-
Additional subscription during the year	773,000,000	405,000,000	-	773,000,000	405,000,000	-
Balance at end of year	1,200,000,000	427,000,000	220,000	P 1,200,000,000	P 427,000,000	P 22,000,000
Subscription receivable:						
Balance at beginning of year				P 165,000,000	P -	P -
Collections during the year				(165,000,000)	(240,000,000)	-
Additions during the year				-	405,000,000	-
Balance at end of year				P -	P 165,000,000	P -
				P 1,200,000,000	P 262,000,000	P 22,000,000

On March 5, 2015, Anesy subscribed to additional 353,000,000 common shares of the Company which it fully paid by virtue of the conversion of its P350,000,000 advances to the Company into common shares and the remaining balance paid in cash by Anesy to the Company.

On August 10, 2015, a total of 1,200,000,000 common shares of the Company with par value of P1 per share were listed under the Main Board of the PSE. In addition, by way of an initial public offering (IPO), the Company sold 420,000,000 shares of its common stock at an offer price of P2.75 per offer share on the same day. The IPO resulted to recognition of additional paid-in capital amounting to P698.4 million, net of IPO-related expenses amounting to P36.6 million.

The change in the number of authorized shares of the Company in 2014 is due to decrease in par value as a result of the amendment of the Company's articles of incorporation duly approved by the SEC (see Note 1).

As of December 31, 2015, the total number of registered stockholders based on the records of the Company's Stock and Transfer Agent is four, with the shares held in the name of PCD Nominee Corporation belonging to 124 participants under Philippine Depository & Trust Corp. The Company's listed shares closed at P6.18 per share as of December 29, 2015 (the last trading day in 2015).

As of December 31, 2014, the Company has 13 stockholders owning 100 or more shares each of the Company's capital stock.

21.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive loss presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	AFS Financial Assets (see Note 8.2)	Defined Benefit Obligation	Total
Balance as of January 1, 2015	P 673,568	P 726,760	P 1,400,328
Remeasurements of defined benefit post-employment obligation	-	4,276,321	4,276,321
AFS financial assets	(673,568)	-	(673,568)
Other comprehensive loss (gain) before tax	(673,568)	4,276,321	3,602,753
Tax income	-	(1,282,896)	(1,282,896)
Other comprehensive loss after tax	(673,568)	2,993,425	2,319,857
Balance at December 31, 2015	**P -**	**P 3,720,185**	**P 3,720,185**
Balance as of January 1, 2014	P -	P 180,407	P 180,407
Remeasurements of defined benefit post-employment obligation	-	780,504	780,504
Fair value losses on AFS financial assets	673,568	-	673,568
Other comprehensive loss before tax	673,568	780,504	1,454,072
Tax income	-	(234,151)	(234,151)
Other comprehensive loss after tax	673,568	546,353	1,219,921
Balance at December 31, 2014	P 673,568	P 726,760	P 1,400,328
Balance as of January 1, 2013	P -	P 114,830	P 114,830
Remeasurements of defined benefit post-employment obligation	-	93,682	93,682
Other comprehensive loss before tax	-	93,682	93,682
Tax income	-	(28,105)	(28,105)
Other comprehensive loss after tax	-	65,577	65,577
Balance at December 31, 2013	P -	P 180,407	P 180,407

21.3 Retained Earnings

In 2014, the Company's BOD approved the reversal of the P275.0 million appropriated retained earnings originally set aside for the planned acquisition of a parcel of land and construction of a building in relation to its corporate expansion project.

On March 5, 2015 and December 29, 2014, the Company's BOD approved the declaration of cash dividends amounting to P100.0 million and P265.5 million, respectively, in favor of stockholders of record as of the same date in proportion to their shareholdings in the Company. The outstanding dividends payable as of December 31, 2014 amounting to P265.5 million is presented as Dividends Payable in the 2014 statement of financial position. All of the Company's dividends were paid in 2015.

21.4 Earnings per Share

Basic earnings per share are computed as follows:

	2015	2014	2013
Income available to common shares	**P 159,005,890**	P 100,172,187	P 60,329,880
Divided by the weighted average number of outstanding common shares	**868,666,667**	55,750,000	22,000,000
Basic earnings per share	**P 0.18**	P 1.80	P 2.74

22. COMMITMENTS AND CONTINGENCIES

22.1 Operating Lease Commitments – Company as Lessor

Certain real properties held by the Company as investment properties are provisionally leased out for certain minor incidental uses under an operating lease agreement (see Note 16). The leases have a maximum term of one year, with an option to renew under terms and conditions to be agreed upon by the parties. Future minimum lease receivable under these leases amounted to P1.5 million as of December 31, 2015 and 2014. Also, the Company has a leased property that it subleases initially for a term of three years which was subsequently renewed in December 2014 for another three years until December 2017. The average annual rentals paid covering these operating leases amounted to P12.9 million, P4.9 million and P4.6 million for 2015, 2014 and 2013, respectively. There were no outstanding receivables from these lease transactions as of December 31, 2015 and 2014. Future minimum lease receivable under these leases amounted to P196.6 million and P221.3 million as of December 31, 2015 and 2014, respectively.

The security deposits which may be refunded to the counterparties at the end of the lease term and advance rentals which may be applied as lease payments amounted to P36.8 million and P19.6 million as of December 31, 2015 and 2014, respectively, and is presented under Trade and Other Payables account in the statements of financial position (see Note 13).

22.2 Operating Lease Commitments – Company as Lessee

The Company is a lessee under various operating lease agreements with certain related parties covering certain warehouses with terms ranging from one to three years with no escalation rates (see Note 19.4). The future minimum lease payable under these non-cancellable operating leases as of December 31 follows:

	2015	2014	2013
Within one year	P 17,737,500	P 970,614	P 642,864
More than one year but less than five years	900,000	761,748	535,716
	P 18,637,500	P 1,732,362	P 1,178,580

Rentals incurred amounting to P16.0 million in 2015, P1.1 million in 2014 and P0.8 million in 2013 is shown as Rentals under Other Operating Expenses in the statements of comprehensive income (see Notes 15 and 19.4). Outstanding liability arising from these transactions amounted to P4.8 million and P0.3 million and shown as part of Accrued expenses and other payables under Trade and Other Payables in the statements of financial position (see Note 13).

22.3 Credit Facilities

The Company has availed of various credit line facilities made available on group basis to the Company, certain of its affiliates and shareholder-director. Availments under the credit facility are subject to cross suretyship arrangements between the Company, certain of its affiliates and shareholder-directors (see Notes 19.5 and 19.6). The credit lines are also subject to a continuing surety arrangement of the shareholder and Chairman of the Board in his capacity as controlling shareholder of the group. Outstanding balance from these credit lines amounted to P200.0 million and P231.4 million as of December 31, 2015 and 2014, respectively. The cross guarantees issued by the Company to secure the bank obligations of such affiliates and shareholder-director were all terminated in March 2015 and ceased to have any effect.

22.4 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the financial statements. As of December 31, 2015 and 2014, management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities.

The Company's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company actively engages in the trading of certain financial assets for speculative purposes. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

23.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2015 and 2014, the Company is exposed to changes in market interest rates through its loans payable (see Note 14) and cash and cash equivalents, which are subject to variable interest rates.

The United States dollar-denominated cash in banks are tested on a reasonably possible change of +/- 47 basis points (bps) and +/- 28 bps in 2015 and 2014, respectively. The calculations are based on financial instruments held at the end of each reporting period, estimated at 99% level of confidence. On the other hand, Philippine peso-denominated cash in banks and loans payable are tested on a reasonably possible change of +/- 13 in 2015 and +/- 14 in 2014 using standard deviation, estimated at 99% level of confidence. The calculations are based on the Company's financial instruments held at end of each reporting period.

The increase in bps would increase profit before tax by P22.1 million in 2015 and P15.4 million in 2014. Conversely, if the bps would decrease, with all other variables held constant, profit before tax would decrease in 2015 and 2014 by the same amounts.

23.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or the detailed analysis provided in the notes to financial statements as shown below.

	Notes	2015	2014
Cash and cash equivalents	4	P 837,551,006	P 338,132,143
HTM investments	8.1	244,740,000	250,000,000
Trade and other receivables	5	125,872,241	100,204,779
		P 1,208,163,247	P 688,336,922

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash in banks as described in the succeeding page.

(a) Cash and Cash Equivalents

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of Company's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

(b) Trade and Other Receivables and Advances to Related Parties

In respect of trade and other receivables and advances to related parties, the Company is not exposed to any significant credit risk exposure to any single counterparty. Based on historical information about the counterparty default rates, management consider the credit quality of the receivable that are not past due or impaired to be good.

(c) HTM Investments

No impairment loss has been recorded in relation to the debt securities held to maturity (see Note 8.1). No amounts related to investment in debts securities are past due.

23.3 Price Risk

The Company's market price risk arises from its investments carried at fair value classified as financial assets at FVTPL and AFS financial assets. The Company manages exposures to price risk by monitoring the changes in the market price of the investments.

The sensitivity analysis of the observed volatility rates of the fair values of the Company's investments held at fair value assumes a +/-20.13% change in the observed volatility rates of financial assets at FVTPL for the year ended December 31, 2014. These percentage has been determined using standard deviation based on the average market volatility in stock prices in the 12 months prior to the reporting dates.

If the stock prices of financial assets at FVTPL increased by 20.13% at December 31, 2014, the Company's net profit would have been higher by P5.9 million in 2014. On the other hand, if the stock prices declined by the same percentages, with all other variables held constant, net profit in 2014 would have the reverse impact for the same amounts.

All of the Company's financial assets at FVTPL and AFS financial assets were disposed in 2015.

23.4 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2015, the Company's financial liabilities have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
Trade and other payables	P 214,240,821	P -	P -
Loans payable	523,995,510	553,841,931	336,498,785
	P 738,236,331	**P 553,841,931**	**P 336,498,785**

This compares to the maturity of the Company's financial liabilities as of December 31, 2014 as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
Trade and other payables	P 422,581,300	P -	P -
Advances from related parties	699,192,601	-	-
Loans payable	187,902,083	128,744,097	1,260,526,753
	P 1,309,675,984	P 128,744,097	P 1,260,526,753

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Company monitors capital on the basis of the carrying amount of equity as presented on the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The debt-to-equity ratio as of December 31 is presented in the succeeding page.

	2015	2014
Liabilities	P 1,596,762,674	P 2,849,419,608
Equity	2,271,086,434	577,974,968
Debt-to-equity ratio	0.70 : 1.00	4.93 : 1.00

25. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

25.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2015		2014	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	4	P 837,551,006	P 837,551,006	P 338,132,143	P 338,132,143
Trade and other receivables	5	125,872,241	125,872,241	100,204,779	100,204,779
		963,423,247	963,423,247	438,336,922	438,336,922
HTM investments –					
Debt securities	8	244,740,000	254,774,340	250,000,000	252,000,000
Financial assets at FVTPL –					
Equity securities	7	-	-	29,259,715	29,259,715
AFS financial assets –					
Equity securities	8	-	-	124,488	124,488
		P1,208,163,247	P 1,218,197,587	P 717,721,125	P 719,721,125
Financial liabilities					
Financial liabilities at amortized cost:					
Loans payable	14	P1,367,500,000	P1,367,500,000	P 1,425,000,000	P1,425,000,000
Trade and other payables	13	214,240,821	214,240,821	422,581,300	422,581,300
Advances from related parties	19	-	-	699,192,601	699,192,601
		P1,581,740,821	P1,581,740,821	P2,546,773,901	P2,546,773,901

See Notes 2.3 and 2.9 for description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 23.

25.2 Offsetting of Financial Assets and Financial Liabilities

In 2014, the Company entered into a netting arrangement with its related parties. For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties (i.e., related parties) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

In 2014, the Company set-off its advances to related parties amounting to P414.3 million against the advances obtained from its shareholder and Chairman of the Board (see Note 19).

Also, in case of the Company's default on loans payment, cash in bank as of December 31, 2015 and 2014 amounting to P837.6 million and P338.1 million, respectively, can be applied against its outstanding loans and borrowings amounting to P1.4 billion.

26. FAIR VALUE MEASUREMENT AND DISCLOSURES

26.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial asset which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

26.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2014 (nil in 2015).

	Level 1	Level 2	Level 3	Total
Financial asset				
Equity securities –				
Financial assets at FVTPL	P 29,259,715	P -	P -	P 29,259,715
AFS financial asset	124,488	-	-	124,488
	P 29,384,203	P -	P -	P 29,384,203

As of December 31, 2014, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial asset. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014. There were neither transfers between Levels 1 and 2 instruments in both years.

26.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2015 and 2014 statements of financial position but for which fair value is disclosed.

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 837,551,006	P -	P -	P 837,551,006
Trade and other receivables	-	-	125,872,241	125,872,241
Debt security –				
HTM investment	254,774,340	-	-	254,774,340
	P1,092,325,346	P -	P 125,872,241	P 1,218,197,587
Financial liabilities:				
Trade and other payables	P -	P -	P 214,240,821	P 214,240,821
Loans payable	1,367,500,000	-	-	1,367,500,000
	P1,367,500,000	P -	P 214,240,821	P 1,581,740,821

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash in banks	P 338,132,143	P -	P -	P 338,132,143
Trade and other receivables	-	-	100,204,779	100,204,779
Debt security –				
HTM investment	252,000,000	-	-	252,000,000
	P 590,132,143	P -	P 100,204,779	P 690,336,922
Financial liabilities:				
Trade and other payables	P -	P -	P 422,581,300	P 422,581,300
Advances from related parties	-	-	699,192,601	699,192,601
Loans payable	1,425,000,000	-	-	1,425,000,000
	P1,425,000,000	P -	P1,121,773,901	P 2,546,773,901

For financial assets and financial liabilities, other than HTM investment, with fair values included in Level 1 and Level 3, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. HTM investment consists of equity securities with fair value determined based on prices quoted in PSE representing the bid prices at the end of the reporting period.

26.4 Fair Value Measurement for Non-financial Assets

For the fair value measurement of non-financial asset, the fair market values of investment properties as of December 31, 2015 and 2014 classified as Level 2 which are determined through appraisal reports obtained in 2014 amounted to P2.9 billion (see Note 12). Management believes that the fair value of the investment properties do not materially differ from that which would be determined at the end of 2015.

27. SEGMENT REPORTING

27.1 Business Segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Company's three main revenue sources, which represent the products and services provided by the Company, namely Sale of Goods, Rental Income and Investment Income.

27.2 Analysis of Segment Information

The following tables present revenue and profit information regarding business segments of the Company for the years ended December 31, 2015, 2014 and 2013:

	2015			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 940,000,603	P 100,777,804	P 12,142,114	P1,052,920,521
Cost	669,808,348	3,935,330	-	673,743,678
	270,192,255	96,842,474	12,142,114	379,176,843
Other operating expenses:				
Salaries and wages	22,074,491	-	-	22,074,491
Outside services	7,597,289	-	-	7,597,289
Transportation and travel	8,087,789	-	-	8,087,789
Commission	96,291	-	-	96,291
Insurance	3,524,965	-	-	3,524,965
	41,380,825	-	-	41,380,825
Segment profit before depreciation and amortization	**P 228,811,430**	**P 96,842,474**	**P 12,142,114**	**P 337,796,018**

	2014			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 933,080,958	P 73,179,541	P 6,134,247	P1,012,394,746
Cost	668,512,426	2,973,346	-	671,485,772
	264,568,532	70,206,195	6,134,247	340,908,974
Other operating expenses:				
Salaries and wages	16,098,594	-	-	16,098,594
Outside services	7,384,434	-	-	7,384,434
Transportation and travel	3,718,155	-	-	3,718,155
Commission	1,980,024	-	-	1,980,024
Insurance	1,428,143	-	-	1,428,143
Advertising and promotions	388,675	-	-	388,675
	30,998,025	-	-	30,998,025
Segment profit before depreciation and amortization	P 233,570,507	P 70,206,195	P 6,134,247	P 309,910,949

	2013			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 785,947,148	P 58,851,389	P 9,139,704	P 853,938,241
Cost	580,231,614	2,786,400	-	583,018,014
	205,715,534	56,064,989	9,139,704	270,920,227
Expenses:				
Salaries and wages	15,982,597	-	-	15,982,597
Outside services	7,739,340	-	-	7,739,340
Transportation and travel	12,636,618	-	-	12,636,618
Commission	3,095,467	-	-	3,095,467
Insurance	8,517,985	-	-	8,517,985
Advertising and promotions	371,618	-	-	371,618
	48,343,625	-	-	48,343,625
Segment profit before depreciation and amortization	P 157,371,909	P 56,064,989	P 9,139,704	P 222,576,602

Below is the Company's reconciliation of the components of reportable segments to the statements of comprehensive income.

	2015	2014	2013
Revenues:			
Total revenues of reportable segments	**P 1,052,920,521**	P 1,012,394,746	P 853,938,241
Costs and expenses:			
Total costs and expenses of reportable segments	**715,124,503**	702,483,797	631,361,639
Other costs and expenses from non-reportable segments	**84,058,755**	67,279,344	41,218,693
Depreciation and amortization	**7,019,390**	6,746,374	6,409,048
Finance costs – net	**41,407,883**	96,754,334	105,421,659
Profit before tax	**P 205,309,990**	P 145,877,271	P 69,527,202

The results of operations from the three segments are used by management to analyze the Company's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Company's operation.

Expenses are allocated through direct association of costs and expenses to operating segments.

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented below and in the succeeding pages is the supplementary information which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to the financial statements. This supplementary information is not a required disclosure under PFRS.

28.1 Requirements Under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are presented below and in the following pages:

(a) Output VAT

In 2015, the Company declared output VAT as follows:

	Amount	Output VAT
Sale of goods:		
VATable	P 659,797,346	P 79,175,682
Exempt	213,693,097	-
Zero-rated	66,510,160	-
	940,000,603	79,175,682
Rental income	100,777,804	12,093,336
	P1,040,778,407	**P 91,269,018**

The Company's zero-rated and exempt sales and VAT receipts were determined pursuant to Section 106(A)(2)(a), *Zero-rated VAT on Export Sale of Goods*, Section 109, *VAT Exempt Transactions*, and Section 108(B) and *Zero-rated VAT on Sale of Services and Use or Lease of Properties*, of the 1997 National Internal Revenue Code, as amended. The tax bases are presented as Sale of Goods and Other Operating Income in the 2015 statement of comprehensive income.

(b) Input VAT

The movements in input VAT in 2015 are summarized below.

Balance at beginning of year	P 151,738,315
Importation of good other than capital goods	58,033,313
Domestic purchase of goods and services other than capital goods	5,685,460
Amortization of deferred input VAT	5,630,824
	221,087,912
Applied against output VAT	(91,269,018)
Balance at the end of year	P 129,818,894

The outstanding balance of input VAT is presented as part of Prepayments and Other Current Assets in the 2015 statement of financial position (see Note 10).

(c) Taxes on Importation

In 2015, the total landed cost of the Company's importation of raw materials amounted to P600,155,182 which includes customs duties, freight, insurance and other charges, excise tax and other import expenses amounting to P5,319,974.

(d) Excise Tax

Aside from the excise tax on importation, the Company did not have any transactions in 2015 which are subject to excise tax.

(e) Documentary Stamp Taxes (DST)

The Company incurred DST amounting to P8,818,309 in 2015 [see Note 27.1(f)] for the execution of new and renewal of the Company's various loan agreements with financial institutions.

(f) Taxes and Licenses

The details of Taxes and licenses in 2015 is broken down as follows:

DST	P 8,818,309
Real property tax	3,935,330
Licenses and permits	224,124
Others	3,310,461
	P 16,288,224

The amounts of Taxes and licenses is presented under Other Operating Expenses in the 2015 statement of comprehensive income (see Note 15).

(g) Withholding Taxes

The details of withholding taxes for the year ended December 31, 2015 are shown below.

Expanded	P 6,383,358
Compensation	1,148,799
	P 7,532,157

The Company does not have any transactions subject to final withholding tax.

(h) Deficiency Tax Assessment and Tax Cases

As of December 31, 2015, the Company does not have any final deficiency tax assessment with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.

28.2 Requirements Under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, deductible costs of sales, itemized deductions and other significant tax information to be disclosed in the notes to the financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below and in the succeeding page are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2015 statement of comprehensive income.

(a) Taxable Revenues

The Company's taxable revenues subject to regular rate in taxable year 2015 amounted to P940,000,603.

(b) Deductible Cost of Sales

The Company's deductible cost of sales subject to regular tax rate in taxable year 2015 amounted to P669,808,348.

(c) Taxable Non-operating and Other Income

The details of taxable non-operating and other income in 2015 which are subject to regular tax rate are shown below.

Rentals	P 110,630,182
Realized foreign currency gains	150,269
Other income	4,120,222
	P 114,900,673

(d) Itemized Deductions

The amounts of itemized deductions subject to regular tax rate for the year ended December 31, 2015 are as follows:

Interest expense	P 48,952,593
IPO-related expenses	36,574,567
Salaries and wages	21,584,316
Management and consultancy	18,439,479
Taxes and licenses	16,288,224
Rental	15,978,321
Depreciation and amortization	7,019,390
Security services	6,779,209
Representation and entertainment	5,205,359
Transportation and travel	5,060,680
Trainings and seminar	4,811,674
Insurance	3,524,965
Communication, light and water	3,095,298
Fuel and oil	3,027,109
Professional fees	2,567,347
Office supplies	1,646,228
Repairs and maintenance	1,573,588
Charitable contributions	1,049,500
Janitorial and messengerial services	818,080
Bank charges	560,303
Dues and subscriptions	555,383
Advertising and promotions	547,658
Commission	57,191
Others	3,160,836
	P 208,877,298

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors
SBS Philippines Corporation
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of SBS Philippines Corporation for the year ended December 31, 2015, on which we have rendered our report dated February 29, 2016. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5321730, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Nov. 11, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2013 (until Oct. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 29, 2016

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)

LIST OF SEC SUPPLEMENTARY SCHEDULES COVERED BY INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

(1) Supplementary Schedules to Financial Statements
(Annex 68-E, SRC Rule 68)

Schedule	Content
A	Financial Assets Loans and receivables Financial Assets at Fair Value Through Profit or Loss Held-to-maturity Investments Available-for-sale Financial Assets
B	Amounts Receivables/Accounts Payables from/to Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

(2) Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015

(3) Map Showing the Relationship Between the Company and its Related Entities

(4) Reconciliation of Retained Earnings Available for Dividend Declaration

(5) Schedule of Financial Soundness Indicators

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Loans and Receivables)
December 31, 2015
(Amounts in Philippine Pesos)

Name of Issuing Entity / Description of Each Issue	*Amount Shown in the Statements of Financial Position*	*Income Received and Accrued*
Cash and cash equivalents	P 837,551,006	4,584,332
Trade and other receivables	125,872,241	-
	P 963,423,247	**P 4,584,332**

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Financial Assets at Fair Value Through Profit or Loss)
December 31, 2015
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Held-to-maturity Investments)
December 31, 2015
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Income received and accrued*
Ayala Corporation	489,480 shares	P 244,740,000	P 10,306,503

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Available-for-sale Financial Assets)
December 31, 2015
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2015
(Amounts in Philippine Pesos)

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts assigned or set - off	Current	Non-current	Balance at end of period

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2015
(Amounts in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule C - Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2015
(Amounts in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts paid*[7]	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule D - Intangible Assets - Other Assets
December 31, 2015
(Amounts in Philippine Pesos)

			Deduction			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule E - Long-Term Debt
December 31, 2015
(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*
Term Loans	P 1,055,000,000	P 312,500,000

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule F - Indebtedness to Related Parties
December 31, 2015
(Amounts in Philippine Pesos)

Name and designation of debtor	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule G - Guarantees of Securities of Other Issuers
December 31, 2015
(Amounts in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed an outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

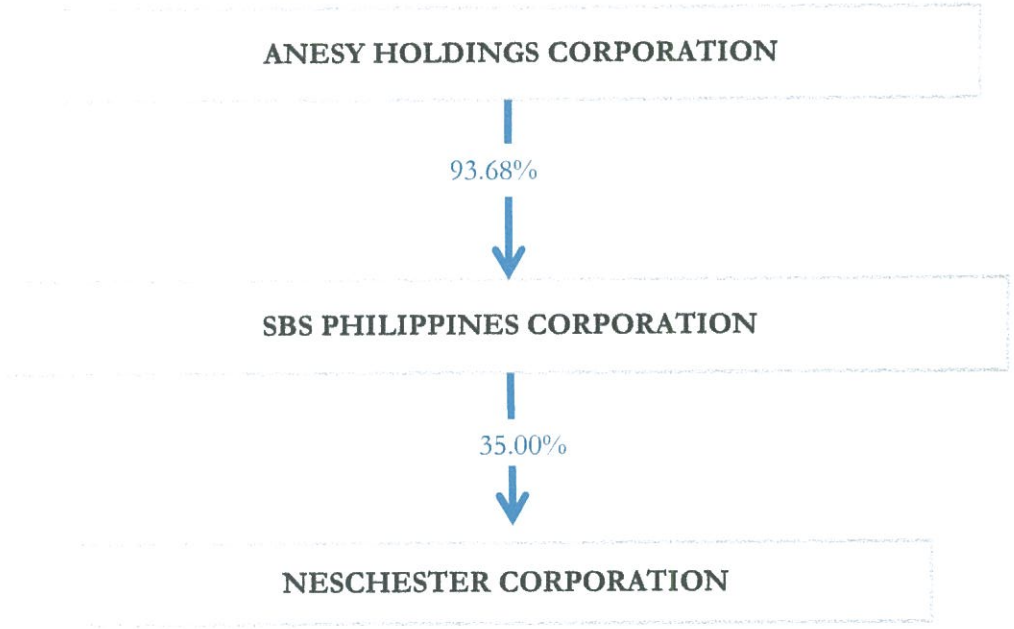
SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule H - Capital Stock
December 31, 2015
(Amounts in Philippine Pesos)

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value	1,550,000,000	1,200,000,000	-	753,368,100	98,550,702	348,081,198

SBS PHILIPPINES CORPORATION

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP, ULTIMATE PARENT COMPANY AND SUBSIDIARY



SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception *(deferred indefinitely)*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* *(effective January 1, 2016)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2016)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilitie**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies**	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2015
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P 117,375,296
Prior Year's Outstanding Reconciling Items		
Deferred tax income		(1,874,914)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		115,500,382
Net Profit Realized During the Year		
Net profit per audited financial statements	P 159,005,890	
Non-actual/unrealized income		
Deferred tax income	(6,560,589)	152,445,301
Dividend Declaration during the Year		(100,000,000)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 167,945,683**

SBS PHILIPPINES CORPORATION

(A Subsidiary of Anesy Holdings Corporation)

Schedule of Financial Indicators for December 31, 2015, 2014 and 2013

	2015	2014	2013
Liquidity Ratio [1]	205.5%	129.4%	175.9%
Debt to Equity Ratio [2]	70.3%	493.0%	604.9%
Asset to Equity Ratio [3]	170.3%	593.0%	704.9%
Return on Assets [4]	4.4%	2.9%	1.8%
Return on Equity [5]	11.2%	18.5%	12.7%
Cost to Income Ratio [6]	14.7%	19.0%	23.1%
Earnings per Share [7]	PHP 0.18	PHP 1.80	PHP 2.74

1/ *Current Assets over Current Liabilities*

2/ *Total Liabilities over Equity*

3/ *Total Assets over Equity*

4/ *Net Income over Average Assets*

5/ *Net Income over Average Equity*

6/ *Cost and Expenses over Revenues*

7/ *Net Income over Weighted Average Number of Common Outstanding Shares*

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SBS PHILIPPINES CORPORATION

No. 10 Resthaven, San Francisco Del Monte, Quezon City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SBS Philippines Corporation** (the Company), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

a. Reconciliation of Retained Earnings Available for Dividend Declaration, and
b. Schedule of PFRS Effective as of December 31, 2014

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

NECISTO U. SYTENGCO
Chairman of the Board

ESMERALDO A. TEPACE
President

AYLENE Y. SYTENGCO
Treasurer

Signed this _____ day of _____

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Punongbayan & Araullo

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Report of Independent Auditors

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1200 Makati City
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www.punongbayan-araullo.com

The Board of Directors
SBS Philippines Corporation
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of SBS Philippines Corporation, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on the 2013 Financial Statements

We were appointed as external auditors of the Company in 2013; hence, we were not able to observe the year end physical count of the Company's inventories as at December 31, 2012. Since the balance of inventories as at December 31, 2012 enters into the determination of cost of goods sold and, consequently, the Company's tax expense and net profit in 2013, we were unable to determine, by means of other auditing procedures, whether adjustments might have been necessary in respect of the reported net profit in the 2013 statement of comprehensive income and the cash flows from operating activities in the 2013 statement of cash flows. Hence, our opinion on the 2013 statement of comprehensive income and 2013 statement of cash flows is qualified as to this matter.

In 2014, because the matter described in the preceding paragraph no longer affects the Company's 2014 statement of comprehensive income and 2014 statement of cash flows, our opinion on those statements is no longer qualified with respect to the same matter.

Opinion

In our opinion, except for the matters described in the Basis for Qualified Opinion on the 2013 Financial Statements paragraph, the financial statements present fairly, in all material respects, the financial position of SBS Philippines Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The financial statements of SBS Philippines Corporation as of and for the year ended December 31, 2012 was audited by other auditors whose report, dated April 4, 2013, expressed an unqualified opinion on those statements prior to restatement. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of SBS Philippines Corporation and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2014 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 4748316, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Nov. 11, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-37-2013 (until Oct. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 5, 2015

Punongbayan & Araullo

An instinct for growth™

Supplemental Statement of Independent Auditors

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1200 Makati City
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The Board of Directors
SBS Philippines Corporation
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

We have audited the financial statements of SBS Philippines Corporation for the year ended December 31, 2014, on which we have rendered the attached report dated March 5, 2015.

In compliance with the Securities Regulation Code Rule 68, we are stating that the Company has 13 stockholders owning 100 or more shares each of the Company's common stock as of December 31, 2014, as disclosed in Note 20 to the financial statements.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 4748316, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Nov. 11, 2016)
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BIR AN 08-002511-37-2013 (until Oct. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 5, 2015

RECEIVED DATE: 14 APR 2015
REVENUE OFFICER

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
A S S E T S			
CURRENT ASSETS			
Cash in banks	2	**P 338,132,143**	P 48,102,505
Trade and other receivables	4	**100,204,779**	84,891,879
Inventories – net	5	**1,557,928,385**	1,482,859,241
Advances to related parties	18	**-**	740,550,680
Financial assets at fair value through profit or loss	6	**29,259,715**	51,916,950
Prepayments and other current assets	9	**154,008,669**	151,963,666
Total Current Assets		**2,179,533,691**	2,560,284,921
NON-CURRENT ASSETS			
Property and equipment – net	10	**22,212,249**	23,956,421
Investment properties	11	**955,287,542**	949,016,529
Deferred tax assets – net	19	**1,847,914**	3,721,465
Investment in an associate	8	**18,388,692**	19,249,900
Other non-current financial assets	7	**250,124,488**	-
Total Non-current Assets		**1,247,860,885**	995,944,315
TOTAL ASSETS		**P 3,427,394,576**	P 3,556,229,236
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans payable	13	**P 261,500,000**	P 808,000,000
Trade and other payables	12	**422,823,999**	184,687,149
Advances from related parties	18	**699,192,601**	443,635,421
Dividends payable	20	**265,494,338**	-
Income tax payable		**34,718,239**	19,200,765
Total Current Liabilities		**1,683,729,177**	1,455,523,335
NON-CURRENT LIABILITIES			
Loans payable	13	**1,163,500,000**	1,595,000,000
Post-employment defined benefit obligation	17	**2,190,431**	1,188,861
Total Non-current Liabilities		**1,165,690,431**	1,596,188,861
Total Liabilities		**2,849,419,608**	3,051,712,196
EQUITY			
Capital stock	20	**262,000,000**	22,000,000
Additional paid-in capital	2	**200,000,000**	200,000,000
Revaluation reserves	20	**(1,400,328)**	(180,407)
Retained earnings	20	**117,375,296**	282,697,447
Total Equity		**577,974,968**	504,517,040
TOTAL LIABILITIES AND EQUITY		**P 3,427,394,576**	P 3,556,229,236

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
SALE OF GOODS	18	**P 933,080,958**	P 785,947,148	P 993,927,489
COST OF GOODS SOLD	14	**668,512,426**	580,231,614	790,727,290
GROSS PROFIT		**264,568,532**	205,715,534	203,200,199
OTHER OPERATING INCOME (EXPENSES)				
Other operating expenses	14	**(100,389,507)**	(98,757,766)	(61,521,387)
Finance costs – net	16	**(90,620,087)**	(96,281,955)	(95,259,122)
Other operating income	15	**73,179,541**	58,851,389	10,958,429
		(117,830,053)	(136,188,332)	(145,822,080)
OPERATING PROFIT		**146,738,479**	69,527,202	57,378,119
EQUITY IN NET LOSSES OF AN ASSOCIATE	8	**861,208**	-	-
PROFIT BEFORE TAX		**145,877,271**	69,527,202	57,378,119
TAX EXPENSE	19	**45,705,084**	9,197,322	17,777,220
NET PROFIT		**100,172,187**	60,329,880	39,600,899
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	17	**780,504**	93,682	164,043
Tax income	19	**(234,151)**	(28,105)	(49,213)
		546,353	65,577	114,830
Item that will be reclassified subsequently to profit or loss				
Fair value loss on available-for-sale financial assets	7	**673,568**	-	-
Other Comprehensive Loss		**1,219,921**	65,577	114,830
TOTAL COMPREHENSIVE INCOME		**P 98,952,266**	P 60,264,303	P 39,486,069
EARNINGS PER SHARE - Basic and Diluted	20	**P 1.80**	P 2.74	P 1.80

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)
(Amounts in Philippine Pesos)

	Capital Stock (see Note 20)	Additional Paid-in Capital	Retained Earnings (see Note 20) Appropriated	Unappropriated	Revaluation Reserves (see Notes 7 and 17)	Total Equity
Balance at January 1, 2014	P 22,000,000	P 200,000,000	P 275,000,000	P 7,697,447	(P 180,407)	P 504,517,040
Issuance of shares during the year	240,000,000	-	-	-	-	240,000,000
Reversal of appropriation during the year	-	-	(275,000,000)	275,000,000	-	-
Cash dividends	-	-	-	(265,494,338)	-	(265,494,338)
Total comprehensive income for the year	-	-	-	100,172,187	(1,219,921)	98,952,266
Balance at December 31, 2014	**P 262,000,000**	**P 200,000,000**	**P -**	**P 117,375,296**	**(P 1,400,328)**	**P 577,974,968**
Balance at January 1, 2013	P 22,000,000	P 200,000,000	P -	P 222,367,567	(P 114,830)	P 444,252,737
Appropriation during the year	-	-	275,000,000	(275,000,000)	-	-
Total comprehensive income for the year	-	-	-	60,329,880	(65,577)	60,264,303
Balance at December 31, 2013	P 22,000,000	P 200,000,000	P 275,000,000	P 7,697,447	(P 180,407)	P 504,517,040
Balance at January 1, 2012	P 22,000,000	P 200,000,000	P -	P 182,766,668	P -	P 404,766,668
Total comprehensive income for the year	-	-	-	39,600,899	(114,830)	39,486,069
Balance at December 31, 2012	P 22,000,000	P 200,000,000	P -	P 222,367,567	(P 114,830)	P 444,252,737

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 145,877,271**	P 69,527,202	P 57,378,119
Adjustments for:				
Interest expense	16	**95,086,591**	96,190,483	131,210,415
Depreciation and amortization	10	**6,746,374**	6,409,048	5,361,123
Gain on sale of financial assets at fair value through profit or loss (FVTPL)	6, 16	**(6,134,247)**	(9,139,704)	-
Share in net loss of associate	8	**861,208**	-	-
Fair value loss (gain) on financial assets at FVTPL	6, 16	**618,100**	11,317,255	(31,981,102)
Unrealized foreign currency losses (gains)	16	**143,103**	(2,829,766)	(3,970,191)
Operating profit before working capital changes		**243,198,400**	171,474,518	157,998,364
Decrease (increase) in trade and other receivables		**(15,312,900)**	(15,609,125)	8,610,215
Decrease (increase) in inventories		**(75,069,144)**	(36,855,319)	41,180,125
Decrease (increase) in advances to related parties		**326,274,850**	(440,476,767)	(198,800,410)
Increase in prepayments and other current assets		**(10,924,146)**	(23,402,408)	(72,486,620)
Increase (decrease) in trade and other payables		**238,136,850**	(74,588,964)	(533,426,219)
Increase in post-employment defined benefit obligation		**221,066**	210,197	187,299
Cash generated from (used in) operations		**706,524,976**	(419,247,868)	(596,737,246)
Cash paid for income taxes		**(19,200,765)**	(14,121,707)	(3,817,420)
Net Cash From (Used) in Operating Activities		**687,324,211**	(433,369,575)	(600,554,666)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of held-to-maturity investment	7	**(250,000,000)**	-	-
Proceeds from sale of financial assets at FVTPL	6	**34,132,707**	59,434,627	43,372,281
Acquisition of investment properties	11	**(6,271,013)**	(5,759,873)	(236,470,236)
Purchases of financial assets at FVTPL	6	**(5,959,325)**	(49,346,328)	(75,573,979)
Acquisition of property and equipment	10	**(5,002,202)**	(4,978,207)	(7,482,143)
Acquisition of available-for-sale (AFS) financial assets	7	**(894,985)**	-	-
Proceeds from sale of AFS financial assets	7	**96,929**	-	-
Acquisition of investment in an associate	8	-	-	(19,249,900)
Net Cash Used in Investing Activities		**(233,897,889)**	(649,781)	(295,403,977)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of loans	13	**(1,528,000,000)**	(1,963,250,000)	(792,000,000)
Advances obtained from related parties	18	**770,330,926**	199,619,526	200,241,002
Proceeds from availment of loans	13	**550,000,000**	2,316,750,000	1,620,500,000
Proceeds from issuance of shares of stock	20	**240,000,000**	-	-
Settlement of advances to related parties	18	**(100,497,916)**	-	-
Interest paid		**(95,086,591)**	(94,885,957)	(131,210,415)
Net Cash From (Used in) Financing Activities		**(163,253,581)**	458,233,569	897,530,587
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANKS		**(143,103)**	1,901,548	(807,361)
NET INCREASE IN CASH IN BANKS		**290,029,638**	26,115,761	764,583
CASH IN BANKS AT BEGINNING OF YEAR		**48,102,505**	21,986,744	21,222,161
CASH IN BANKS AT END OF YEAR		**P 338,132,143**	P 48,102,505	P 21,986,744

Supplemental Information on Non-cash Financing Activities:

1) In 2014, the Company entered into an assignment of receivables and offsetting arrangement with certain related parties wherein the balances of the Company's advances to its affiliates were assigned in payment and set-off against the equivalent amount of the Company's advances from its shareholder and Chairman of the Board (see Note 18).

2) In 2014, the Company's Board of Directors approved the decaration of cash dividends amounting to P265.5 million in favor of stockholders of record as of December 31, 2014 to be paid and distributed in proportion to their shareholdings in the Company in March 2015. This amount remains unpaid as of December 31, 2014 (see Note 20).

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

SBS Philippines Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 17, 2001. The Company is currently engaged in trading of goods and buying, selling, distributing and marketing at wholesale goods such as chemicals, fertilizers, foodstuffs, agricultural products feed ingredients, industrial products and medical devices.

On October 15, 2014, the Board of Directors (BOD) and stockholders of the Company approved the following amendments to the Company's articles of incorporation and by-laws:

a) change in the Company's corporate name from Sytengco Philippines Corporation to SBS Philippines Corporation;

b) change in the Company's registered office, which is also its principal place of business, from Rm. 503 Regina Garden II, Reina Regente Street, Binondo, Manila to No. 10 Resthaven Street, San Francisco Del Monte, Quezon City; and,

c) change in the authorized capital stock from 220,000 shares at P100 par value to 1.0 billion shares at P1 par value.

The amendment was approved by the SEC on November 18, 2014. The amendment is in the process of approval by the Bureau of Internal Revenue (BIR) as of December 31, 2014.

Subsequently, on December 2, 2014, the BOD and stockholders of the Company approved to further amend the Company's articles of incorporation to increase the authorized capital stock to 1.6 billion shares at P1 par value (see Note 20.1). The foregoing amendment was approved by the SEC on December 18, 2014. Anesy Holdings Corporation (Anesy or the Parent Company), a company incorporated and domiciled in the Philippines, subscribed to new shares and acquired 94% controlling interest in the Company; hence, considered as the Company's parent on the date of its acquisition of the Company's shares.

Anesy is currently engaged in holding, owning and acquiring shares of stock, bonds and other investments in any and all types of business enterprise engaged in any productive or commercial activity. Its registered office, which is also its principal place of business, is located at No. 37 Judge Juan Luna St., San Francisco del Monte, Quezon City.

The financial statements of the Company as of and for the year ended December 31, 2014 (including the comparative financial statements as of December 31, 2013 and for the years ended December 31, 2013 and 2012) were authorized for issue by the Company's BOD on March 5, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses and other comprehensive income in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Company

In 2014, the Company adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Company and effective for financial statements for the annual periods beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding page are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. In 2014, the Company entered into a master netting arrangement with its related parties, offsetting their financial assets with financial liabilities (see Note 24.2).

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since there is no impairment loss recognized on the Company's non-financial assets.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Company neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Company's financial statements.

(iv) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no impact on the Company's financial statements.

(b) Effective in 2014 that are not Relevant to the Company

Among the amendments to PFRS which are effective for the annual periods beginning or after January 1, 2014, the Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*, in relation to the exception from consolidation for an investment entity of its investments in subsidiaries are not relevant to the Company.

(c) Effective Subsequent to 2014 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are issued by the FRSC, subject to the approval of the BOA. Management will adopt the relevant pronouncements in the succeeding pages in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9, *Financial Instruments*. As of the end of the reporting period, the Company has no plan to change the accounting policy for its investment in its associate.

(v) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Company does not expect to implement and adopt PFRS 9 (2014). In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but management does not expect those to have material impact on the Company's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

A more detailed description of the four categories of financial assets is as follows:

(a) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash in Banks, Trade and Other Receivables and Advances to Related Parties in the statement of financial position. Cash in banks are defined as demand deposits which are unrestricted as to withdrawal.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is an objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

(c) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Company were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS financial assets. HTM investments are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position, except those maturing within 12 months from the end of the reporting period, which are presented as part of current assets. The Company currently holds preferred shares with fixed date of redemption designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated future cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired.

(d) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Company's AFS financial assets include only equity securities.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income or loss even though the financial asset has not been derecognized.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs – net in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. The cost of merchandise inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.5 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statement when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

2.6 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	13 years
Transportation and other equipment	5 years
Furniture and fixtures	3 years

Amortization of leasehold improvements is recognized over their estimated useful life of 13 years, regardless of the term of the lease as management believes that it is probable that the Company will renew the lease agreement for the warehouses where the property and equipment and the office are located, for a period of time that may extend beyond the current lease term [see Note 3.1(e)].

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under the cost model and is measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of preparing the asset for its intended use.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

An item of investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment in an Associate

An associate is an entity over which the Company is able to exert significant influence but which are neither subsidiary nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings or Losses of an Associate account in profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.15).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

2.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (excluding tax-related liabilities), Loans Payable and Advances from Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs – net in the statement of comprehensive income.

The loans payable and trust receipts payable (presented as part of Trade and Other Payables) was raised for working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables and due to related parties are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.10 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods measured by reference to the fair value of consideration received or receivable by the Company, excluding value-added tax (VAT), rebates and trade discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery of the goods sold.

(b) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17).

2.13 Lease – Company as Lessee

(a) *Company as Lessee*

Lease which do not transfer to the Company substantially all the risks and benefits of ownership of the asset is classified as operating lease. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Company as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.14 Foreign Currency Translation and Transactions

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of profit or loss from operations.

2.15 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, investment in an associate and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.16 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plan which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The Company's defined post-employment covers all regular full time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs - net account in profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The Company establishes liabilities for probable and estimable assessments by the Bureau of Internal Revenue (BIR) resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes available.

2.19 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's revenue sources as disclosed in Note 26, which represent the main revenue sources provided by the Company.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements, except that the following are not included in the calculation of the operating profit of the operating segments:

- post-employment benefit expenses; and,
- fair value losses from financial assets at FVTPL.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.20 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.21 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.22 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. As of December 31, 2014 and 2013, the Company does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equivalent to the basic earnings per share.

2.23 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Classifying Financial Assets as HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as preferred shares, as HTM investments, the Company evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Company fails to keep these investments to maturity other than for specific circumstances as allowed under the applicable PFRS, it will be required to reclassify the whole class as AFS financial assets. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

(b) Determining Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Company's AFS financial assets, management has assessed that no impairment loss is to be recognized in 2014.

(c) Distinguishing Investment Properties and Owner-managed Properties

The Company determined that its parcels of land qualify as investment properties. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash-flows that are attributable not only to the property but also to other assets used in the Company's main line of business. Based on management's assessment, the properties qualify as investment properties.

(d) Distinguishing Operating and Finance Lease

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(e) Amortizing Leasehold Improvements

The Company amortizes leasehold improvements over the estimated useful life of the improvements regardless of the term of the lease because management believes that it is probable that the Company will renew the lease agreement for the warehouses where it operates for a period of time that will extend beyond the current term of the lease.

(f) Recognizing Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant provisions and contingencies are presented in Note 21.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimating Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Company's relationship with the customers and counterparties, the customers' and counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

Management determined that no impairment loss on trade and other receivables and advances to related parties should be recognized for the years ended December 31, 2014, 2013 and 2012 based on its assessment of the collectability of the accounts.

(b) Determining Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Company's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Notes 6 and 7, respectively.

(c) Determining NRV of Inventories

In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. It also takes into consideration the obsolescence of the inventory in determining NRV. The future realization of the carrying amounts of inventories as disclosed in Note 5 is affected by price changes in different market segments. These aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next reporting period. Management believes that Company's inventories are properly valued at lower of cost and NRV as of December 31, 2014 and 2013.

(d) Estimating Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are presented in Note 10. Based on management's assessment as at December 31, 2014 and 2013, there is no change in the estimated useful lives of those assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Assessing Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.15. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on non-financial assets for the years ended December 31, 2014, 2013 and 2012 based on management's assessment.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense, an analysis of the movements in the estimated present value of post-employment defined benefit obligation and assumptions used are presented in Note 17.2.

(g) Determining Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management has assessed that the amount of tax benefits from its future deductible differences which is recognized as deferred tax assets as at December 31, 2014 and 2013 will be fully utilized subsequently. The carrying value of deferred tax assets is disclosed in Note 19.

4. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note		**2014**		2013
Trade receivables	18.1	**P**	**100,098,695**	P	84,829,795
Other receivables			**106,084**		62,084
		P	**100,204,779**	P	84,891,879

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All of the Company's trade and other receivables have been reviewed for indicators of impairment. Based on management's assessment, no impairment loss should be recognized for the years ended December 31, 2014, 2013 and 2012.

In 2014, the Company sold merchandise inventories to its related party in which the amount of receivable of P51.4 million was offset against the Advances from Related Parties account as part of their master offsetting arrangement (see Note 24.2).

5. INVENTORIES

Except for the portion of inventories stated at NRV, inventories at the end of 2014 and 2013 were stated at cost. The details of inventories are shown below.

	2014	2013
At cost	**P 1,207,799,783**	P 987,157,822
At net realizable value:		
Cost	**613,625,094**	807,271,429
Allowance for inventory write-down	**(263,496,492)**	(311,570,010)
	350,128,602	495,701,419
	P 1,557,928,385	P 1,482,859,241

An analysis of the cost of inventories included in cost of sales as of December 31, 2014 and 2013 is presented in Note 14.

In 2014, the Company recognized a gain of P48.1 million following the sale and recovery of certain merchandise inventories in which costs were written-down to its NRV in previous years (see Note 18.1). This recovery is presented as a deduction from the Cost of Sales account in the 2014 statement of comprehensive income (see Note 14). There were no recognized and reversal of inventory write-down in 2013 and 2012.

6. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL consist of equity interest in a company wherein shares are listed in the Philippine Stock Exchange (PSE). The reconciliation of the carrying amounts of FVTPL financial assets follow:

	2014	2013
Balance at beginning of year	**P 51,916,950**	P 64,182,800
Purchases	**5,959,325**	49,346,328
Disposal	**(27,998,460)**	(50,294,923)
Fair value loss	**(618,100)**	(11,317,255)
Balance at end of year	**P 29,259,715**	P 51,916,950

In 2014 and 2013, the Company recognized gain from sale of equity securities amounting to P6.1 million and P9.1 million, respectively, which is presented as Gain on sale of financial assets at FVTPL under the Finance Costs – net account in the statements of comprehensive income (see Note 16). There was no gain or loss on sale recognized in 2012.

The Company recognized fair value losses amounting to P0.6 million and P11.3 million in 2014 and 2013, respectively, and fair value gains amounting to P32.0 million in 2012, which is presented as Fair value loss (gain) on financial assets at FVTPL under the Finance Costs – net account in the statements of comprehensive income, due to the mark-to-market valuation of the financial assets as of December 31, 2014, 2013 and 2012 (see Note 16).

7. OTHER NON-CURRENT FINANCIAL ASSETS

The amounts in the statement of financial position as of December 31, 2014 comprise the following categories of financial assets:

HTM Investment –		
Debt securities – preferred shares	P	250,000,000
AFS Financial Asset –		
Equity securities – common shares		124,488
	P	250,124,488

7.1 HTM Investments

HTM investments represent debt securities in a company wherein shares are listed in the PSE and pertain to cumulative, non-voting, class "B" series 2 preferred shares which bear fixed interest rate of 5.58% per annum and will mature on November 5, 2019. Aside from the maturity date, these investments have an optional redemption date on November 5, 2024 and on any dividend payment date thereafter.

7.2 AFS Financial Asset

The reconciliation of the carrying amounts of AFS financial asset is as follows:

	Note		
Balance at beginning of year		P	-
Addition			894,985
Disposal		(	96,929)
Fair value loss	20.2	(	673,568)
Balance at end of year		P	124,488

The Company's AFS financial asset represents equity interest in a company wherein shares are listed in the PSE. The fair value of the shares declined by P0.7 million in 2014. These losses were not considered permanent; hence, were recognized as part of Other Comprehensive Loss, identified as an item that will be reclassified subsequently to profit or loss (see Note 20.2).

The fair value of AFS financial asset has been determined based on quoted prices in active markets (see Note 25).

8. INVESTMENT IN AN ASSOCIATE

In 2012, the Company acquired 192,499 shares of Neschester Corporation (Neschester), a related company incorporated in the Philippines, with P100 par value per share for a total consideration of P19.2 million, representing 35% equity ownership interest in the investee. The registered office of the investee company, which is also its principal place of business, is located at 9/F Sage House, 110 V.A. Rufino St., Legaspi Village, Makati City. The carrying amount of this investment as of December 31, 2014 and 2013 is presented as Investment in an Associate in the statements of financial position.

The Company's management believes that it does not have effective control over the investee company but a significant influence only. Consequently, the Company accounted for its investment in the investee company under the equity method.

In 2014, the Company recognized its share in the net loss of Neschester which amounted to P0.9 million. No share in net loss of Neschester was recognized in 2013 and 2012 as the management believes that this will not have a significant impact in the Company's financial statements presented during those years.

The aggregated amounts of assets, liabilities, revenues and net loss of the associate are as follows:

	Assets	Liability	Expenses	Net Loss
2014	**P 303,182,825**	**P 250,773,747**	**P 2,462,172**	**P 2,460,594**
2013	P 54,869,673	P -	P 130,327	P 130,327

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account is composed of the following:

	Note	2014	2013
Input VAT	27.1(b)	**P 151,738,315**	P 148,876,144
Prepaid expenses		**2,270,354**	1,789,366
Creditable withholding tax		**-**	1,298,156
		P 154,008,669	P 151,963,666

Prepaid expenses pertain mainly to advance payments made on real property taxes.

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2014 and 2013 are shown in the succeeding page.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
December 31, 2014				
Cost	P 6,744,206	P 34,521,118	P 4,157,608	P 45,422,932
Accumulated depreciation and amortization	(2,040,953)	(18,568,740)	(2,600,990)	(P 23,210,683)
Net carrying amount	**P 4,703,253**	**P 15,952,378**	**P 1,556,618**	**P 22,212,249**
December 31, 2013				
Cost	P 6,618,248	P 30,051,295	P 3,751,188	P 40,420,731
Accumulated depreciation and amortization	(1,529,343)	(12,832,216)	(2,102,751)	(16,464,310)
Net carrying amount	P 5,088,905	P 17,219,079	P 1,648,437	P 23,956,421
January 1, 2013				
Cost	P 6,189,792	P 26,296,102	P 2,948,248	P 35,434,142
Accumulated depreciation and amortization	(995,532)	(7,357,369)	(1,693,979)	(10,046,880)
Net carrying amount	P 5,194,260	P 18,938,733	P 1,254,269	P 25,387,262

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2014 and 2013 is shown below.

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 5,088,905	P 17,219,079	P 1,648,437	P 23,956,421
Additions	125,958	4,469,823	406,421	5,002,202
Depreciation and amortization charges for the year	(511,610)	(5,736,524)	(498,240)	(6,746,374)
Balance at December 31, 2014, net of accumulated depreciation and amortization	**P 4,703,253**	**P 15,952,378**	**P 1,556,618**	**P 22,212,249**
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 5,194,260	P 18,938,733	P 1,254,269	P 25,387,262
Additions	428,456	3,755,193	794,558	4,978,207
Depreciation and amortization charges for the year	(533,811)	(5,474,847)	(400,390)	(6,409,048)
Balance at December 31, 2013 net of accumulated depreciation and amortization	P 5,088,905	P 17,219,079	P 1,648,437	P 23,956,421

In 2014, 2013 and 2012, the Company's recognized depreciation and amortization is presented under Other Operating Expenses in the statements of comprehensive income (see Note 14).

11. INVESTMENT PROPERTIES

The Company's investment properties represent parcels of land held for lease and capital appreciation. Currently, certain investment properties are being leased out to third parties for an average lease term of one year in 2014 and seven months in 2013 with no escalation rate. A reconciliation of the carrying amount of investment properties at the beginning and end of 2014 and 2013 is shown below.

		2014		2013
Balance at beginning of year	**P**	**949,016,529**	P	943,256,656
Additions during the year		**6,271,013**		5,759,873
Balance at end of year	**P**	**955,287,542**	P	949,016,529

Rental revenues earned by the Company from lease and sub-lease transactions, amounting to P73.2 million in 2014, P58.9 million in 2013 and P11.0 million in 2012, is presented as Other Operating Income in the statements of comprehensive income (see Note 15). Real property tax on investment properties amounting to P3.0 million in 2014 and P2.8 million for both 2013 and 2012 was recognized and presented as part of Taxes and licenses under Other Operating Expenses in the statements of comprehensive income [see Notes 14 and 27.1(f)].

The carrying amount of investment properties are used as collateral to secure the loans from local banks (see Note 13).

The fair market values of these properties as of December 31, 2014 and 2013 which are determined by reference to current and most recent prices for similar property in the same location and condition amounted to P2.9 billion (see Note 25).

The Company's management believes that the investment properties are not impaired as the fair value of these properties as of the end of the reporting periods exceeds their carrying amount as reported in the statements of financial position.

12. TRADE AND OTHER PAYABLES

This account consists of:

	Notes		**2014**		2013
Trust receipts payable		**P**	**390,164,890**	P	149,775,156
Trade payables			**5,639,261**		2,627,514
Security deposits and advance rentals	21.1		**19,601,171**		19,348,375
Accrued expenses and other payables	13, 18		**7,418,677**		12,936,104
		P	**422,823,999**	P	184,687,149

Accrued expenses and other payables include the Company's obligations relating to the accrual of security services, professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

In 2014, 2013 and 2012, the Company obtained unsecured, interest-bearing short-term trust receipts from local banks for its working capital requirements. The loans bear annual interest rates ranging from 2.5% to 4.5% in 2014, 2013 and 2012 and have average maturity of one to seven months.

Interest expense incurred on these transactions in 2014, 2013 and 2012 amounted to P6.6 million, P11.4 million and P15.5 million, respectively, and is presented as part of Interest expense under Finance Costs - net in the statements of comprehensive income (see Note 16). Total unpaid interest amounted to P0.8 million as of December 31, 2013, and is presented as part of Accrued expenses and other payables in the 2013 statement of financial position. There is no unpaid interest as of December 31, 2014.

13. LOANS PAYABLE

This account includes the following as at December 31:

	2014	2013
Current	**P 261,500,000**	P 808,000,000
Non-current	**1,163,500,000**	1,595,000,000
	P 1,425,000,000	P 2,403,000,000

A reconciliation of the movements in the amount of loans payable at the beginning and end of 2014 and 2013 is shown below.

	2014	2013
Balance at beginning of year	**P 2,403,000,000**	P 2,049,500,000
Availments during the year	**550,000,000**	2,316,750,000
Settlements made	**(1,528,000,000)**	(1,963,250,000)
Balance at end of year	**P 1,425,000,000**	P 2,403,000,000

In current and prior years, the Company obtained secured and unsecured, short-term and long-term interest-bearing loans from local banks. The loans bear annual interest rates ranging from 3.0% to 5.0% in 2014 and 2.9% to 8.0% both in 2013 and 2012 in which the proceeds were used for working capital requirements.

Interest expense incurred on these loans in 2014, 2013 and 2012 amounted to P88.4 million, P84.7 million and P115.7 million, respectively, and is presented as part of Interest expense under Finance Costs - net in the statements of comprehensive income (see Note 16). Total unpaid interest amounted to P0.5 million as of December 31, 2013, and is presented as part of Accrued expenses and other payables under Trade and Other Payables in the 2013 statement of financial position (see Note 12). There is no unpaid interest as of December 31, 2014.

The carrying amount of investment properties as of December 31, 2014 and 2013 are used as collateral to secure certain long-term loans (see Note 11).

14. OPERATING EXPENSES BY NATURE

The components of the Company's cost of sales follow:

	Note	2014	2013	2012
Merchandise inventory, beginning	5	**P 1,794,429,251**	P 1,757,573,932	P 1,798,754,057
Add: Purchases		**743,581,570**	617,086,933	749,547,165
Total goods available for sale		**2,538,010,821**	2,374,660,865	2,236,731,212
Less: Recovery on inventory write-down	5	**48,073,518**	-	-
Less: Merchandise inventory, end	5	**1,821,424,877**	1,794,429,251	1,757,573,932
		P 668,512,426	P 580,231,614	P 790,727,290

Other operating expenses, based on their nature, are broken down as follows:

	Notes	2014	2013	2012
Professional fees	18.6	**P 33,228,887**	P 12,521,830	P 5,078,349
Salaries and wages	17.1	**16,098,594**	15,982,597	11,754,910
Taxes and licenses	11, 27.1(f)	**10,046,716**	8,026,397	1,084,238
Outside services		**7,384,434**	7,739,340	4,862,212
Depreciation and amortization	10	**6,746,374**	6,409,048	5,361,123
Repairs and maintenance		**4,749,183**	5,922,563	6,339,603
Representation		**3,944,334**	3,707,230	944,231
Transportation and travel		**3,718,155**	12,636,618	8,671,752
Trainings and seminar		**2,514,764**	2,479,628	2,000,010
Utilities		**2,477,280**	2,546,466	2,310,404
Commission		**1,980,024**	3,095,467	2,800,582
Insurance		**1,428,143**	8,517,985	5,728,722
Rental	18.4, 21.1	**1,096,473**	769,173	769,173
Dues and subscription		**1,094,211**	1,316,290	254,371
Office supplies		**900,153**	1,479,399	1,975,700
Advertising and promotions		**388,675**	371,618	266,769
Donations		**310,000**	667,000	889,849
Others		**2,283,107**	4,569,117	429,389
		P 100,389,507	P 98,757,766	P 61,521,387

15. OTHER OPERATING INCOME

In 2014, 2013 and 2012, certain properties are being leased out and sub-leased to third parties for an average lease term of one year in 2014 and seven months both in 2013 and 2012 with no escalation rate (see Note 21.1). Rental revenues, presented as Other Operating Income in the statements of comprehensive income, amounted to P73.2 million, P58.9 million and P11.0 million in 2014, 2013 and 2012, respectively (see Note 11).

16. FINANCE COSTS - Net

This account is composed of the following:

	Notes	2014	2013	2012
Interest expense	12, 13 17.2(b)	**P 95,086,591**	P 96,190,483	P 131,210,415
Gain on sale of financial assets	6	**(6,134,247)**	(9,139,704)	-
Fair value loss (gain) on financial assets at FVTPL	6	**618,100**	11,317,255	(31,981,102)
Others - net		**1,049,643**	(2,086,079)	(3,970,191)
		P 90,620,087	P 96,281,955	P 95,259,122

17. EMPLOYEE BENEFITS

17.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits, which were presented as part of Other Operating Expenses, are presented below.

	Notes	2014	2013	2012
Short-term benefits		**P 15,931,621**	P 15,847,803	P 11,660,507
Post-employment benefits	17.2(b)	**166,973**	134,794	94,403
	14	**P 16,098,594**	P 15,982,597	P 11,754,910

17.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company, at present, has no formal, tax-qualified retirement plan. The Company accrues post-employment benefit based on the provisions of Republic Act 7641, *Retirement Pay Law*, in accordance with the projected unit credit method wherein actuarial valuations are made with sufficient regularity to update the retirement benefit costs.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 5 years of credited service and late retirement after age 60, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 85% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2014 and 2013.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position amounts to P2.2 million and P1.2 million as of December 31, 2014 and 2013, respectively.

The amounts and movements in the present value of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

		2014		2013
Balance at beginning of year	**P**	**1,188,861**	P	913,087
Current service cost		**166,973**		134,794
Interest cost		**54,093**		47,298
Remeasurements:				
Actuarial losses arising from:				
- experience adjustments		**748,932**		18,604
- changes in financial assumptions		**31,572**		75,078
Balance at end of year	**P**	**2,190,431**	P	1,188,861

The components of amounts recognized in profit or loss and in other comprehensive loss in respect of the defined benefit post-employment plan are as follows:

		2014		2013		2012
Reported in profit or loss:						
Current service cost	**P**	**166,973**	P	134,794	P	94,403
Interest cost		**54,093**		47,298		43,683
	P	**221,066**	P	182,092	P	138,086
Reported in other comprehensive loss:						
Actuarial losses (gains) arising from changes in:						
- experience adjustments	**P**	**748,932**	P	18,604	(P	7,646)
- change in financial assumptions		**31,572**		75,078		171,689
	P	**780,504**	P	93,682	P	164,043

The interest cost is included as part of Finance Costs - net in the statements of comprehensive income (see Note 16).

Amounts recognized in other comprehensive loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2014	2013	2012
Discount rates	**4.4%**	4.6%	5.2%
Expected rate of salary increases	**4.0%**	4.0%	4.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 22 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment defined benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Rate Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2014 and 2013:

December 31, 2014:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	(P 198,054)	P 208,132
Salary growth rate	+/- 1.0%	206,145	(201,904)

December 31, 2013:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	(P 115,975)	P 115,975
Salary growth rate	+/- 1.0%	121,992	(121,992)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

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

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2014, the Company is yet to determine how much and when to fund its retirement benefit obligation.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2014	2013
Within one year	**P 265,233**	P -
More than one year to five years	**634,717**	378,327
More than five years to ten years	**1,626,815**	1,053,429
More than ten years to 15 years	**4,978,000**	3,193,921
More than 15 years to 20 years	**1,528,544**	496,320
	P 9,033,309	P 5,121,997

18. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, companies under common ownership and its key management personnel. The transactions with these related parties are discussed in the succeeding pages.

	Notes	Amount of Transactions			Outstanding Balances Receivables (Payables)	
		2014	2013	2012	**2014**	2013
Related Parties Under Common Ownership:						
Sale of goods	18.1	**P 56,283,882**	P 11,238,304	P -	**P 51,442,897**	P -
Advances granted	18.2	**(740,550,680)**	440,476,767	198,800,410	**-**	740,550,680
Advances obtained	18.3	**(283,104,220)**	199,619,526	200,241,002	**(160,531,201)**	(443,635,421)
Lease agreements	18.4	**970,164**	642,864	642,864	**(327,300)**	-
Key management personnel:						
Fees paid	18.6	**3,582,076**	2,231,462	2,231,462	**(85,000)**	-
Advances obtained	18.6	**(538,661,400)**	-	-	**(538,661,400)**	-

Based on management's assessment, receivables from related parties are not impaired as of December 31, 2014 and 2013.

18.1 Sale of Goods

In 2014 and 2013, the Company sold goods to Baler Industrial Corporation, a related party under common ownership, and to an entity owned by the Company's shareholder and Board Chairman, which is presented as part of Sale of Goods in the statements of comprehensive income. The outstanding receivable arising from this transaction as at December 31, 2014 is presented as part of Trade receivables under the Trade and Other Receivables account in the 2014 statement of financial position (see Note 4). There was no outstanding balance from this transaction as of December 31, 2013 and no similar transaction transpired in 2012.

18.2 Advances to Related Parties

In 2014 and 2013, the Company granted noninterest-bearing and unsecured advances to certain related parties under common ownership for working capital requirements. These advances have no repayment terms and are due and payable on demand. The outstanding receivable from these transactions as of December 31, 2013 is presented as Advances to Related Parties in the 2013 statement of financial position. In 2014, the Company entered into an assignment of its receivables and offsetting arrangement with related parties wherein the balance of the Company's advances to its affiliates were assigned in payment and set-off against the equivalent amount of the Company's advances from its shareholder and Board Chairman (see Note 24.2).

The movement of advances to related parties in 2014 and 2013 follows:

	2014	2013
Balance at beginning of year	**P 740,550,680**	P 300,073,913
Advances granted during the year	**-**	440,476,767
Collections during the year	**(326,274,850)**	-
Advances offset during the year	**(414,275,830)**	-
Balance at end of year	**P -**	P 740,550,680

18.3 Advances from Related Parties Under Common Ownership

In 2014 and 2013, the Company obtained noninterest-bearing and unsecured advances from its related parties under common ownership for working capital requirements. These advances have no repayment terms and are due and payable on demand. The outstanding liability from these transactions is presented as part of Advances from Related Parties in the statements of financial position.

The movement of advances from related parties in 2014 and 2013 follows:

		2014		2013
Balance at beginning of year	**P**	**443,635,421**	P	244,015,895
Advances obtained during the year		**-**		199,619,526
Advances paid during the year	**(**	**283,104,220)**		-
Balance at end of year	**P**	**160,531,201**	P	443,635,421

18.4 Lease Agreements

The Company, as a lessee, entered into an operating lease agreement with Canon Realty and Development Corp., a related party under common ownership, covering a warehouse owned by the latter. The lease is for three years from January 1, 2010 up to December 31, 2012 renewable upon mutual agreement by both parties. In 2013, both parties agreed to extend the lease term for another three years up to December 31, 2015.

The Company, as a lessee, entered into another operating lease agreement with Aneco Realty and Development Corp., a related party under common ownership, covering a warehouse owned by the latter. The lease is for a three-year term from January 1, 2012 up to December 31, 2014 subject to automatic renewal unless agreed to be terminated by both parties. In 2015, the parties agreed to renew the lease for another two years or until December 31, 2016.

The Company, as a lessee, entered into another operating lease agreement with Joune Capital Holdings Corporation, a related party under common ownership, covering several parcels of land together with buildings and improvements owned by the latter. The lease term is up to December 2017.

Rental expense in 2014, 2013 and 2012 arising from the foregoing lease agreements is shown as part of Rentals under Other Operating Expenses in the statements of comprehensive income (see Notes 14 and 21.1). Outstanding liability arising from these transactions as of December 31, 2014 is shown as part of Accrued expenses and other payables under Trade and Other Payables in the 2014 statement of financial position (see Note 12). There was no outstanding liability arising from these transactions as of December 31, 2013.

18.5 Cross Corporate Guarantee

In consideration of the group credit lines made available to the Company and certain of its affiliates by its bankers, the Company and said affiliates have agreed to cross-guarantee each other's obligation for short term loans obtained under the group credit facility (see Note 21.3). The Company's management assessed that the fair value of the guarantee liability, if any, is not significant to the financial statements.

18.6 Advances from and Payments to Key Management Personnel

Payments received by key management personnel pertain to service fees in 2014, 2013 and 2012 which are presented as part of Professional fees under Other Operating Expenses in the statements of comprehensive income (see Note 14). The outstanding liability on these services is presented as part of Accrued expenses and other payables under the Trade and Other Payables account in the 2014 statement of financial position (see Note 12). There is no outstanding liability from these fees as of December 31, 2013.

In 2014, the Company obtained noninterest-bearing and unsecured advances from its shareholder and Chairman of the Board for working capital requirements. These advances have no repayment terms and are due and payable on demand. A portion of these advances were paid by way of an assignment of the Company of its receivables from its affiliates for set-off against the Company's payables to the shareholder and Chairman of the Board under an assignment in payment arrangement (see Note 24.2). The outstanding liability from these advances is presented as part of Advances from Related Parties in the 2014 statement of financial position. There were no advances obtained in 2013.

The Company has availed of various credit line facilities in which availments are subject to cross suretyship arrangements including its shareholder-directors and continuing surety arrangement of shareholder and Chairman of the Board (see Note 21.3). The Company did not record the fair value of the guarantee liability because of the low probability of default in paying the borrowings.

19. TAXES

The components of tax expense as reported in the statements of comprehensive income are presented as follows:

	2014	2013	2012
Profit or loss:			
Regular corporate income tax (RCIT) at 30%	**P 43,597,383**	P 25,644,031	P 4,791,371
Deferred tax expense (income) relating to origination and reversal of temporary differences	**2,107,701**	(16,446,709)	12,985,849
	P 45,705,084	P 9,197,322	P 17,777,220
Other comprehensive loss -			
Deferred tax income relating to origination and reversal of other temporary differences	**(P 234,151)**	(P 28,105)	(P 49,213)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the profit or loss is as follows:

	2014	2013	2012
Tax on pretax profit at 30%	**P 43,763,181**	P 20,858,161	P 17,213,436
Tax effect of:			
Non-taxable income	**(1,815,603)**	(3,482,157)	-
Non-deductible expenses	**362,329**	1,415,649	563,784
Unrecognized deferred tax asset	**3,395,177**	-	-
Reversal of temporary difference	**-**	(9,594,331)	-
	P 45,705,084	P 9,197,322	P 17,777,220

The net deferred tax assets relate to the following as of December 31:

	Statements of Financial Position		Statements of Comprehensive Income					
			Profit or Loss			Other Comprehensive Loss		
	2014	2013	2014	2013	2012	2014	2013	2012
Deferred tax liabilities -								
Unrealized foreign currency gains - net	**P -**	P 848,929	**(P 771,613)**	(P 342,128)	P 1,191,057	**P -**	P -	P -
Fair value gain on financial assets at FVTPL	**-**	-	**-**	(9,594,331)	9,594,331	**-**	-	-
Rental income	**-**	-	**-**	(2,291,100)	2,291,100	**-**	-	-
	-	848,929	**(771,613)**	(12,227,559)	13,076,488	**-**	-	-
Deferred tax assets:								
Fair value loss on financial assets at FVTPL	**-**	(3,395,177)	**3,395,177**	(3,395,177)	-	**-**	-	-
Share in net loss of associate	**(258,362)**	-	**(258,362)**	-	-	**-**	-	-
Advance rental	**(905,719)**	(741,241)	**(164,478)**	(741,241)	-	**-**	-	-
Retirement benefit obligation	**(329,433)**	(356,658)	**(50,092)**	(82,732)	(90,639)	**-**	-	-
Accumulated actuarial loss on retirement plan	**(311,469)**	(77,318)	**-**	-	-	**(234,151)**	(28,105)	(49,213)
Unrealized foreign currency losses - net	**(42,931)**	-	**(42,931)**	-	-	**-**	-	-
	(1,847,914)	(4,570,394)	**2,879,314**	(4,219,150)	(90,639)	**(234,151)**	(28,105)	(49,213)
Net Deferred Tax Assets	**(P 1,847,914)**	(P 3,721,465)						
Deferred Tax Expense (Income)			**P 2,107,701**	(P 16,446,709)	P 12,985,849	**(P 234,151)**	(P 28,105)	(P 49,213)

The Company is subject to minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations or the RCIT, whichever is higher. In 2014, 2013 and 2012, the Company recognized RCIT as the RCIT is higher than the MCIT in those years.

In 2014, 2013 and 2012, the Company opted to claim itemized deductions in computing its income tax due.

20. EQUITY

20.1 Capital Stock

Capital stock consists of common shares with details as follows:

	Note	Shares			Amount		
		2014	2013	2012	2014	2013	2012
Authorized – P1 par value in 2014 and P100 par value in 2013 and 2012:	1						
Balance at beginning of year		**220,000**	220,000	220,000	**P 22,000,000**	P 22,000,000	P 22,000,000
Change due to decrease in par value		**-**	-	-	**(21,780,000)**	-	-
Increase during the year		**1,549,780,000**	-	-	**1,549,780,000**	-	-
Balance at end of year		**1,550,000,000**	220,000	220,000	**P 1,550,000,000**	P 22,000,000	P 22,000,000

	Shares			Amount		
	2014	2013	2012	**2014**	2013	2012
Issued and outstanding:						
Balance at beginning of year	**220,000**	220,000	220,000	**P 22,000,000**	P 22,000,000	P 22,000,000
Issuances during the year:						
Change due to decrease in par value	**21,780,000**	-	-	**-**	-	-
Collection of subscription receivable	**240,000,000**	-	-	**240,000,000**	-	-
Balance at end of year	**262,000,000**	220,000	220,000	**P 262,000,000**	P 22,000,000	P 22,000,000
Subscribed:						
Balance at beginning of year	**220,000**	220,000	220,000	**P 22,000,000**	P 22,000,000	P 22,000,000
Change due to decrease in par value	**21,780,000**	-	-	**-**	-	-
Additional subscription during the year	**405,000,000**	-	-	**405,000,000**	-	-
Balance at end of year	**427,000,000**	220,000	220,000	**P 427,000,000**	P 22,000,000	P 22,000,000
Subscription receivable:						
Balance at beginning of year				**P -**	P -	P -
Additions during the year				**405,000,000**		
Collections during the year				**(240,000,000)**	-	-
Balance at end of year				**P 165,000,000**	P -	P -
				P 262,000,000	P 22,000,000	P 22,000,000

As of December 31, 2014 and 2013, the Company has 13 and six stockholders, respectively, owning 100 or more shares each of the Company's capital stock.

20.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive loss presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below and in the succeeding page.

	AFS Financial Assets (see Note 7.2)	**Defined Benefit Obligation**	**Total**
Balance as of January 1, 2014	P -	P 180,407	P 180,407
Remeasurements of defined benefit post-employment obligation	-	780,504	780,504
Fair value losses on AFS financial assets	673,568	-	673,568
Other comprehensive loss before tax	673,568	780,504	1,454,072
Tax income	-	(234,151)	(234,151)
Other comprehensive loss after tax	673,568	546,353	1,219,921
Balance as of December 31, 2014	**P 673,568**	**P 726,760**	**P 1,400,328**
Balance as of January 1, 2013	P -	P 114,830	P 114,830
Remeasurements of defined benefit post-employment obligation	-	93,682	93,682
Other comprehensive loss before tax	-	93,682	93,682
Tax income	-	(28,105)	(28,105)
Other comprehensive loss after tax	-	65,577	65,577
Balance as of December 31, 2013	P -	P 180,407	P 180,407

20.3 Retained Earnings

In 2014, the Company's BOD approved the reversal of the P275.0 million appropriated retained earnings for the planned acquisition of a parcel of land and construction of a building in relation to its corporate expansion project.

On December 29, 2014, the Company's BOD approved the declaration of cash dividends amounting to P265.5 million in favor of stockholders of record as of the same date in proportion to their shareholdings in the Company.

The outstanding dividends payable as of December 31, 2014 amounting to P265.5 million is presented as Dividends Payable in the 2014 statement of financial position.

20.4 Earnings per Share

Basic earnings per share are computed as follows:

	2014	2013	2012
Income available to common shares	**P 100,172,187**	P 60,329,880	P 39,600,899
Divided by the weighted average number of outstanding common shares	**55,750,000**	22,000,000	22,000,000
Basic earnings per share	**P 1.80**	P 2.74	P 1.80

21. COMMITMENTS AND CONTINGENCIES

21.1 Operating Lease Commitments – Company as Lessor

Some of the real properties held by the Company as investment properties are leased out for certain commercial uses under an operating lease agreement (see Note 15). The leases have a maximum term of one year, with an option to renew under terms and conditions to be agreed upon by the parties. Also, the Company has a leased property that it subleases initially for a term of three years which was subsequently renewed in December 2014 for another three years until December 2017. The average annual rentals covering these operating leases amounted to P4.9 million, P4.6 million and P3.8 million for 2014, 2013 and 2012, respectively.

The security deposits which may be refunded to the counterparties at the end of the lease term and advance rentals which may be applied as lease payments amounted to P19.6 million and P19.3 million as of December 31, 2014 and 2013, respectively, and is presented under Trade and Other Payables account in the statements of financial position (see Note 12).

21.2 Operating Lease Commitments – Company as Lessee

The Company is a lessee under three-year operating lease agreements with certain related parties covering certain warehouses with no escalation rate (see Note 18.4). The future minimum lease payable under these non-cancellable operating leases as of December 31 follows:

	2014	2013	2012
Within one year	**P 970,164**	P 642,864	P 107,148
More than one year but less than five years	**761,748**	535,716	107,148
	P 1,731,912	P 1,178,580	P 214,296

Rentals incurred amounting to P1.1 million in 2014 and P0.8 million in both 2013 and 2012 is shown as part of Rentals under Other Operating Expenses in the statements of comprehensive income (see Notes 14 and 18.4). Outstanding liability arising from these transactions amounted to P0.3 million and shown as part of Accrued expenses and other payables under Trade and Other Payables in the 2014 statement of financial position (see Note 12). There was no outstanding liability arising from these transactions as of December 31, 2013.

21.3 Credit Facilities

The Company has availed of various credit line facilities made available on group basis to the Company, certain of its affiliates and shareholder-directors. Availments under the credit facility are subject to cross suretyship arrangements between the Company, certain of its affiliates and shareholder-directors (see Notes 18.5 and 18.6). The credit lines are also subject to a continuing surety arrangement of the shareholder and Chairman of the Board in his capacity as controlling shareholder of the group. These credit facilities will expire on October 31, 2015. Outstanding balance from these credit lines amounted to P231.4 million and P150.7 million as of December 31, 2014 and 2013, respectively.

21.4 Others

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the financial statements. As of December 31, 2014 and 2013, management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities.

The Company's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company actively engages in the trading of certain financial assets for speculative purposes. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

22.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2014 and 2013, the Company is exposed to changes in market interest rates through its loans payable (see Note 13) and cash in banks, which are subject to variable interest rates.

The United States dollar-denominated cash in banks are tested on a reasonably possible change of +/- 28 basis points (bps) and +/- 60 bps in 2014 and 2013, respectively. The calculations are based on financial instruments held at the end of each reporting period, estimated at 99% level of confidence. On the other hand, Philippine peso-denominated cash in banks and loans payable are tested on a reasonably possible change of +/- 14 in 2014 and +/- 21 in 2013 using standard deviation, estimated at 99% level of confidence. The calculations are based on the Company's financial instruments held at end of each reporting period.

The increase in bps would increase profit before tax by P15.4 million in 2014 and P14.7 million in 2013. Conversely, if the bps would decrease, with all other variables held constant, profit before tax would decrease in 2014 and 2013 by the same amounts.

22.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or the detailed analysis provided in the notes to financial statements as shown below.

	Notes		**2014**		2013
Cash in banks		**P**	**338,132,143**	P	48,102,505
Trade and other receivables	4		**100,204,779**		84,891,879
Advances to related parties	18.2		**-**		740,550,680
		P	**438,336,922**	P	873,545,064

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash in banks as described below.

(a) Cash in Banks

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of Company's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

(b) Trade and Other Receivables and Advances to Related Parties

In respect of trade and other receivables and advances to related parties, the Company is not exposed to any significant credit risk exposure to any single counterparty. Based on historical information about the counterparty default rates, management consider the credit quality of the receivable that are not past due or impaired to be good.

22.3 Price Risk

The Company's market price risk arises from its investments carried at fair value classified as financial assets at FVTPL and AFS financial assets. The Company manages exposures to price risk by monitoring the changes in the market price of the investments.

The sensitivity analysis of the observed volatility rates of the fair values of the Company's investments held at fair value assumes a +/-20.13% and +/-18.12% change in the observed volatility rates of financial assets at FVTPL for the years ended December 31, 2014 and 2013, respectively. These percentages have been determined using standard deviation based on the average market volatility in stock prices in the 12 months prior to the reporting dates.

If the stock prices of financial assets at FVTPL increased by 20.13% and 18.12% at December 31, 2014 and 2013, respectively, the Company's net profit would have been higher by P5.9 million in 2014 and P9.4 million in 2013. On the other hand, if the stock prices declined by the same percentages, with all other variables held constant, net profit in 2014 and 2013 would have the reverse impact for the same amounts. The Company's management believes that changes in the stock prices of the AFS financial assets will not have a significant impact on the Company's operations.

22.4 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2014, the Company's financial liabilities have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 year
Trade and other payables	P 422,581,300	P -	P -
Advances from related parties	699,192,601	-	-
Loans payable	187,902,083	128,744,097	1,260,526,753
	P 1,309,675,984	**P 128,744,097**	**P 1,260,526,753**

This compares to the maturity of the Company's financial liabilities as of December 31, 2013 as follows:

	Within 6 Months	6 to 12 Months	More than 1 year
Trade and other payables	P 184,490,433	P -	P -
Advances from related parties	443,635,421	-	-
Loans payable	798,317,174	17,285,651	1,971,133,750
	P 1,426,443,028	P 17,285,651	P 1,971,133,750

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Company monitors capital on the basis of the carrying amount of equity as presented on the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The debt-to-equity ratio as of December 31 is presented below.

	2014	2013
Liabilities	**P 2,849,419,608**	P 3,051,712,196
Equity	**577,974,968**	504,517,040
Debt-to-equity ratio	**4.93 : 1.00**	6.05 : 1.00

24. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Notes	2014 Carrying Values	2014 Fair Values	2013 Carrying Values	2013 Fair Values
Financial Assets					
Loans and receivables:					
Cash in banks		**P 338,132,143**	**P 338,132,143**	P 48,102,505	P 48,102,505
Trade and other receivables	4	**100,204,779**	**100,204,779**	84,891,879	84,891,879
Advances to related parties	18	**-**	**-**	740,550,680	740,550,680
		438,336,922	**438,336,922**	873,545,064	873,545,064
Financial assets at FVTPL –					
Equity securities		**29,259,715**	**29,259,715**	51,916,950	51,916,950
AFS financial assets –					
Equity securities	7	**124,488**	**124,488**	-	-
HTM investments –					
Debt securities	7	**250,000,000**	**252,000,000**	-	-
		P 717,721,125	**P 719,721,125**	P 925,462,014	P 925,462,014
Financial Liabilities					
Financial liabilities at amortized cost:					
Trade and other payables	12	**P 422,581,300**	**P 422,581,300**	P 184,490,433	P 184,490,433
Advances from related parties	18	**699,192,601**	**699,192,601**	443,635,421	443,635,421
Loans payable	13	**1,425,000,000**	**1,425,000,000**	2,403,000,000	2,403,000,000
		P 2,546,773,901	**P 2,546,773,901**	P 3,031,125,854	P 3,031,125,854

See Notes 2.3 and 2.9 for description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 22.

24.2 Offsetting of Financial Assets and Financial Liabilities

In 2014, the Company entered into a netting arrangement with its related parties. For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties (i.e., related parties) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

In 2014, the Company set-off its advances to related parties amounting to P414.3 million against the advances obtained from its shareholder and Chairman of the Board (see Note 18).

Also, in case of the Company's default on loans payment, cash in bank as of December 31, 2014 amounting to P338.1 million, can be applied against its outstanding loans and borrowings amounting to P1.4 billion.

25. FAIR VALUE MEASUREMENT AND DISCLOSURES

25.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial asset which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

25.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2014 and 2013.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Equity securities:				
Financial assets at FVTPL	P 29,259,715	P -	P -	P 29,259,715
AFS financial asset	124,488	-	-	124,488
	P 29,384,203	**P -**	**P -**	**P 29,384,203**

	2013			
	Level 1	Level 2	Level 3	Total
Financial asset:				
Equity security –				
Financial assets at FVTPL	P 51,916,950	P -	P -	P 51,916,950

As of December 31, 2014 and 2013, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial asset. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

The Company has no financial liabilities measured at fair value as at December 31, 2014 and 2013. There were neither transfers between Levels 1 and 2 instruments in both years.

25.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the 2014 and 2013 statements of financial position but for which fair value is disclosed.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash in banks	P 338,132,143	P -	P -	P 338,132,143
Trade and other receivables	-	-	100,204,779	100,204,779
Equity security –				
HTM investment	252,000,000	-	-	252,000,000
	P 590,132,143	**P -**	**P 100,204,779**	**P 690,336,922**
Financial liabilities:				
Trade and other payables	P -	P -	P 422,581,300	P 422,581,300
Advances from related parties	-	-	699,192,601	699,192,601
Loans payable	1,425,000,000	-	-	1,425,000,000
	P 1,425,000,000	**P -**	**P 1,121,773,901**	**P 2,546,773,901**

	2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 48,102,505	P -	P -	P 48,102,505
Trade and other receivables	-	-	84,891,879	84,891,879
Advances to related parties	-	-	740,550,680	740,550,680
	P 48,102,505	P -	P 825,442,559	P 873,545,064

	2013			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Trade and other payables	P -	P -	P 184,490,433	P 184,490,433
Advances from related parties	-	-	443,635,421	443,635,421
Loans payable	2,403,000,000	-	-	2,403,000,000
	P 2,403,000,000	P -	P 628,125,854	P 3,031,125,854

For financial assets and financial liabilities, other than HTM investment, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. HTM investment consists of equity securities with fair value determined based on prices quoted in PSE representing the bid prices at the end of the reporting period.

25.4 Fair Value Measurement for Non-financial Assets

For the fair value measurement of non-financial asset, the fair market values of investment properties as of December 31, 2014 and 2013 classified as Level 2 which are determined through appraisal reports amounted to P2.9 billion (see Note 11).

26. SEGMENT REPORTING

26.1 Business Segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Company's three main revenue sources, which represent the products and services provided by the Company, namely Sale of Goods, Rental Income and Investment Income.

26.2 Analysis of Segment Information

The following tables present revenue and profit information regarding business segments of the Company for the years ended December 31, 2014, 2013 and 2012:

	2014			
	Sale of Goods	**Rental Income**	**Investment Income**	**Total**
Revenues	P 933,080,958	P 73,179,541	P 6,134,247	P1,012,394,746
Cost	668,512,426	2,973,346	-	671,485,772
	264,568,532	70,206,195	6,134,247	340,908,974
Other operating expenses:				
Salaries and wages	16,098,594	-	-	16,098,594
Outside services	7,384,434	-	-	7,384,434
Transportation and travel	3,718,155	-	-	3,718,155
Commission	1,980,024	-	-	1,980,024
Insurance	1,428,143	-	-	1,428,143
Advertising and promotions	388,675	-	-	388,675
	30,998,025	-	-	30,998,025
Segment profit before depreciation and amortization	**P 233,570,507**	**P 70,206,195**	**P 6,134,247**	**P 309,910,949**

Below is the Company's reconciliation of the components of reportable segments to the 2014 statement of comprehensive income:

Revenues:	
Total revenues of reportable segments	P1,012,394,746
Costs and expenses:	
Total costs and expenses of reportable segments	705,276,641
Other costs and expenses from non-reportable segments	57,740,126
Depreciation and amortization	6,746,374
	763,723,530
Finance costs – net	96,754,334
Profit before tax	**P 145,877,271**

	2013			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 785,947,148	P 58,851,389	P 9,139,704	P 853,938,241
Cost	580,231,614	2,786,400	-	583,018,014
	205,715,534	56,064,989	9,139,704	270,920,227
Other operating expenses:				
Salaries and wages	15,982,597	-	-	15,982,597
Outside services	7,739,340	-	-	7,739,340
Transportation and travel	12,636,618	-	-	12,636,618
Commission	3,095,467	-	-	3,095,467
Insurance	8,517,985	-	-	8,517,985
Advertising and promotions	371,618	-	-	371,618
	48,343,625	-	-	48,343,625
Segment profit before depreciation and amortization	P 157,371,909	P 56,064,989	P 9,139,704	P 222,576,602

Below is the Company's reconciliation of the components of reportable segments to the 2013 statement of comprehensive income:

Revenues:	
Total revenues of reportable segments	P 853,938,241
Costs and expenses:	
Total costs and expenses of reportable segments	631,361,639
Other costs and expenses from non-reportable segments	41,218,693
Depreciation and amortization	6,409,048
	678,989,380
Finance costs – net	105,421,659
Profit before tax	P 69,527,202

	2012			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P 993,927,489	P 10,958,429	P -	P 1,004,885,918
Cost	790,727,290	2,786,400	-	793,513,690
	203,200,199	8,172,029	-	211,372,228
Expenses:				
Salaries and wages	11,754,910	-	-	11,754,910
Outside services	4,862,212	-	-	4,862,212
Transportation and travel	8,671,752	-	-	8,671,752
Commission	2,800,582	-	-	2,800,582
Insurance	5,728,722	-	-	5,728,722
Advertising and promotions	266,769	-	-	266,769
	34,084,947	-	-	34,084,947
Segment profit before depreciation and amortization	P 169,115,252	P 8,172,029	P -	P 177,287,281

Below is the Company's reconciliation of the components of reportable segments to the 2012 statement of comprehensive income:

Revenues:	
Total revenues of reportable segments	P 1,004,885,918
Costs and expenses:	
Total costs and expenses of reportable segments	827,598,637
Other costs and expenses from non-reportable segments	19,288,917
Depreciation and amortization	5,361,123
	852,248,677
Finance costs – net	95,259,122
Profit before tax	P 57,378,119

The results of operations from the three segments are used by management to analyze the Company's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Company's operation.

Expenses are allocated through direct association of costs and expenses to operating segments.

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented in the succeeding pages is the supplementary information which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to the financial statements. This supplementary information is not a required disclosure under PFRS.

27.1 Requirements Under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are presented in the following pages:

(a) Output VAT

In 2014, the Company declared output VAT as follows:

	Amount	Output VAT
Sale of goods:		
Exempt	P 259,063,984	P -
Zero-rated	71,202,941	-
VATable	602,814,033	72,337,684
	933,080,958	72,337,684
Rental income	73,179,541	8,781,545
	P 1,006,260,499	P 81,119,229

The Company's zero-rated and exempt sales and VAT receipts were determined pursuant to Section 106(A)(2)(a), *Zero-rated VAT on Export Sale of Goods*, Section 109, *VAT Exempt Transactions*, and Section 108(B) and *Zero-rated VAT on Sale of Services and Use or Lease of Properties*, of the 1997 National Internal Revenue Code, as amended. The tax bases are presented as part of Sale of Goods and Other Operating Income in the 2014 statement of comprehensive income.

(b) Input VAT

The movements in input VAT in 2014 are summarized below.

Balance at beginning of year	P 148,876,144
Importation of goods other than capital goods	72,667,744
Domestic purchases of goods and services other than capital goods	3,805,892
Amortization of deferred input VAT	7,507,764
	232,857,544
Applied against output VAT	(81,119,229)
Balance at end of year	P 151,738,315

The outstanding balance of input VAT is presented as part of Prepayments and Other Current Assets in the 2014 statement of financial position (see Note 9).

(c) Taxes on Importation

In 2014, the total landed cost of the Company's importation of raw materials amounted to P704,897,004 which includes customs duties, freight, insurance and other charges, excise tax and other import expenses amounting to P6,103,328.

(d) Excise Tax

Aside from the excise tax on importation, the Company did not have any transactions in 2014 which are subject to excise tax.

(e) Documentary Stamp Taxes (DST)

The Company incurred DST amounting to P4,808,471 in 2014 [see Note 27.1(f)] for the execution of new and renewal of the Company's various loan agreements with financial institutions.

(f) Taxes and Licenses

The details of Taxes and licenses in 2014 is broken down as follows:

	Note		
DST	27.1(e)	P	4,808,471
Real property tax			2,973,346
Licenses and permits			2,238,345
Others			26,554
		P	10,046,716

The amounts of Taxes and licenses is presented under Other Operating Expenses in the 2014 statement of comprehensive income (see Note 14).

(g) Withholding Taxes

The details of withholding taxes for the year ended December 31, 2014 are shown below.

Expanded	P	7,692,783
Compensation		526,363
	P	8,219,146

The Company does not have any transactions subject to final withholding tax.

(b) Deficiency Tax Assessment and Tax Cases

As of December 31, 2014, the Company does not have any final deficiency tax assessment with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.

27.2 Requirements Under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, deductible costs of sales, and itemized deductions, to be disclosed in the notes to the financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2014 statement of comprehensive income.

(a) Taxable Revenues

The Company's taxable revenues subject to regular rate in taxable year 2014 amounted to P933,080,958.

(b) Deductible Cost of Sales

The Company's deductible cost of sales subject to regular tax rate in taxable year 2014 amounted to P668,512,426.

(c) Taxable Non-operating and Other Income

The details of taxable non-operating and other income in 2014 which are subject to regular tax rate are shown below.

Rentals	P 73,727,801
Realized foreign currency gains	2,829,766
	P 76,557,567

(d) Itemized Deductions

The amounts of itemized deductions subject to regular tax rate for the year ended December 31, 2014 are as follows:

Interest expense	P	95,014,204
Management and consultancy		32,529,437
Salaries and wages		15,931,621
Taxes and licenses		9,529,441
Depreciation and amortization		6,746,374
Security services		5,179,381
Repairs and maintenance		4,749,183
Representation and entertainment		3,944,334
Trainings and seminar		2,514,764
Communication, light and water		2,477,280
Fuel and oil		2,311,304
Janitorial and messengerial services		2,205,053
Commission		1,980,024
Insurance		1,428,143
Transportation and travel		1,406,851
Rental		1,096,473
Dues and subscriptions		1,094,211
Bank charges		1,082,026
Office supplies		900,153
Professional fees		699,450
Advertising and promotions		388,675
Charitable contributions		310,000
Others		2,283,107
	P	195,801,489

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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The Board of Directors
SBS Philippines Corporation
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of SBS Philippines Corporation for the year ended December 31, 2014, on which we have rendered our report dated March 5, 2015. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 4748316, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Nov. 11, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-37-2013 (until Oct. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 5, 2015

SBS PHILIPPINES CORPORATION
List of Supplementary Information
December 31, 2014

A. Statement of Management's Responsibility for the Financial Statements

B. Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

C. Schedule of Financial Indicators for December 31, 2014 and 2013

D. List of Supplementary Information

Supplementary Schedules to Financial Statements (Form 17-A, Item 7)

Schedule	Content	Page No.
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Available-for-sale Financial Assets Held-to-maturity Investments	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties (Long-term Loans from Related Companies)	6
G	Guarantees of Securities of Other Issuers	7
H	Capital Stock	8
Other Required Information		
	Map Showing the Relationship Between the Company and its Related Entities	9
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2014	10
	Reconciliation of Retained Earnings Available for Dividend Declaration	14

* These schedules and supplementary information are not included as these are not applicable to the Company.

SBS PHILIPPINES CORPORATION
Schedule of Financial Indicators for December 31, 2014 and 2013

	2014	2013	2012
Liquidity Ratio [1]	129.4%	175.9%	256.4%
Debt to Equity Ratio [2]	493.0%	604.9%	577.9%
Asset to Equity Ratio [3]	593.0%	704.9%	677.9%
Return on Assets [4]	2.9%	1.8%	1.4%
Return on Equity [5]	18.5%	12.7%	9.3%
Cost to Income Ratio [6]	19.0%	23.1%	15.6%
Earnings per Share [7]	PHP 1.80	PHP 2.74	PHP 1.80

1/ *Current Assets over Current Liabilities*

2/ *Total Liabilities over Equity*

3/ *Total Assets over Equity*

4/ *Net Income over Average Assets*

5/ *Net Income over Average Equity*

6/ *Cost and Expenses over Revenues*

7/ *Net Income over Weighted Average Number of Common Outstanding Shares*

SBS PHILIPPINES CORPORATION

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule A

Financial Assets

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet		Income received and accrued
Eastwest Bank - Financial assets at FVTPL	1,221,700	P	29,259,715	n / a
Philex Petroleum Corporation - AFS financial assets	24,700		124,488	n / a
Ayala Corporation (Preferred) - HTM investments	500,000		250,000,000	n / a
	1,746,400	**P**	**279,384,203**	

SBS PHILIPPINES CORPORATION

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule B

Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		
			Amounts collected	Amounts assigned or set - off	Current	Non-current	Balance at end of period
Joune Capital Holdings Corporation	P 130,048,279	P 58,159,020	P 182,606,304	P 5,600,995	P -	P -	P -
Euson Realty & Development Corp.	25,449,265	-	25,449,265	-	-	-	-
Sytengco Enterprise Corporation	72,425,887	4,699,715	-	77,125,602	-	-	-
Asida Holdings Corporation	-	5,000	-	5,000	-	-	-
Aneco Industries Corporation	-	2,503,637	-	2,503,637	-	-	-
Berny Realty and Development Corp	-	685,495	-	685,495	-	-	-
SBS Merchandising	-	51,442,897	-	51,442,897	-	-	-
Tanlok Corporation	-	44,950	-	44,950	-	-	-
	P 227,923,431	**P 117,540,714**	**P 208,055,569**	**P 137,408,576**	**P -**	**P -**	**P -**

SBS PHILIPPINES CORPORATION

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule D
Other Assets

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost and expenses	Deductions: Charged to other accounts	Other changes additions (deductions)	Ending Balance
Input Value-Added Tax	P 148,876,144	P 83,981,400	P -	P -	(P 81,119,229)	P 151,738,315
Prepaid Expenses	1,789,366	2,225,477	(1,634,196)	(110,293)	-	2,270,354
Creditable withholding tax	1,298,156	7,580,988	-	-	(8,879,144)	-
	P 151,963,666	**P 93,787,864**	**(P 1,634,196)**	**(P 110,293)**	**(P 89,998,373)**	**P 154,008,669**

SBS PHILIPPINES CORPORATION

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule E

Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Term Loan	**P 1,200,000,000**	**P 111,500,000**	**P 1,163,500,000**

SBS PHILIPPINES CORPORATION

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule F

Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule G

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

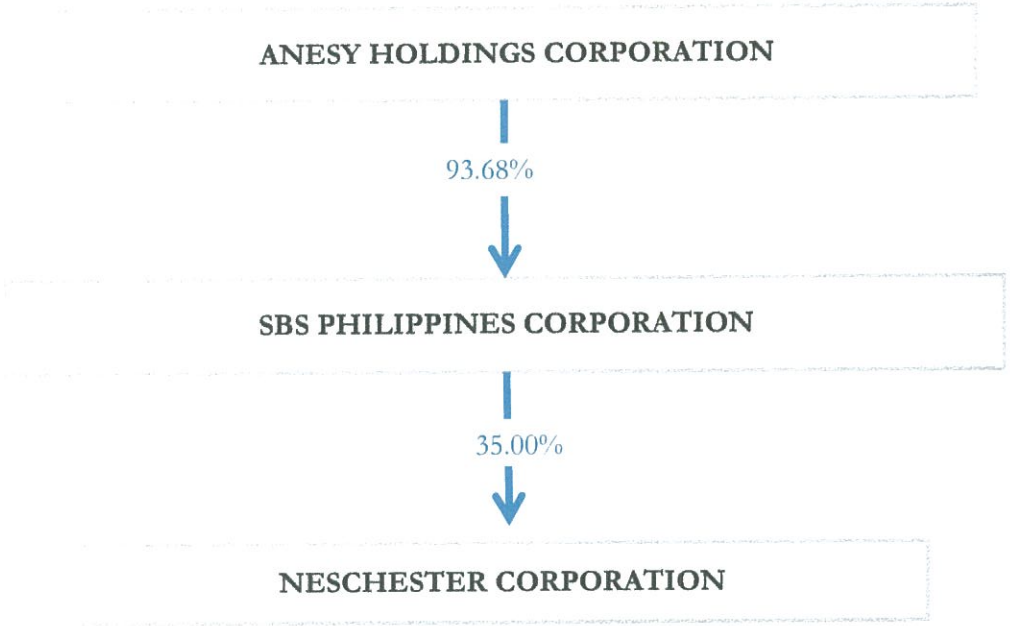
NOTHING TO REPORT

SBS PHILIPPINES CORPORATION
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H
Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, converstion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares						
Class A Shares	1,550,000,000	427,000,000	-	400,000,000	26,729,900	270,100

SBS PHILIPPINES CORPORATION

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP, ULTIMATE PARENT COMPANY AND SUBSIDIARY



SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative * *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions * *(effective July 1, 2014)*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

SBS PHILIPPINES CORPORATION
(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)
No. 10 Resthaven Street
San Francisco Del Monte, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2014
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P 7,697,447
Prior Year's Outstanding Reconciling Items		
Deferred tax income		(16,446,709)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		(8,749,262)
Net Profit Realized During the Year		
Net profit per audited financial statements	P 100,172,187	
Non-actual/unrealized income		
Deferred tax income	(1,287,475)	98,884,712
Add (Less):		
Reversal of appropriation during the year	275,000,000	
Dividend declarations during the period	(265,494,338)	9,505,662
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 99,641,112**

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