COVER SHEET

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(Company's Full Name)

SBS PHILIPPINES CORPORATION
(FORMERLY SYTENGCO PHILIPPINES
CORPORATION)

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

NO. 10 RESTHAVEN STREET SAN
FRANCISCO DEL MONTE QUEZON
CITY

FORM TYPE	Department Requiring the Report	Secondary License Type, If Applicable
20-IS	MSRD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Numbers	Mobile Number
	371-1111	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	Last Friday of June	12/31

CONATCT PERSON INFORMATION

The designated contact person MUST be an Ofiicer of the Corporation

Name of Contact Person	Email Address	Telephone Number's
SABRINA ADAMELLE POON-SYTENGCO	s.poon@sbsph.com	(02) 371-1111

Contact Person's Address

10 Resthaven Street, San Francisco del Monte, Quezon City

SBS PHILIPPINES CORPORATION

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 03 2017
MARKET REGULATION DEPT.
BY: [illegible] TIME: 1:35

30 March 2017

SECURITIES AND EXCHANGE COMMISSION
G/F Secretariat Building
PICC Complex, Roxas Boulevard, Manila

Attention: **Mr. Vicente Graciano P. Felizmenio Jr.**
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
PSE Plaza, Ayala Triangle
Ayala Avenue, Makati City

Attention: **Mr. Jose Valeriano B. Zuno III**
OIC-Head, Disclosure Department

Gentlemen:

We submit herewith for your review and approval the Notice of Annual Stockholders' Meeting and the Preliminary Information Statement of SBS Philippines Corporation Pursuant to Section 20 of the Securities Regulation Code (SEC Form 20 – IS). We would be grateful to hear from you if you have any questions.

Sincerely yours,

REGINA SIMONA B. DE GUZMAN
General Counsel

Encl. a/s

10 Resthaven Street, San Francisco Del Monte, Quezon City
Metro Manila 1105 Philippines
Tel. Nos. (632) 371-1111 • 371-0886 • 371-5555 • 373-5619
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E-mail: imports@sbsph.com / info@sbsph.com
sales@sbsph.com
Website: www.sbsph.com

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [X] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter : **SBS PHILIPPINES CORPORATION (the "Company")**

3. Province, country or other jurisdiction of incorporation or organization : **PHILIPPINES**

4. SEC Identification Number: **A200110402**

5. BIR Tax Identification Code : **213-054-503**

6. Address of principal office & Postal Code : **NO. 10 RESTHAVEN STREET SAN FRANCISCO DE MONTE, QUEZON CITY 1105**

7. Registrant's telephone number, including area code : **(63 2) 371 1111**

8. Date, time and place of the meeting of security holders :

DATE :	**17 MAY 2017**
TIME :	**3:00 IN THE AFTERNOON**
PLACE :	**PUGAD LAWIN FUNCTION HALL QUEZON CITY SPORTS CLUB E. RODRIGUEZ SR. BLVD., QUEZON CITY**

9. Approximate date on which the Information Statement is first to be sent or given to security holders : 25 April 2017

10. ***In case of Proxy Solicitations:*** ***NOT APPLICABLE***

*Name of Person Filing the Statement/Solicitor:*____

*Address and Telephone No.:*____

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

	Title of Each Class
No. of Shares Issued and Outstanding (as of 28 March 2017)	1,169,040,400 common shares Net of 30,959,600 treasury shares **With Par Value of P1.00 per share**
Amount of Debt Outstanding	N/A

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes _√_ No ______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

A total of 1,200,000,000 common shares of the Company are listed on the Philippine Stock Exchange.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) 2017 Annual Stockholders' Meeting

Date	:	**17 May 2017**
Time	:	**3 o'clock in the afternoon**
Place	:	Pugad Lawin Function Hall **Quezon City Sports Club** **E. Rodriguez Sr. Blvd., Quezon City**

Mailing Address : **No. 10 Resthaven Street**
San Francisco del Monte, Quezon City 1105
Philippines

(b) Approximate date on which the information statement is to be sent or given to security holders. **25 April 2017**

Item 2. **Dissenters' Right of Appraisal**

The Philippine Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of changing or restricting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension or shortening of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

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 stockholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

- In relation to the Annual Stockholders' Meeting scheduled for 17 May 2017, the following matters or actions to be taken up at the meeting may give rise to a possible exercise by stockholders of their appraisal rights under Section 81 of the Corporation Code of the Philippines.

  1.1 Approval of the Amendment of the Second Article of the Articles of Incorporation on its secondary purpose to clarify and expand the authority of the corporation to participate in property related investments and businesses and for authority to undertake such investment of funds;

  1.2 Ratification of investment of corporate funds & share subscriptions in the capital stock of affiliate property holding companies

  1.3 Ratification of additional investment of funds & share subscription in subsidiary which will undertake property related investments and businesses

  The above-mentioned matters involve the investment by the Company of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

(a) Among the matters to be ratified by the shareholders in the forthcoming Annual General Meeting are the Company's investment of funds in the following affiliate companies which are majority owned and controlled by the Mr. Necisto U. Sytengco and his family, who are also shareholders and incumbent directors and officers of the Company as follows:

  (i) Investment of P38.75 million in Ayschester Holdings Corporation ("AHC") as capital contribution, representing 25% equity interests. AHC is owned 37.25% by the Company's substantial shareholder, Anesy Holdings Corporation, 17% by Mr. Necisto U. Sytengco, Chairman of the Board, 5.25% by Ms. Aylene Y. Sytengco, Director, CFO & Treasurer, 5.25% by Mr. Necisto y. Sytengco, Director and SVP for Marketing Operations; 5.0% by Mr. Ned Bryan Y. Sytengco, VP for Investments; and 5.0% by Ms. Lali Y. Sytengco, VP for Purchasing; and 0.25% by other minority shareholders;

  (ii) Investment of P46,562,500 in Cleon Phils. Holdings Corp ("CPHC") as capital contribution, representing a 37.25% equity interests. CPHC is owned 53% by the Company's substantial shareholder, Anesy Holdings Corporation, 2.25% by Mr. Necisto U. Sytengco, Chairman of the Board, 2.86% by Ms. Aylene Y. Sytengco, Director, CFO & Treasurer, 2.25% by Mr. Necisto Y. Sytengco II, Director and SVP for Marketing Operations; 2.25% by Mr. Ned Bryan Y. Sytengco, VP for Investments; and 0.14% by other minority shareholders.

  (iii) Investment of P57.35 million in Lakerfield Phils. Holdings Corp. ("LPCH") as capital contribution, representing a 37% equity interests. LPCH is owned 17% by Ms. Aylene Y. Sytengco, Director, CFO & Treasurer, 25% by Mr. Necisto U. Sytengco, Chairman of the Board, 5.25% by the Company's substantial shareholder, Anesy Holdings Corporation, 5% by Mr. Necisto Y. Sytengco II, Director and SVP for Marketing Operations; 5% by Mr. Ned Bryan Y. Sytengco, VP for Investments; 0.49% by Ms. Lali Y. Sytengco, VP for Purchasing, 5% by Ms. Evelyn T.Ching, sister of Mr. N. U. Sytengco, and 0.26% by other minority shareholders.

(iv) Investment of P9.35 million in I Bonding Holdings Corporation ("IBHC") as capital contribution, representing a 17% equity interests. IBHC is owned 22% by Ms. Aylene Y. Sytengco, Director, CFO & Treasurer, 22% by Mr. Necisto U. Sytengco, Chairman of the Board, 17% by Mr. Necisto Y. Sytengco II, Director and SVP for Marketing Operations; 17% by Mr. Ned Bryan Y. Sytengco, VP for Investments; 2.25% by the Company's substantial shareholder, Anesy Holdings Corporation, and 2.25% by Ms. Evelyn T. Ching, and 0.25% by other minority shareholders.

(b) Also for ratification by the shareholders in the forthcoming Annual General Meeting is the Company's investment of funds by way of subscription in the increase of authorized capital stock of Company's wholly 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, representing 28.64% of the P5,498,750,000.00 increase in authorized capital stock, 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 paid in cash by the Company upon subscription.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) As of 28 March 2017, the number of shares outstanding, net of treasury shares, is 1,169,040,400 common shares. Each common share is entitled to one vote.

(b) All stockholders of record as of April 17, 2017 shall be entitled to notice and to vote at the annual stockholders' meeting.

(c) Under the Company's By-Laws, each holder of the Company's common share has full voting rights. Each stockholder is entitled to one vote for each share of the capital stock held by the stockholder, in person or by proxy.

The vote at the elections of Directors is by stock vote and by ballot. In accordance with the Corporation Code, each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as are to be elected as Directors, or he may give to one candidate as many votes as, the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected.

However, the 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.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

i. Security ownership of certain record and beneficial owners of more than 5% as of 31 December 2016.

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 31 December 2016	Ownership Percentage
Common	PCD Nominee Corporation (Filipino) 37 F Tower I The Enterprise Center, Ayala Avenue, Makati City Stockholder	Anesy Holdings Corporation[1] ("AHC") is the beneficial owner of the shares indicated Proxy: Necisto U. Sytengco, Chairman of AHC or Necisto Y. Sytengco II, President of AHC	Filipino	753,368,100	64.44%
Common	PCD Nominee Corporation[2] (Filipino) 37 F Tower I The Enterprise Center, Ayala Avenue, Makati City Stockholder	PCD participants (acting for themselves or their clients) the beneficial owners of the shares indicated	Filipino	413,899,950[3]	35.41%

[1]*Anesy Corporation is owned and controlled by Mr. Necisto U Sytengco (55.5%) and his children, Aylene, Necisto II and Ned Bryan, all surnamed Sytengco (12.5% each respectively) and his sister, Evelyn T. Ching (7%).*

[2] *PCD Nominee Corporation is not related to the Company. PCD Nominee Corporation is the registered owner of shares beneficially owned by Participants of the Philippine Depository and Trust Corporation (PDTC), a private company organized to implement an automated book entry system for the handling securities transactions in the Philippines. Under the PDTC procedures, when an issuer of a PDTC -eligible security will hold a stockholders' meeting, PCD Nominee Corporation shall execute a pro-forma proxy in favor of the Participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the Participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the Participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. The Company has no record relating to the power to decide how the shares held by PCD Nominee Corporation are to be voted.*

[3] *This excludes the 753,368,100 common shares owned by Anesy Holdings Corporation through PCD Nominee Corporation (Filipino) and 30,959,600 treasury shares.*

ii. Security ownership of Directors and Management as of 28 February 2017.

Class of Shares	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership Direct (D) & Indirect (I)	Ownership Percentage
Common	Necisto U. Sytengco	Filipino	D : 42,254,600 I : 436,454,785[1]	3.61% 37.33%
Common	Gerry D. Tan	Filipino	D : 25,000	0.0%
Common	Esmeraldo A. Tepace	Filipino	D : 180,400	0.02%
Common	Victorina B. Ladringan	Filipino	D : 772,000	0.07%
Common	Aylene Y. Sytengco	Filipino	D : 7,984,200 I : 62,309,000[2]	0.68% 5.33%
Common	Necisto Y. Sytengco II	Filipino	D : 4,075,000 I : 15,000,000[3]	0.35% 1.28%
Common	Ned Bryan Y. Sytengco	Filipino	D : 3,214,800 I : 15,758,200[4]	0.27% 1.35%
Common	Lali Y. Sytengco	Filipino	D : 2,132,300 I : 40,111,700[5]	0.18% 3.43%
Common	Ricardo Nicanor N. Jacinto	Filipino	D : 50,000	0.0%
Common	Lilian S. Linsangan	Filipino	D : 50,001	0.0%
Common	Rosaleo M. Montenegro	Filipino	D : 50,001	0.0%
Common	Christine P. Base	Filipino	0	0
Common	Regina Simona B. De Guzman	Filipino	D : 50,000	0
Common	Jennifer B. Balao	Filipino	D : 15,000	0
Common	Emerson P. Paulino	Filipino	0	0

Common	Sabrina Adamelle Poon-Sytengco	Filipino	D : 0 I : 4,075,000[6]	0 0.35%

[1] Held by members of Mr. N. U. Sytengco's *immediate family sharing the same household and held by corporation of which he is a controlling stockholder (Swan Insurance Agency Corp. and Anesy Holdings Corporation)*
[2] *Held by members of Ms. A. Y. Sytengco's immediate family sharing the same household and held by corporation of which she is a controlling stockholder (Bluepalms Phils. Corp.)*
[3] *Held by corporation of which he is a controlling stockholder (Aveluz Holdings Corporation)*
[4] *Held by corporation of which he is a controlling stockholder (Yenster Philippines)*
[5] *Held by members of Ms. L. Y. Sytengco's immediate family sharing the same household*
[6] *Held by members of Ms. S. Poon-Sytengco's immediate family sharing the same household*

iii. 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.

iv. Change in control

Since the beginning of its last fiscal year, there have been no arrangements that resulted in a change in control of the Company.

Item 5. **Directors and Executive Officers**

A. Directors

As of the date of this report, 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	62	Filipino	Chairman of the Board	2001	5 March 2015
GERRY D. TAN	50	Filipino	Executive Director	2016	29 January 2016
ESMERALDO A. TEPACE	64	Filipino	Executive Director	2013	5 March 2015
VICTORINA B. LADRINGAN	65	Filipino	Executive Director	2001	5 March 2015
AYLENE Y. SYTENGCO	33	Filipino	Executive Director	2008	5 March 2015
NECISTO Y. SYTENGCO II	32	Filipino	Executive Director	2010	5 March 2015

RICARDO NICANOR N. JACINTO	56	Filipino	Non Executive Director	2015	5 March 2015
LILIAN S. LINSANGAN	67	Filipino	Independent Director	2015	5 March 2015
ROSALEO M. MONTENEGRO	58	Filipino	Independent Director	2015	9 July 2015

B. Principal Officers

As of the date of this report, the following are the Officers and Senior Executives of the Company:

Name	Age	Nationality	Position	Date Last Appointed
NECISTO U. SYTENGCO	62	Filipino	Chairman of the Board	5 March 2015
GERRY D. TAN	50	Filipino	President & Chief Executive Officer	29 January 2016
ESMERALDO A. TEPACE	64	Filipino	Executive Vice President & Chief Operating Officer	5 March 2015
VICTORINA B. LADRINGAN	65	Filipino	Executive Vice President & Chief Investments Officer & Compliance Officer	5 March 2015
AYLENE Y. SYTENGCO	33	Filipino	Chief Financial Officer & Treasurer	5 March 2015
NECISTO Y. SYTENGCO II	32	Filipino	Senior Vice President - Marketing Operations & Assistant Treasurer	9 July 2015
LALI Y. SYTENGCO	66	Filipino	Vice President for Purchasing	5 March 2015
NED BRYAN Y. SYTENGCO	32	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	6 February 2015
JENNIFER B. BALAO	47	Filipino	Assistant Vice President & Accounting Head	1 December 2014
SABRINA ADAMELLE POON-SYTENGCO	32	Filipino	Investor Relations Officer & Corporate Information Officer	1 January 2017
EMERSON P. PAULINO	35	Filipino	Internal Auditor	21 March 2016

C. Business Experience

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 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 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 Chemisty degree *magna cum laude* from Siliman University and holds a Masters 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 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.

Victorina B. Ladringan joined the Company in 1988 as Executive Vice President for Finance. She has over 27 years of experience in managing the financial affairs of chemical trading business. In March 2015, she was appointed Chief Investments Officer. As Executive Vice-President - Finance & Chief Investments Officer, she is responsible for overseeing the investments program of the Company which includes the acquisition and sale of the asset investments of the Company. She also currently serves as executive director of the corporations owned by the Sytengco Family which includes Anesy Holdings Corporation, Baler Industrial Corporation, Etana Realty Development Corporation, Neschester Corporation, Ogata Realty & Development Corporation, Secur Realty & Development Corporation and Tamni Realty & Development Corporation. Ms. Ladringan earned her accounting degree from the University of Sto.Tomas.

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 Masters 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 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.

Rosaleo M. Montenegro was elected as an independent director of the Company on 9 July 2015. He is currently Vice Chairman of Data Land, Inc., a real estate development company. Prior to his retirement in 2011 from the Ayala group of companies, he was President of Avida Land Corporation, Amaia Land Corporation, Avida Sales Corporation and Amicassa Process Solutions, Inc. and Vice-President of Ayala Land Inc. of the Ayala Corporation group of companies. He also previously served as the Chief Financial Officer of Makati Development Corporation, Laguna Technopark Inc, Ayala Hotels, Inc., Ayala Greenfields Development Corp. and Avida Land Corporation, all subsidiary companies of Ayala Land 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 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 hold 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. E. P. 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.

The following persons have been nominated for election to the Board of Directors at the Annual Stockholders' Meeting to held on 17 May 2017 and have accepted their nominations:

NECISTO U. SYTENGCO
GERRY D. TAN
ESMERALDO A. TEPACE
VICTORINA B. LADRINGAN
AYLENE Y. SYTENGCO
NECISTO Y. SYTENGCO II
RICARDO NICANOR N. JACINTO
LILIAN S. LINSANGAN, Independent Director
ROSALEO M. MONTENEGRO, Independent Director

All nominees for re-election are incumbent members of the Board of Directors of the Company. The nominees were formally nominated by shareholder Ms. Arleen J. Calub to the Nomination and Corporate Governance Committee (composed of Mr. Rosaleo M. Montenegro, Independent Director as Chairman and Mr. Ricardo Nicanor N. Jacinto, Non-Executive Director and Ms. Victorina B. Ladringan, Executive-Director, as members). Ms. Arleen J. Calub is not related to any of the director-nominees for election. Of the nominees, Mr. Rosaleo M. Montenegro and Ms. Lilian S. Linsangan, are eligible for election as Independent Directors in accordance with SRC Rule 38 and its implementing rules and regulations. Their certifications as to their qualifications and non-applicability of the disqualifications as Independent Directors are attached hereto as Annexes A and A-1.

Under the Articles of Incorporation and By-Laws of the Company, the Board shall be composed of nine (9) directors, two (2) of whom shall be independent directors, all of whom shall have a term of one year from date of the annual meeting of the stockholders or until their successors have been elected and have qualified.

The following are procedure and criteria for the screening of persons nominated for election to the Board of Directors:

(a) Written nominations by the stockholders shall be received by the Company not earlier than thirty (30) calendar days before the date of the Annual General Meeting of the Stockholders;

(b) The Nomination and Corporate Governance Committee (the "Committee") shall assess and determine if the person nominated for election to the Board of Directors possess all the qualifications and none of the disqualifications prescribed for directors, including independent directors, under the Securities Regulations Code and its implementing rules, SEC Code of Corporate Governance, Company's Manual of Corporate Governance and such other applicable laws and regulations.

(c) Thereafter, the Committee shall identify and recommend a shortlist of qualified nominees for election at the Annual Meeting of the Stockholders.

To date, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2016 Annual Meeting of Stockholders due to any disagreement with the Company relative to its operations, policies and practices.

The officers of the Company are elected annually by the Board during its organizational meeting.

D. Significant Employee

The Company has no employee who is not an executive officer and who is expected in his individual capacity to make a significant contribution to the business.

E. Family Relationships

Mr. Necisto U. Sytengco, Company Chairman, and Ms. Lali Y. Sytengco, VP for Purchasing are husband and wife and the parents of Aylene Y. Sytengco, Director, CFO & Treasurer, Necisto Y. Sytengco II, Director & SVP-Marketing Operations & Assistant Treasurer and Ned Bryan Y. Sytengco, VP for Investments. Aylene Y. Sytengco, Necisto Y. Sytengco II and Ned Bryan Y. Sytengco are brothers and sisters. Ms. Sabrina Adamelle Poon-Sytengco is the wife of Necisto Y. Sytengco II.

There are no known family relationships between the current members of the Board and key officers other than the above.

F. Involvement in Certain Legal Proceedings

There has been no occurrence of any of following events during the past five (5) years up to the date of this report 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:

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

(ii) 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;

(iii) 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

(iv) 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.

G. Ownership Structure and Parent Company

As of 28 March 2017, Anesy Holdings Corporation owns 64.44% of the outstanding voting shares of the Company. Anesy Holdings Corporation is owned and controlled by Mr. Necisto U Sytengco (55.5%) and his children, Aylene, Necisto II and Ned Bryan all surnamed Sytengco (12.5% each respectively) and his sister, Evelyn T. Ching (7%), hereafter referred to as the "Sytengco Family".

I. Certain Relationships and Related Transactions

The Company, in the regular course of business, engages in transactions with its affiliates and other related parties, principally in the form of sale of goods, advances and reimbursement of expenses, leasing and management and administrative service agreements. All these affiliates are directly and majority owned by the Sytengco Family. These transactions are generally carried out at the prevailing market rates or on terms which are no less favourable than the usual commercial terms extended to unrelated third parties.

The following are the transactions of the Company with related parties:

(i) Sale of Goods - The Company in the normal course of business provides or obtains goods from its affiliates.

(ii) Leases - The Company is leasing its corporate offices and warehouse facilities from its affiliates.

(iii) Advances - The Company, from time to time, borrows and lends certain portion of its funds to related parties as temporary financing measures to address short term funding gaps, or as part of its working capital management for the enhanced ability to manage inventory and cash flow. As of 31 December 2015 and 31 March 2016 , there were no outstanding advances to and from related parties.

(iv) 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. Under this arrangement, the Company is paid a service fee which takes 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.

Item 6. **Compensation of Directors and Executive Officers**

Currently, each independent and non-executive Director receives a per diem allowance of P15,000.00 and P10,000.00 for every attendance in regular meetings and special meetings of the Board of Directors, respectively. In addition, the independent and non-executive directors also receive a per diem allowance of P5,000.00 for each Board Committee meeting attended. Executive directors receive a per diem allowance of P2,500.00 for each Board meeting attended.

On 28 March 2017, with the independent and non-executive directors abstaining from voting on the matter, the Board of Directors approved to increase the per diem allowances of independent and non-executive directors to P25,000.00 for every attendance in Board meetings and a per diem allowance of P10,000 for each Board Committee meeting attended to take effect on 1 May 2017.

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 total remuneration paid to the President & CEO and the top four highly compensated officers as well as to the other directors and officers as of 31 December 2016 is disclosed in the table herein below provided.

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.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonuses	Others
Gerry D. Tan, President & CEO Esmeraldo A. Tepace - EVP & COO Victorina B. Ladringan - EVP & Chief Investments Officer Aylene Y. Sytengco - Chief Financial Officer & Treasurer Necisto Y. Sytengco II SVP Marketing Operations & Assistant Treasurer				
	Projected 2017	3,419,000.00	273,520.00	1,806,006.39
	Actual 2016	2,355,047.78		1,567,334.63
	Actual 2015	699,712.20	58,982.40	4,508,983.29
All other officers and directors as a group unnamed	Projected 2017	4,236,000.00	338,880.00	82,044.73
	Actual 2016	4,119,128.65		71,405.76
	Actual 2015	1,342,295.59	111,893.13	332,710.11

Item 7. **Independent Public Accountants**

(a) Having considered the adequacy of its resources and experience, the Board of Directors has recommended the re-appointment of the accounting firm of Punongbayan & Araullo as external auditor of the Company for the financal year 2017.

The firm has been the Company's independent auditors since 2013. The Company's Audit and Risk Management Committee (composed of Ms. Lilian S. Linsangan, Independent Director as Chairman and Mr. Rosaleo M. Montenegro, Independent Director, Mr. Ricardo Nicanor N. Jacinto, Non-Executive Director, Ms. Victorina B. Ladringan and Ms. Aylene Y. Sytengco, Executive-Directors, as members) has satisfied itself of the suitability of the Punongbayan & Araullo to meet the audit requirements of the Company for financial year 2017 and has recommended the re-appointment of external auditors of the Company

(b) Mr. Renan A. Piamonte, a partner in the Audit and Assurance Division of the firm, is the lead partner assigned to handle the account of the Company since 2013 and for the current period.

(c) Representatives of the firm for the current year and for the most recently completed fiscal year are expected to be present at the Annual Meeting of Stockholders to be held on 17 May 2017 and they will have the opportunity to make a statement, if they so desire, and are expected to be available to respond to appropriate questions.

(a) Punongbayan & Araullo has been the Independent Accountants/external auditor of the Company since 2013. For the three most recent fiscal years or any subsequent interim periods including until March 31, 2017, there was no instance where the Company's external auditor resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Company had any disagreement on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure with the said external auditor.

Audit and audit related fees

The aggregate fees paid for each of the last three (3) financial years for professional services rendered by the external auditor are as follows:

	FY 2014	FY 2015	FY 2016
Fees for Audit & Audit Related Services	P 550,000.00	P 650,000.00	P 800,000.00
Fees for tax consulting & compliance services	0	0	0
Other fees	0	0	0

Audit and Risk Management Committee Policies and Procedures

The Audit and Risk Management Committee ("Committee") of the Company makes recommendations to the Board on the appointment, re-appointment, resignation, and removal of external auditors as well as their remuneration and terms of engagement. Prior to the appointment of the external auditor, the Committee meets with the external auditor to review and discuss the nature and scope of its audit program for the Company as well as to evaluate and determine the expenses and fees for the audit and other related work. Subject to shareholder approval, the Company will appoint the external auditors to audit the Company. The Committee review significant financial reporting issues and compliance matters as well as announcements and disclosures relating to the Company's financial results before they are submitted for the consideration and approval of the Board of Directors.

Item 8. **Compensation Plans**

There are no existing or planned stock options. No action is to be taken at the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 9. Authorization or issuance of securities other than for exchange

The Company is also seeking approval from the shareholders for the following matters or actions to be taken in the forthcoming Annual Shareholders' Meeting:

A. Follow On Offering

(i) A planned offer and sale to the public of its unissued common shares in a follow on offering ("Offer") to undertaken within a period of 12 months, subject to the prior approval of the Securities and Exchange Commission and Philippine Stock Exchange;

(ii) To delegate the authority to determine the terms of such Offer to its Board of Directors, including the utilization of the proceeds of the Offer; and

(iii) Assent that no further authorization for the issuance of the securities by vote of the shareholders will have to be solicited prior to such issuance.

The Offer is intended to raise funds in support of the investment strategy and proposed business diversification plans of the Company to engage in property related investments and businesses.

B. Stock Dividend Declaration

The Company is also seeking approval from shareholders representing 2/3 of the outstanding capital stock of the Company, of the declaration of stock dividends of approximately 46,761,616 common shares to be payable at the rate of one (1) common share for every twenty five (25) common shares owned by stockholders and any resulting fractional shares shall be dropped. The record date and payment date shall be determined by the Board of Directors after relevant regulatory approvals have been obtained.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up for the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

(a) The following financial reports and related documents are herewith attached as Appendix 1.

(i) Statement of Management's Responsibility for Financial Statements

(ii) Report of Independent Auditors

(iii) Financial Statements as of December 31, 2016 and 2015 and Notes to Financial Statements

(iv) Report of Independent Auditors to Accompany Supplementary Information Required by the SEC to be filed separately from the Basic Financial Statements

(v) Supplementary Schedules to Financial Statements (Annex 68-E, SRC Rule 68)

(vi) Annual Summary of Disbursement of IPO Proceeds as of December 31,2016 as certified by the Chief Financial Officer & Treasurer;

(vii) Notes to the Schedules on the Disbursement of IPO Proceeds and Progress Report as of and for the year ended December 31, 2016;

(viii) Report of Review of Certain Financial Information by External Auditor on Annual Summary of Disbursement of IPO Proceeds as of and for the year ended December 31, 2016;

(b) **Description of the General Nature and Business of the Company and Plan of Operations**

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 Securities & Exchange Commission (SEC) on 18 November 2014.

The Company is one of the leading chemical trader-distributors in the Philippines, supplying a diverse customer base of more than 1,800 customers nationwide with over 3,000 chemical products sourced from more than 500 suppliers. The core of the Company's operations is in the trading and warehouse distribution business as the Company generally procures chemicals by bulk and sells and distributes them to market customers in relatively smaller quantities.

The Company sells chemicals that are used in manufacturing processes and as components of or ingredients in other products. It offers a comprehensive selection of chemical products that are used as food ingredients, industrial raw materials, inputs in feeds, agriculture and veterinary care, pharmaceutical materials, and ingredients for personal care and cosmetics products. These are mostly commodity chemicals which are typically made to standard industry specifications and are essentially fungible goods.

The Company sources its chemical products from major chemical producers and global chemical distributors. Such chemicals are sold 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. Products are sold to its customers through direct selling efforts and through other traders on wholesale basis, and are delivered to the customers either through warehouse distribution or direct distribution.

To build its capital and diversify its income base, the Company also takes advantage of the opportunities in the real estate market and buys real properties for Company's value enhancement. These non-core assets are financed through internally-generated cash, borrowings and proceeds from sale of some investments. Such assets are held as investments for capital gains. The Company engages in and adjusts such selective land acquisition program in response to competition as well as the prevailing and anticipated economic conditions.

The chemical trading business has been highly successful that, over time, the Company was able to invest its surplus funds to take advantage of opportunities in the real estate market and experience a significant improvement in values of its real estate investments.

In 2016, the Company unlocked the value of certain long term investments in property related holdings which were held for capital growth and completed with a significant one-off gain from the disposal of such investments assets in the amount of P858.8 million. The Company also continued to pursue attractive investment opportunities and has taken small ownership stake in companies investing in real properties for a more diversified interests in different investment holdings at a lower capital requirement and risk exposure to the Company.

The Board of Directors believes that the business prospects of property investments have much potential given the robust growth of the property market and 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. This move is intended to provide balance, to counteract some of the fluctuations in the chemical trading business and at the same time grow and diversify the Company's income streams.

The Company expects to show continued progress in its core business and deliver good profits through 2017 as it expands and diversifies its product portfolio. The Company aims to grow its volumes in the food and beverage, homecare and industrial segment in 2017.

The Company also intends to provide for diversified returns and generate attractive and sustainable additional income streams by pursuing investments in property related assets and expanding into property related businesses subject to shareholder approval.

(c) Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussions should be read in conjunction with the 2016 Consolidated Audited Financial Statements of the Company and its Subsidiary as of and for the years ended 31 December 2016 (with comparative figures as of 31 December 2015).

Results of Operations

Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2016 compared to the Statement of Comprehensive Income for the year ended 31 December 2015.

Sales for the period grew by 6.6% from P940.0 million in 2015 to P1,002.1 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 P111.7 million or 16.4%, from P682.2 million in 2015 to P793.9 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 P49.6 million or 19.2% from P257.8 million posted in 2015 to P208.2 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 P0.7 million from P123.7 million in 2015 to P123.1 million in 2016 due to non-recurrence of one-off professional fees and taxes related to the 2015 Initial Public Offering, while higher salaries, rental and transportation expenses were incurred in 2016 as compared to 2015. Other operating Income increased by 9.3% or P9.4 million in 2016 following the adjustment in property rentals on account of the scheduled annual escalation.

Operating profit declined by 16.8% or P39.5 million from P234.9 million in 2015 to P195.4 million in 2016 on account of the drop in gross profit of P49.6 million which was partly compensated by an increase in operating income of P9.43 million.

Net gain of P826.3 million was realized from the disposal of certain 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.

Finance charges reduced by 116.6% or P34.1 million on account of substantial debt paydowns of bank liabilities . From net finance expense of P29.3 million in 2015, a positive contribution of P4.9 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 an associate of P4.0 million in 2016 represents the Company's share of the incorporation costs incurred by the associate companies.

The income tax expenses declined by 6.4% or P3.0 million from P46.3 million in 2015 to P43.3 million in 2016 on account of lower income realized.

Net profit improved by 5.3x from P159.0 million in 2015 to P1,000.6 million in 2016 as a result of the one-off gain of P858.7 million realized from the sale of certain of the Company's investment assets representing 85.8% of the Company's net income for 2016.

Material Changes to the Statement of Financial Position as at 31 December 2016 compared to the Statement of Financial Position as at 31 December 2015.

Assets

As at 31 December 2016, total assets reached P3,990.6 million, consisting of P2,941.0 million in current assets and P1,049.7 million in non-current assets. As at 31 December 2015, the total assets registered P3,867.8 million comprising of P2,624.5 million in current assets and P1,243.4 million in non-current assets.

Cash in banks increased by 65.1% or P545.6 million from P837.6 million in 2015 to P1,383.1 million in 2015. For the period, total cash collection amounted to P1,702.0 million and was received from the following: P1,149.5 million net cash from the disposal of two investment properties; P480.4 million net cash from operating activities; P50.5 million net cash received from disposal of investment in an associate; P10.2 million cash dividends received from HTM investment; P8.8 million interest earned on short term bank placements and P2.6 million as foreign exchange gains. Against such collections, the cash disbursements or settlements made for the period totalled P1,156.4 million, comprised of the following: P900.0 million in loan repayments (net of availments), P152.0 million in additional investment in associates; P44.4 million as cash dividends declared and paid in May 2016; P30.0 million buy back shares; P19.0 million as interest payments on short term bank loans and secured bank trust receipts; and P11.0 million for the acquisition of property and equipment.

Trade and other receivables declined by 21.4% from P125.9 million in 2015 to P99.0 million in 2016 due to an increase in cash sales in 2016.

The inventory level went down by P214.1 million or 14.0% from P1,527.2 million in 2015 to P1,313.1 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 P11.9 million or 8.9% to P145.7 million in 2016 from P133.9 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 P129.9 million or 7x from P18.1 million in 2015 to P148.0 million in 2016 as a result of additional new investments made in shares of four (4) newly incorporated associate companies net of previous disposal of investment in associate and share in equity losses.

Property and equipment values increased by P4.9 million or 31.5% to P20.4 million in 2016 from P15.5 million in 2015 due to the acquisition of new transport and office equipment in the amount of P11.0 million net of P6.1 million additional depreciation expense during the period.

Investment properties were reduced by P323.3 million or 33.8% from P955.3 million in 2015 to P632.0 million in 2016 on account of the sale of two (2) investment properties in 2016.

Deferred tax asset went down by 53.4% or P5.2 million from P9.7 million in 2015 to P4.5 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 P782.8 million comprised of P774.6 million in current liabilities and P8.2 million in non-current liabilities. For 31 December 2015, the total liabilities was at P1,596.8 million, comprising of P1,277.4 million in current liabilities and P319.4 million in non-current liabilities.

Current loans payable declined by 55.7% or P587.5 million from P1,055.0 million in 2015 to P467.5 million in 2016 mainly due to loan settlements.

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

Trade and other payables increased by 42.8% or by P92.1 million to P307.1 million in 2016 from P215.0 million in 2015 mainly contributed by the increase of trust receipts payables and accrued expenses, trade payables net of the decline in security deposits and advance rentals.

There was no income tax payable outstanding as of December 31, 2016 due to higher payment was made in three quarters in the amount of P44.7 million was paid in May, August and November over the income tax expense due of P43.3 million.

Post-employment defined benefit obligation has an accumulation of 18.2% or P1.3 million from P6.9 million in 2015 to P8.2 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 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 P4.0 million revaluation reserves and net of P30.0 million in treasury shares. For the period ended 31 December 2015, total equity amounted to P2,271.6 million, comprising of P1,200.0 million in capital stock, P898.4 million in additional paid in capital stock, P176.4 million in retained earnings gross of P3.7 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 P30.0 million.

Retained earnings increased by 5.5x or P967.1 million from P176.4 million in 2015 to P1,143.5 million in 2016. This is attributed to the P1,011.5 million net income realized for the current period less cash dividends distributed in the amount of P44.4 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 P480.4 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 P1,056.1 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 P993.4 million. The major outflows was due to the settlement of loans amounting to P900.0 million net of availments, pay out of cash dividends, acquisition of treasury shares and interest payments.

The following discussions should be read in conjunction with the 2015 Audited Financial Statements of the Company as of 31 December 2015 and for the years ended 31 December 2014 and 31 December 2013.

Results of Operations

Material Changes to the Statement of Comprehensive Income for the year ended 31 December 2015 compared to the Statement of Comprehensive Income for the year ended 31 December 2014.

Sales for the period grew by 0.7% from P933.1 million in 2015 to P940.0 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 P13.7 million or 2.0% from P668.5 million in 2014 to P682.2 million in 2015. The increment is due to the additional allowance for inventory write-down amounting to P12.4 million in 2015.

Gross profit declined by P6.8 million or 2.6% from P264.6 million posted in 2014 to P257.8 million in 2015 due to the increase in the allowance for inventory write-down.

Other operating expenses increased by 23.2% or P23.3 million from P100.4 million in 2014 to P123.7 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 P61.4 million or from P90.6 million in 2014 to P29.3 million in 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 P27.6 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 P0.6 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 P0.6 million from P45.7 million in 2014 to P46.3 million in 2015. Net profit improved by 58.7% from P100.2 million in 2014 to P159.0 million in 2015. This is attributed principally to the increase in rental income and reduction in finance cost.

Material Changes to the Statement of Financial Position as at 31 December 2015 compared to the Statement of Financial Position as at 31 December 2014

Assets

As at 31 December 2015, total assets reached P3,867.8 million, consisting of P2,624.5 million in current assets and P1,243.4 million in non-current assets. As at 31 December 2014, the total assets registered P3,427.4 million comprising of P2,179.5 million in current assets and P1,247.9 million in non-current assets.

Cash in banks increased by 147.7% or P499.4 million from P338.1 million in 2014 to P837.6 million in 2015. For the period, total cash collection amounted to P1,710.5 and was received from the following: P1,636.4 million in additional share subscription payment; P5.5 million from proceeds of the sale of HTM investment; P10.3 million from cash dividends received from HTM investment; P0.1 million proceeds from proceeds of sale of AFS financial assets; P57.2 million from sale of financial assets at FVTPL; and P1.0 million as foreign exchange gains. Against collections, the cash disbursements or settlements made for the period totalled P1,211.1 million and comprised of the following: P57.5 million in loan repayments (net of availments), P265.5 million declared in 2014 and P100.0 million declared in 2015, the total of which in the amount of P365.5 million paid in 2015, P25.6 million for the additional purchase of financial assets at FVTPL, P0.3 million in office equipment acquisition, P699.2 million as payment settlement of advances from related parties; P46.2 million in interest payments (net of interest income on short term placements), and P16.8 million net cash used in operating activities.

Trade and other receivables increased by 25.6% from P100.2 million in 2014 to P125.9 million in 2015 due to an increase of credit sales in the last quarter of 2015.

The inventory level slightly went down by P30.7 million or 2.0% from P1,557.9 million in 2014 to P1,527.2 million in 2015 as a result of higher service levels in 2015.

Financial assets at fair value, which had a beginning balance of P29.3 million during year, were all disposed of in 2015.

Prepayments and other current assets declined by P20.1 million or 13.08% to P133.87 million in 2015 from P154.0 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 P15.5 million in 2015 from P22.2 million in 2014 as a result of the P7.0 million additional depreciation expense net of P0.3 million acquisition of office equipment during the period.

Deferred tax asset went up by 4x or P7.8 million from P1.8 million in 2014 to P9.7 million in 2015. This was attributable to the additional deferred tax on account of the additional inventory allowance and advance rentals.

Other non-current assets slightly declined by 2.1% or P5.4 million from P250.1 million in 2014 to P244.7 million in 2015 due to disposal of certain investments in stocks.

Liabilities

The total liabilities as at 31 December 2015 amounted to P1,596.8 million, comprising of P1,277.4 million in current liabilities and P369.4 million in non-current liabilities. or 31 December 2014, the total liabilities was at P2,849.4 million, comprising of P1,683.7 million in current liabilities and P1,165.7 million in non-current liabilities.

Current loans payable grew by 303.4% or P793.5 million from P261.5 million in 2014 to P1,055.0 million 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 73.14% or by P851.0 million due to the retirement of certain long term loans in 2015.

Trade and other payables declined by 49.2% or by P207.8 million due settlement of certain trust receipts liabilities.

Advances from related parties amounting to P699.2 million were fully settled in 2015.

There was no balance in the dividends payable in 2015 as the P265.5 million declared in 2014 was paid and distributed in 2015.

Income tax payable was reduced by 78.8% or P27.4 million in 2015 following the payment of the corporate income taxes of P 34.7 million in April 2015 and three quarters of year taxes in the amount of P36.7 million was paid in May, August and November. The outstanding income tax payable of P7.4 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 P4.7 million from P2.2 million in 2014 to P6.9 million in 2015 on account of a recognized re-measurements on DBO of P4.3 million, current service cost of P0.3 million, and P0.1 million interest cost.

Total equity

The total equity as at 31 December 2015 was P2,271.1 million, comprising of P1,200.0 million in capital stock, P898.4 million in additional paid in capital stock, P176.4 million in retained earnings gross of P3.7 million revaluation reserves. For the period ended 31 December 2014, total equity amounted to P578.0 million comprising of P262.0 million in capital stock, P200 million in additional paid in capital stock, P117.4 million in retained earnings gross of P1.4 million revaluation reserves.

Capital stock increased from P262.0 million in 2014 to P1,200.0 million in 2015 due to the additional subscription and issue of P353 million common shares, collection of P165.0 million subscription receivable from Anesy Holdings Corporation, and additional of P420.0 million from initial public offering in August 10, 2015.

Retained earnings increased by 50.3% or P59.0 million from P117.4 million in 2014 to P176.4 million in 2015. This is attributed to the P159.0 million net income realized for the current period less the declaration of cash dividends of P100.0 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 P16.8 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 P51.7 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 P31.6 million net of purchases.

Net cash flows used in financing activities

The net cash flow from financing activities resulted in a net inflow of P463.5 million. The major inflows came from the new subscriptions of common shares of the Company while majority of the outflows were due to cash dividends declared, prepayment of certain term loans and settlement on advances from related parties.

Key Performance Indicators

	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

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 P670,884,497.96. The details of the reallocation and change in the use of IPO Proceeds are as follows:

(a) P350,000,000.00 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 channeled 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) P100,000,000.00 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) P103,969,248.00 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) P100,000,000.00 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) P14,830,318.45 excess of actual IPO expenses over the estimated IPO expenses is channeled to general working capital requirements.

(f) P2,084,931.51 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 restrained 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.

(a) Market price of and dividends

(i) Market Information

The Company was admitted to the Main Board of the Philippine Stock Exchange on 10 August 2015 and its shares listed and traded on the Philippines Stock Exchange (PSE).

The following are the high and low sales prices* of SBS Philippines Corporation for the following quarterly periods:

	High	Low
Third Quarter of 2015	PhP 7.63	PhP 4.12
Fourth Quarter of 2015	PhP 7.24	PhP 5.47
First Quarter of 2016	PhP 7.22	PhP 4.46
Second Quarter of 2016	PhP 7.05	PhP 6.05
Third Quarter of 2016	PhP 6.68	PhP 5.85
Fourth Quarter of 2016	PhP 6.30	PhP 5.00

Source: Philippine Stock Exchange

The closing price as of 28 March 2017, being the Latest Practicable Trading Date, is PhP 5.90.

(ii) Holders

As of 31 December 2016, the total number of registered stockholders based on the records of the Company's Stock and Transfer Agent is seven (7), with the shares held in the name of PCD nominee corporation belonging to 114 PDTC participants.

As of 31 December 2016, the following are the top 20 shareholders of the Company:

Name	Number of Shares Subscribed	% of Ownership
1. BDO SECURITIES CORPORATION* *c/o PCD Nominee Corporation*	759,508,100	63.29%
2. ABACUS SECURITIES CORPORATION *c/o PCD Nominee Corporation*	289,672,219	24.14%
3. EVERGREEN STOCK BROKERAGE & SECURITIES *c/o PCD Nominee Corporation*	36,742,000	3.06%

4. DA MARKET SECURITIES INC. *c/o PCD Nominee Corporation*	17,087,800	1.42%
5. COL FINANCIAL GROUP, INC. *c/o PCD Nominee Corporation*	15,873,854	1.32%
6. TIMSON SECURITIES INC. *c/o PCD Nominee Corporation*	13,028,900	1.08%
7. WEALTH SECURITIES, INC. *c/o PCD Nominee Corporation*	10,225,800	0.85%
8. HDI SECURITIES, INC. *c/o PCD Nominee Corporation*	7,937,400	0.66%
9. IGC SECURITIES, INC. *c/o PCD Nominee Corporation*	5,202,900	0.43%
10. FIRST METRO SECURITIES BROKERAGE CORP. *c/o PCD Nominee Corporation*	4,831,328	0.40%
11. BPI SECURITIES CORPORATION. *c/o PCD Nominee Corporation*	3,952,998	0.33%
12. R. NUBLA SECURITIES INC. *c/o PCD Nominee Corporation*	3,231,800	0.27%
13. TRITON SECURITIES CORP. *c/o PCD Nominee Corporation*	1,687,800	0.14%
14. THE FIRST RESOURCES MGMT & SEC. *c/o PCD Nominee Corporation*	1,684,000	0.14%
15. PHILSTOCK FINANCIAL INC. *c/o PCD Nominee Corporation*	1,571,650	0.13%
16. R.S. LIM & CO., INC. *c/o PCD Nominee Corporation*	1,287,300	0.11%

17. TOWER SECURITIES, INC. *c/o PCD Nominee Corporation*	1,227,100	0.10%
18. MAY BANK ATR KIM ENG SECURITIES, INC. *c/o PCD Nominee Corporation*	1,210,900	0.10%
19. YU & COMPANY *c/o PCD Nominee Corporation*	1,180,300	0.10%
20. AP SECURITIES, INCORPORATED *c/o PCD Nominee Corporation*	1,047,500	0.09%

(iii) Dividends

The table below sets forth the dividend history of the Company:

Year	Dividend	Dividend Rate	Record Date	Payment Date	Total Amount Paid
2017	Stock Dividend	25 :1	TBA after approvals of the shareholders and relevant regulatory agencies have been obtained.		To be determined after record date has been set
2016	Cash Dividend	P 0.037	6/01/2016	6/22/2016	P 44,400,000.00
2015	Cash Dividend	P 0.12821	3/05/2015	04/28/2015	P 100,000,000.00
2014	Cash Dividend	P 0.62176	12/29/2014	03/25/2015	P 265,494,338.00

Dividend Policy

On 5 March 2015, the Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's 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.

Recent Sales of Unregistered or Exempt Securities

The following shares were issued to/subscribed by the following shareholders and paid for in cash or its equivalent:

On 18 November 2014, in connection with the increase in authorized capital stock of the Company to P1,000,000,000, divided into 1,000,000,000 common shares with par value of P1 each, the Company issued 250,000,000 common shares to the following shareholders as their share subscription in the increase in the authorized capital stock:

NAME	NO. OF SHARES	AMOUNT PAID UP (PhP)
Anesy Holdings Corporation	245,000,000	P 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	P 85,000,000

[1] *Anesy Holdings Corporation fully paid the P165,000,000 subscription balance on 23 March 2015.*

Thereafter, on 18 December 2014, the Company further increased its authorized capital stock to P1,550,000,000.00 divided into 1,550,000,000 common shares with a par value of P1.00 per share. Anesy Holdings Corporation subscribed to an additional 155,000,000 shares in the increase in authorized capital stock of the Company.

On 5 March 2015, Anesy Holdings subscribed further to an additional 353,000,000 common shares of the Company. which it fully paid by virtue of the conversion of its P350,000,000.00 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 of the Company are exempt transactions under Sections 10.1(e) and 10.1(i) of the Securities Regulations Code. The foregoing additional share issuances did not require any written confirmation of exemption from SEC pursuant to SEC-CFD Memorandum Circular No.2, Series of 2001.

Corporate governance

The trust of our stakeholders, especially of our shareholders, customers and business partners, is fundamental to our business and is the source of success and growth of the Company. We are committed to preserving this relationship of trust by conducting our business in a responsible manner and carrying out sound corporate governance practices.

On 5 March 2015, the Company adopted its Manual of Corporate Governance. The Company's Corporate Governance Manual ("CG Manual") serves to supplement the Articles and By-Laws of the Company in providing standards of governance in the performance of the duties and responsibilities of the Board of Directors, Management and employees to shareholders of the Company and other stakeholders. The Company's corporate governance policies and practices are summarized in the 2016 Annual Corporate Governance Report of the Company, a copy of which is available at http://www.sbsph.com/annualcorporategovreport.php.

The Company is in the process of amending its Manual of Corporate Governance to align it with the principles and best practice recommendations under the Revised Code of Corporate Governance for Publicly Listed Companies pursuant to SEC Memorandum Circular No. 19 Series of 2016.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters or actions to be taken up at this year's annual stockholders' meeting with respect to a merger, consolidation, sale or liquidation of the Company.

Item 13. **Acquisition or Disposition of Property**

The following investment of funds in other corporation or business for a purpose other than the primary purpose for which the Company was organized are submitted to the shareholders for ratification:

(a) Investments in Associate Companies

Submitted for ratification by shareholders representing at least 2/3 of the outstanding capital stock of the Company in the forthcoming Annual General Meeting are the Company's investment of funds in the following newly organized property holding companies:

(i) Investment of P38.75 million in Ayschester Holdings Corporation ("AHC") by way of subscription to 38,750,000 common shares of the capital stock of AHC at its par value of P1.00 per share, representing a fully paid 25% shareholding interests in AHC. Ayschester Holdings Corporation was incorporated on February 22, 2016 and in June 2016 acquired a 1,776 square meter lot located along EDSA in Mandaluyong City.

(ii) Investment of P46,562,500.00 in Cleon Phils. Holdings Corp ("CPHC") by way of subscription to 46,562,500 common shares of the capital stock of CPHC at its par value of P1.00 per share, representing a fully paid 37.25% shareholding interest in CPHC. Cleon Phils. Holdings Corp was incorporated on January 25, 2016 and is currently exploring new property investment opportunities.

(iii) Investment of P57.35 million in Lakerfield Phils. Holdings Corp. ("LPCH") by way of subscription to 57,350,000 common shares of the capital stock of LPCH at its par value of P1.00 per share, representing a fully paid 37% shareholding interests in LPCH. Lakerfield Phils. Holdings Corp. was incorporated on February 5, 2016 and in October 2016, acquired a 13,867.5 square meter lot located in Mandaluyong City.

(iv) Investment of P9.35 million in I Bonding Holdings Corporation ("IBHC") by way of subscription to 9,350,000 common shares of the capital stock of IBHC at its par value of P1.00 per share, representing a fully paid 17% shareholding interests in IBHC. I Bonding Holdings Corporation was incorporated on August 2, 2016 and has acquired certain properties located in San Antonio Village in Makati City. It is also in discussions to acquire additional adjacent properties.

In line with its investment strategy to have a more diversified interests in different property holdings at a lower capital requirement and risk exposure to the Company, the Company has deemed it beneficial to invest in small ownership stake in companies investing in real properties.

The Company has subscribed to new shares (based on par value) for a minority ownership stake in affiliate investment holding companies that have been set up to serve as vehicles for investment in real estate assets. These "co-investment" rights 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 P151.9 million. Such small stake investments allows the Company to participate in wider investment opportunities.

Meanwhile, as a protection to the Company's minority interests, the terms of the shareholder arrangements provide that major strategic decisions and major corporate actions in relation to the Company transactions such as those required for investment deals involving the acquisition and disposal of property investments, financing and mortgage transactions may only be taken when approved by the Company as shareholder.

(b) Investment in Subsidiary

Also for ratification by the shareholders in the forthcoming Annual General Meeting is the Company's investment of funds by way of subscription in the increase of authorized capital stock of Company's wholly 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, representing 28.64% of the P5,498,750,000.00 increase in authorized capital stock, 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, paid in cash by the Company upon subscription.

Item 14. **Restatement of Accounts**

There are no actions of matters to be taken up at this year's annual stockholders' meeting, which involves a restatement of any of the assets, capital or surplus account of the Company.

Item 15. **Action with Respect to Reports**

The following reports and minutes of meetings will be submitted for approval by the stockholders in the Annual Stockholders' Meeting scheduled on 17 May 2017:

(a) Minutes of the annual meeting of the stockholders of the Company held on 22 June 2016;

The minutes of Annual Stockholders' Meeting ("ASM") held on 22 June 2016 are posted on the Company's website, www.sbsph.com and will be made available to the shareholders on the day of the annual meeting. Essentially, the June 22, 2016 ASM minutes provide for the following:

(i) Annual Report of Officers;

(ii) Ratification of all lawful resolutions, contracts and acts made or entered into by the Board of Directors, the Executive Committee and other Board Committees as well as all acts of Management taken or adopted since the Annual Stockholders Meeting held on July 9, 2015 until June 22, 2016, date of the meeting;

(iii) Election of the members of the Board of Directors, including independent directors;

(iv) Re-election of Punongbayan & Araullo as the Company's external auditor and fixing of their remuneration.

(b) 2016 Annual Report to the Stockholders by Management together with the Audited Financial Statements for the twelve month period ended 31 December 2016 which reports cover the performance of the Company in FY 2016 and its outlook for FY 2017.

Item 16. **Other proposed actions**

The following matters are to be proposed for approval at this year's annual shareholders' meeting:

(a) Ratification of all acts and resolutions of the Board and management to implement the resolutions since the annual stockholders' meeting on June 22, 2016 until this year's annual stockholders' meeting on May 17, 2017 involving:

i) Treasury matters relating to borrowings, opening of accounts, designation of authorized corporate signatories, and other bank transactions;

ii) Appointment of authorized corporate representatives to transact with government agencies in connection with regulatory compliances

iii) Appointment of authorized corporate representatives to transact with suppliers and customers for the supply goods;

iv) Appointment of additional authorized corporate representatives to transact with the Company's Stock and Transfer Agent, BDO Unibank, Inc. -Trust and Investments Department

v) Appointment of legal representatives in connection with cases filed by the Corporation in judicial and quasi-judicial agencies ;

vi) Election of new officers;

vii) Approval of the Share Buyback Program and appropriation of funds therefor, share repurchases made and opening of securities trading accounts for the purpose;

viii) Change in the Use of IPO Proceeds;

ix) Approval of Recurring Related Party Transactions;

x) Approval of Annual Operating Plans,

xi) Adjustment in Per Diem Allowances of Independent and Non-Executive Directors; and

xii) Incorporation of domestic subsidiary, SBS Holdings and Enterprises Corporation.

(b) Election of the members of the Board of Directors, including the independent directors, for the ensuing year; and

(c) Election of external auditors and fixing of their remuneration.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

In its meeting of February 28, 2017, the Board of Directors approved the amendment of the Second Article of the Articles of Incorporation of the Company on its secondary purpose 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 as and when the appropriate opportunities arise. This amendment will be considered by the shareholders at their meeting.

As proposed to be amended, the Second Article of the Articles of Incorporation of the Company will read as follows:

"SECOND: That the primary purpose of this Corporation is -

XXX XXX XXX

SECONDARY PURPOSES

1. *To acquire, hold, own or participate in investments **in land, buildings, commercial and industrial facilities** and other property related assets whether for short term or long-term investments for the collection of rent, capital growth potential and/or the provision of property related services, facilities and materials, and to invest, purchase or otherwise acquire or dispose from time to time of property related assets, investments and shares or interests in any entity involved in property related investments or businesses provided that the corporation shall not engage in the business of an open-ended investment company or as investment adviser thereof as defined under Act No. 2629 or as a stock broker or dealer of securities, or investment house."*

2. *To borrow or raise money necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness, and to secure the repayment thereof by the mortgage. Pledge, deed of trust or lien upon the properties of the Corporation or to issue pursuant to law shares of its capital stock, debentures and other evidence of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business.*

3. *To purchase, acquire, own, lease, sell and convey all kinds of properties such as lands, buildings, factories, and warehouse and machinery, equipment and other personal properties and sell, dispose and transfer the business and/ or goodwill of the corporation or any part thereof for such consideration and under such terms as it shall see fit to accept and to pay in cash, shares of its capital stock, debentures and other evidence of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the Corporation.*

4. *To invest and deal with the money and the properties of the Corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interest including investments such as shares of stock, bonds and others in any and all types of business enterprises."*

The Board of Directors believes that the business prospects of property investments have much potential given the robust growth of the property market and 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 to counteract some of the fluctuations in the chemical trading business and at the same time grow and diversify the Company's income streams.

Item 18. **Voting Procedures**

a. Vote required

The affirmative votes cast by stockholders representing at least a majority of the issued and outstanding capital stock, present in person or by proxy at the meeting, is required for the approval of all the matters presented to the stockholders for decision at this year's annual stockholders' meeting.

b. Method of Voting

Except in the case of election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date for all agenda items for approval.

For the election of directors, each stockholder may vote such number of shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda.

The votes will be counted and tabulated by the Office of the Corporate Secretary and verified by the Company's external auditors, Punongbayan & Araullo.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER WITH A COPY OF THE COMPANY'S ANNUAL REPORT (SEC FORM 17-A) FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF THE ANNUAL REPORT SHALL BE ADDRESSED AS FOLLOWS:

ATTENTION : MS. SABRINA ADAMELLE POON-SYTENGCO
INVESTOR RELATIONS & CORPORATE INFORMATION OFFICER
SBS PHILIPPINES CORPORATION
10 RESTHAVEN STREET, SAN FRANCISCO DEL MONTE
QUEZON CITY 1105

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the Quezon City on 28 March 2017.

By:

CHRISTINE P. BASE
Corporate Secretary

ANNEX A

CERTIFICATION OF QUALIFICATION AS INDEPENDENT DIRECTOR

I, **LILIAN S. LINSANGAN,** Filipino, of legal age and a resident of No. 325 Mendoza Street, Lolomboy, Bocaue, Bulacan, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of SBS Philippines Corporation (the "Corporation") and have been its independent director since March 2015;

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Women's Business Council of the Philippines	Trustee	2007 up to ~~the present~~ 2016

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any of the directors, officers and substantial shareholder of SBS Philippines Corporation nor do I have any of the relationships provided under Rule 38.2.3;

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceedings;

6. I am not in government service or am affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its implementing rules and regulations, Code of Corporate Governance and other SEC issuances;

8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

30 March 2017, Quezon City.

LILIAN S. LINSANGAN
Affiant

SUBSCRIBED AND SWORN TO before me this MAR 30 2017 day of March 2017, in Quezon City, affiant exhibiting to me her Passport No. EBB946764 issued on 17 August 2012 and with expiry date on 16 August 2017.

Doc No. 497;
Page No. 94;
Book No. 149;
Series of 2017.

ATTY. LUIS M. DE VERA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR No. 3802427 / 01-03-2017, Q.C
IBP No. 10[illegible] / [illegible] / Q.C.
ROLL No. [illegible] / [illegible] No. 0009[illegible]
Pasilio-F-13 [illegible] Quezon City
TIN No. 216-[illegible]

ANNEX A – 1

CERTIFICATION OF QUALIFICATION
AS INDEPENDENT DIRECTOR

I, **ROSALEO M. MONTENEGRO,** Filipino, of legal age and a resident of No. 50 Kasoy Road, Ayala Westgrove Heights, Silang, Cavite, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of SBS Philippines Corporation (the "Corporation") and have been its independent director since July 2015;

2. I am currently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
DATA LAND, INC.	PRESIDENT	July 2012 – January 2017
DATA LAND, INC.	VICE CHAIRMAN	January 2017 up to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any of the directors, officers and substantial shareholder of SBS Philippines Corporation nor do I have any of the relationships provided under Rule 38.2.3;

5. To the best of my knowledge, I am not of subject any pending criminal or administrative investigation or proceedings;

6. I am not in government service or am affiliated with a government agency or GOCC;

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its implementing rules and regulations, Code of Corporate Governance and other SEC issuances;

8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

30 March 2017, Quezon City.

ROSALEO M. MONTENEGRO
Affiant

MAR 3 0 2017

SUBSCRIBED AND SWORN TO before me this ____ day of March 2017, in Quezon City, affiant exhibiting to me his Philippine Passport with No. EC2236295 issued on 29 September 2014 and expiring on 28 September 2019.

Doc No. 498
Page No. 100
Book No. 149
Series of 2017.

ATTY. LUIS M. DE VERA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR No. 3802427 / 01-03-2017/ Q.C
IBP No. 1054756 / 12-19-16 / Q.C.
ROLL No. [illegible] / 5[illegible] MCLE **No. 0009**542
Pasillo-F-13 [illegible] Quezon City
TIN No. 218-[illegible]247

APPENDIX 1

SBS 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 financial statements, including the schedules attached therein, as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014, 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 financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative to do so.

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

The Board of Directors reviews and approves the 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 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 February, 2017.

FEB 27 2017

SUBSCRIBED AND SWORN to before me this ____ 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

Doc no. 129
Page no. 27
Book no. X
Series of 2017.

ATTY PORTIA D FLORES-DIESTA
NOTARY PUBLIC UNTIL DEC. 31, 2017
PTR NO 31212330 1/3/17 – Q.C.
IBP LRN 03549 – Q.C. CHAPTER
ATTORNEY'S ROLL NO. 41164
MCLE COMP. V NO. 0023925

10 Resthaven Street, San Francisco Del Monte, Quezon City
Metro Manila 1105 Philippines
Tel. Nos. (632) 371-1111 • 371-0886 • 371-5555 • 373-5619
Fax Nos. (632) 371-1288 • 371-1248 • 412-2388

E-mail: imports@sbsph.com / info@sbsph.com
sales@sbsph.com
Website: www.sbsph.com

P&A
Grant Thornton

An instinct for growth™

Financial Statements and Independent Auditors' Report

SBS Philippines Corporation

December 31, 2016, 2015 and 2014

P&A
Grant Thornton
An instinct for growth™

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The Enterprise Center
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1200 Makati City
Philippines

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of SBS Philippines Corporation (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, 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, 2016, 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 financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016 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 Company 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.

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COLLECTION SECTION

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company'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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

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.

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, 2016 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 PFRS. 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.

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

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COLLECTION SECTION

SBS PHILIPPINES CORPORATION
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	P 1,382,801,217	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		2,940,669,568	2,624,493,829
NON-CURRENT ASSETS			
Held-to-maturity investments	7	244,740,000	244,740,000
Investments in associates and a subsidiary	8	148,276,380	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	4,518,201	9,691,399
Total Non-current Assets		1,049,971,459	1,243,355,279
TOTAL ASSETS		P 3,990,641,027	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	307,089,884	215,009,295
Income tax payable		-	7,350,543
Total Current Liabilities		774,589,884	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		782,749,939	1,596,762,674
EQUITY			
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		1,143,508,373	176,381,186
Total Equity		3,207,891,088	2,271,086,434
TOTAL LIABILITIES AND EQUITY		P 3,990,641,027	P 3,867,849,108

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(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	2016	2015	2014
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	(123,059,702)	(123,726,997)	(100,389,507)
Other operating income	15	110,200,271	100,777,804	73,179,541
		(12,859,431)	(22,949,193)	(27,209,966)
OPERATING PROFIT		195,379,227	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		1,054,852,381	205,309,990	145,877,271
TAX EXPENSE	19	43,325,194	46,304,100	45,705,084
NET PROFIT		1,011,527,187	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
Tax income			-	-
		-	(673,568)	673,568
Other Comprehensive Loss		348,693	2,319,857	1,219,921
TOTAL COMPREHENSIVE INCOME		P 1,011,178,494	P 156,686,035	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
(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
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)	-	1,011,527,187	1,011,178,494
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 943,508,373	P 3,207,891,088
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
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
(A Subsidiary of Ancsy Holdings Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,054,852,381	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 associates	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		204,096,802	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	30,726,441	(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		92,080,589	(207,814,704)	238,136,850
Increase in post-employment defined benefit obligation		456,051	339,705	221,066
Cash generated from operations		525,707,914	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		480,354,815	(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 a subsidiary	1	(311,897)	-	-
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		1,055,748,592	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		545,250,211	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 1,382,801,217	P 837,551,006	P 338,132,143

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 18).

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 Note 20).

3) On March 5, 2015, Ancsy Holdings Corporation (Ancsy) subscribed to an additional 353,000,000 common shares of the Company which was fully paid by virtue of the conversion of its P350 million advances to the Company into common shares and with the remaining balance paid in cash by Ancsy to the Company (see Note 20).

See Notes to Financial Statements.

SBS PHILIPPINES CORPORATION
(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 "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 Company's common shares are listed and traded in the Philippine Stock Exchange (PSE) beginning August 10, 2015 (see Note 20.1).

The Company is a subsidiary of Anesy Holdings Corporation ("Anesy" or the "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 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, 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 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) 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 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 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"). The principal place of business of SBS Holdings is the same as that of the Company. SBS Holdings shall serve principally as a holding company for business interests in real estate and other property related businesses.

The financial statements of the Company as of and for the year ended December 31, 2016 (including the comparative financial statements 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 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 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 2016 that are Relevant to the Company*

The Company adopted for the first time the following amendments 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 pages are the relevant information about these amendments and annual 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.* The Company accounted for its investments in associates and a subsidiary in these separate financial statements using the equity method and cost method, respectively (see Note 2.3).

(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 amendments in the succeeding page are relevant to the Company but had no material impact on the Company'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 Company

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 Company'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)		
PAS 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 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 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 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.

(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 Company'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 Separate Financial Statements and Investments in a Subsidiary and Associates

These financial statements are prepared as the Company's separate financial statements. The Company also prepared a consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Company reassesses 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 controls indicated above.

The Company's investment in a subsidiary is accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.15).

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 associates are recognized in the Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associates 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.

2.4 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, *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 discussed below.

(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 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.

(ii) 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 available-for-sale (AFS) financial assets. HTM investments are included under the Other Non-current Financial Assets section of 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 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 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 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 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.

2.5 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.

2.6 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 statements when it is probable that the future economic benefits will flow to the Company 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).

2.7 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 Company 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 2.15).

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.

2.8 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 2.15).

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.

2.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (excluding tax-related liabilities) and Loans Payable, 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 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 Company 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.

2.10 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 specific recognition criteria discussed in the succeeding page 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 Company's right to receive payment is established.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization of 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 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) *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 a subsidiary, 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 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 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 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 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 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.

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 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.

2.20 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 of the Parent Company 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 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.

2.22 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 potential dilutive shares. As of December 31, 2016 and 2015, 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 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 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 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 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*

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 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 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, 2016 and 2015.

(c) 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, 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 2.15). 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 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 Company'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 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, 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 855,492,619	P 108,721,866
Short-term placements	527,308,598	728,829,140
	P 1,382,801,217	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 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, 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 goods sold 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 Company 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 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 Company 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 Company 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 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 tainting as defined under PAS 39.

8. INVESTMENTS IN ASSOCIATES AND A SUBSIDIARY

The components of the carrying values of investments in associates and a subsidiary accounted for under the equity and cost method, respectively, are as follows:

	% Interest Held	2016	2015
Subsidiary – SBS Holdings	99.8%	P 311,897	P -
Associates:			
Lakerfield Phils. Holding Corp. (LPHC)	37.0%	56,340,763	-
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
		147,964,483	18,113,172
		P 148,276,380	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 Company's investment in an associate as of December 31, 2015 pertains to the holdings of the 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 Company's management believes that it does not have effective control over the associates but significant influence only. Consequently, the Company accounted for its investment on these companies under the equity method. In 2016, the Company recognized its share in their net losses in the total amount of P4.0 million, presented as Equity in Net Losses of Associates in the 2016 statement of comprehensive income.

The total amount of the assets, liabilities, revenues and net loss of these Investee companies are reported as follows:

		Assets		Liabilities		Expenses		Net Loss
December 31, 2016:								
Subsidiary –								
SBS Holdings	P	312,500	P	10,288	P	10,288	P	10,288
Associates:								
AHC		458,337,967		312,639,357		9,301,390		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:								
Associate –								
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:

	Note		2016		2015
Input VAT	27.1(b)	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 Company's fully-depreciated property and equipment that are still in use is P21.6 million and P7.3 million, respectively.

11. 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 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 Company 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 Notes 14 and 27.1(f)].

In May 2016, the Company 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 amounting to P153.4 million, 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 25).

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	18.4, 18.6 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		14,942,828	4,039,715
		P 307,089,884	P 215,009,295

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.

The Company 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 4.50% 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 during the year	(1,420,000,000)	(1,182,500,000)
	P 467,500,000	P 1,367,500,000

For the current and prior years, the Company 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 and 2015.

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 Company's cost of goods sold 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 below:

	Notes		2016		2015		2014
Salaries and wages	17.1	P	**26,958,328**	P	22,074,491	P	16,098,594
Rentals	21.2		**17,016,388**		15,978,321		1,096,473
Taxes and licenses	11, 27.1(f)		**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	18.6		**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			**5,631,533**		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			**4,717,495**		3,218,027		4,263,131
		P	**123,059,702**	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 26,502,277	P 21,734,786	P 15,931,621
Post-employments benefits	17.2(b)	456,051	339,705	166,973
		P 26,958,328	P 22,074,491	P 16,098,594

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 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
Balance at end of year	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			
- 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 Costs in the statements o comprehensive income (see Note 16).

Amounts recognized in other comprehensive loss were included within items that wi 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 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 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 sensitivity analysis in the previous page 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 Company 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 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.

Related Party Category	Notes	Amount of Transactions 2016	Amount of Transactions 2015	Amount of Transactions 2014	Outstanding Balances Receivables 2016	Outstanding Balances Receivables 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 and 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 Company 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 Company 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 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 setoff against the equivalent amount of the Company's advances from its shareholder and Board Chairman (see Note 24.2).

There were no advances granted by the Company to related parties in 2016 and 2015.

18.3 Advances from Related Parties Under Common Ownership

In 2015, 2014 and 2013, the Company 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 Company, 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 Corporation, all related parties under common ownership, and its Chairman of the BOD, 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 account 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 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 21.3). 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.

18.6 Shared Business and Management Services

In 2015, the 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 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 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. 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 Company 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 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, 2016, there were no existing cross surety arrangements between the Company and any of its related parties (see Note 18.5).

19. TAXES

The components of tax expense (income) 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	5,322,638	(6,560,589)	2,107,701
	P 43,325,194	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 the disposal of investment properties and investment in an associate	(11,028,130)	-	-
Non-deductible expenses	1,208,653	701,407	362,329
Stock issuance costs	-	(10,972,370)	-
Unrecognized deferred tax asset	-	-	3,395,177
	P 43,325,194	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 liability -								
Unrealized foreign currency gains - net	P 768,935	P 299,437	P 469,498	P 299,437	(P 771,613)	P -	P -	P -
	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)	-	-	-
Fair value loss on financial assets at FVTPL	-	-	-	-	3,395,177	-	-	-
Unrealized foreign currency losses - net	-	-	-	42,931	(42,931)	-	-	-
	(5,287,136)	(9,990,836)	4,853,140	(6,860,026)	2,879,314	(149,440)	(1,282,896)	(234,151)
Net Deferred Tax Assets	(P 4,518,201)	(P 9,691,399)						
Deferred Tax Expense (Income)			P 5,322,638	(P 6,560,589)	P 2,107,701	(P 149,440)	(P 1,282,896)	(P 234,151)

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 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 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 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 Company which was fully paid by virtue of the conversion of its P350,000,000 advances to the Company into common shares and with the remaining balance paid in cash by Anesy to the Company.

On April 8, 2015, the Company applied for the registration of its common shares with the SEC and the listing of the Company's shares on the PSE. The SEC approved the registration of the 1,200,000,000 common shares of the Company on July 16, 2015 and the PSE approved the Company's application for the listing of its common shares on July 23, 2015.

On August 10, 2015, the 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, the 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 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 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 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	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
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 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 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 Company's BOD approved a share buyback program and appropriated P200.0 million for this. The share buyback 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 Company's BOD determines otherwise. As of December 31, 2016, the 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 1,011,527,187**	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 – 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 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. 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 – 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. 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 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. 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 Company'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 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 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, 2016 and 2015, 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 and outstanding trust receipts 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 bps in 2015 and +/- 14 bps 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 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 2015 and 2014 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 incorporates 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	2016	2015
Cash and cash equivalents	4	**P 1,382,801,217**	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 1,726,523,218	P 1,208,163,247

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

In respect of trade and other receivables, 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.

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 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, 2016, 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 308,230,648	P -	P -
Loans payable	450,076,563	22,845,313	-
	P 758,307,211	P 22,845,313	P -

This compares to the maturity of the 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 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 shown below.

	2016	2015
Liabilities	P 782,749,939	P 1,596,762,674
Equity	3,207,891,088	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 Financia Liabilities

The carrying amounts and fair values of the categories of financial assets and financia liabilities presented in the statements of financial position are shown below.

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	4	P 1,382,801,217	P1,382,801,217	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
		1,481,783,218	1,481,783,218	963,423,247	963,423,247
HTM investments – Debt securities	7	244,740,000	265,787,640	244,740,000	254,774,340
		P1,726,523,218	P1,747,570,858	P 1,208,163,247	P1,218,197,587
Financial liabilities					
Financial liabilities at amortized cost:					
Loans payable	13	P 467,500,000	P 467,500,000	P 1,367,500,000	P1,367,500,000
Trade and other payables	12	306,967,895	306,967,895	214,240,821	214,240,821
		P 774,467,895	P 774,467,895	P 1,581,740,821	P1,581,740,821

See Notes 2.4 and 2.9 for description of the accounting policies for each category c financial instrument including the determination of fair values. A description of th Company's risk management objectives and policies for financial instruments is provided i Note 22.

24.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2016 and 2015 and does not hav relevant offsetting arrangements as of the end of the reporting periods. Currently, financi assets and financial liabilities are settled on a gross basis; however, if applicable, each par to the financial instrument will have the option to settle all such amounts on a net basis 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 financial liabilities ar non-financial asset which are measured at fair value on a recurring or non-recurring ba and those assets and liabilities not measured at fair value but for which fair value disclosed in accordance with other relevant PFRS, are categorized into three levels bas on the significance of inputs used to measure the fair value. The fair value hierarchy h the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilit that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived fro 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 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 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	P1,382,801,217	P -	P -	P 1,382,801,217
Trade and other receivables	-	-	98,982,001	98,982,001
Debt security – HTM investment	265,787,640	-	-	265,787,640
	P1,648,588,857	P -	P 98,982,001	P1,747,570,858
Financial liabilities:				
Trade and other payables	P -	P -	P 306,967,895	P 306,967,895
Loans payable	467,500,000	-	-	467,500,000
	P 467,500,000	P -	P 306,967,895	P 774,467,895

	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 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, 2016, 2015 and 2014:

	2016			
	Sale of Goods	Rental Income	Investment Income	Total
Revenues	P1,002,128,379	P 110,200,271	P 10,233,191	P1,122,561,841
Cost	793,889,721	2,748,530	-	796,638,251
	208,238,658	107,451,741	10,233,191	325,923,590
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 155,428,131**	**P 107,451,741**	**P 10,233,191**	**P 273,113,063**

	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 Company's reconciliation of the components of reportable segments to statement of comprehensive income:

	2016	2015	2014
Revenues:			
Total revenue of reportable segments	**P 1,122,561,841**	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	**65,551,582**	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 disposal of:			
Investment properties	**826,273,802**	-	-
Investment in associate	**32,509,465**	-	-
	858,783,267	-	-
Profit before tax	**P 1,054,852,381**	P 205,309,990	P 145,877,271

The results of operations from the three segments are used by management to analyze th Company's operation and to allow them to control and study the costs and expenses. It i also a management indicator on how to improve the Company's operation.

Expenses are allocated through direct association of costs and expenses to operatin segments.

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented below and in the succeeding pages is the supplementary information which i required by the BIR under its existing revenue regulations (RR) to be disclosed as part o the notes to the financial statements. This supplementary information is not a require disclosure under PFRS.

27.1 Requirements Under RR 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable yea required under RR 15-2010 are presented below and in the succeeding pages.

(a) Output VAT

In 2016, the Company declared output VAT as follows:

	Amount	Output VAT
Sale of goods:		
VATable	P 694,654,206	P 83,358,505
Exempt	248,906,116	-
Zero-rated	58,568,057	-
	1,002,128,379	83,358,505
Rental income	110,200,271	13,224,033
	P1,112,328,650	P 96,582,538

The Company's zero-rated and exempt sales and VAT receipts were determine 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 an 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 i the 2016 statement of comprehensive income.

(b) *Input VAT*

The movements in input VAT in 2016 are summarized below.

Balance at beginning of year	P 129,818,894
Importation of good other than capital goods	48,551,128
Domestic purchase of goods and services other than capital goods	42,412,414
Amortization of deferred input VAT	7,507,764
	228,290,200
	(96,582,538)
Balance at the end of year	P 131,707,662

The outstanding balance of input VAT is presented as part of Prepayments and Othe Current Assets in the 2016 statement of financial position (see Note 9).

(c) *Taxes on Importation*

In 2016, the total landed cost of the Company's importation of raw materials amounted to P519,182,180 which includes customs duties, freight, insurance and othe charges, excise tax and other import expenses amounting to P20,941,557.

(d) *Excise Tax*

Aside from the excise tax on importation, the Company did not have any transaction in 2016 which are subject to excise tax.

(e) *Documentary Stamp Taxes (DST)*

The Company incurred DST amounting to P2,184,605 in 2016 [see Note 27.1(f)] fo the execution of new and renewal of the Company's various loan agreements wit financial institutions.

(f) *Taxes and Licenses*

The details of Taxes and licenses in 2016 is broken down as follows:

Licenses and permits	P 6,585,010
Real property tax	2,748,530
DST	2,184,605
Others	2,878,943
	P 14,397,088

The amounts of Taxes and licenses is presented under Other Operating Expenses i the 2016 statement of comprehensive income (see Note 14).

(g) Withholding Taxes

The details of withholding taxes for the year ended December 31, 2016 are shown below:

Expanded	P 5,722,647
Compensation	1,821,862
Final	1,273,571
	P 8,818,080

(h) Deficiency Tax Assessment and Tax Cases

As of December 31, 2016, 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, 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 2016 statement of comprehensive income.

(a) Taxable Revenues

The Company's taxable revenues subject to regular rate in taxable year 2016 amounted to P1,002,128,379.

(b) Deductible Cost of Sales

The Company's deductible cost of sales which are subject to regular tax rate are shown below.

Inventories at beginning of year	P 1,803,088,219
Cost of goods purchased	579,831,373
Total goods available for sale	2,382,919,592
Finished goods at end of year	(1,579,046,521)
	P 803,873,071

(c) Taxable Non-operating and Other income

The details of taxable non-operating and other income in 2016 which are subject to regular tax rate are shown below.

Rentals	P 99,199,386
Realized foreign currency gains	984,607
Other income	3,108,614
	P 103,292,607

(d) *Itemized Deductions*

The amounts of itemized deductions subject to regular tax rate for the year ended December 31, 2016 are as follows:

Professional fees	P 43,360,722
Salaries and wages	26,502,277
Interest expense	16,136,022
Taxes and licenses	14,397,088
Rental	17,016,388
Transportation and travel	14,006,536
Insurance	8,251,446
Depreciation and amortization	6,117,488
Security services	5,617,360
Representation and entertainment	5,010,642
Trainings and seminar	4,153,189
Communication, light and water	3,182,127
Office supplies	1,618,820
Repairs and maintenance	1,449,409
Advertising and promotions	1,251,039
Charitable contributions	1,051,429
Dues and subscriptions	1,039,738
Bank charges	495,011
Commission	79,388
Others	4,136,610
	P 174,872,729

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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

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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, 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
(A Subsidiary of Ancsy 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
(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 1,382,801,217	8,807,425
Trade and other receivables	98,982,001	-
	P 1,481,783,218	**P 8,807,425**

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, 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
(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
(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
(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)

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

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, 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
(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)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts paid[2]	Amounts written off	Current	Not current	

NONE

SBS PHILIPPINES CORPORATION
(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
(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
(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
(A Subsidiary of Ancsy 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
(A Subsidiary of Ancsy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule H - Capital Stock
DECEMBER 31, 2016
(Amounts in Philippine Pesos)

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	Number of shares held by		
				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
(A Subsidiary of Ancsy 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			✓

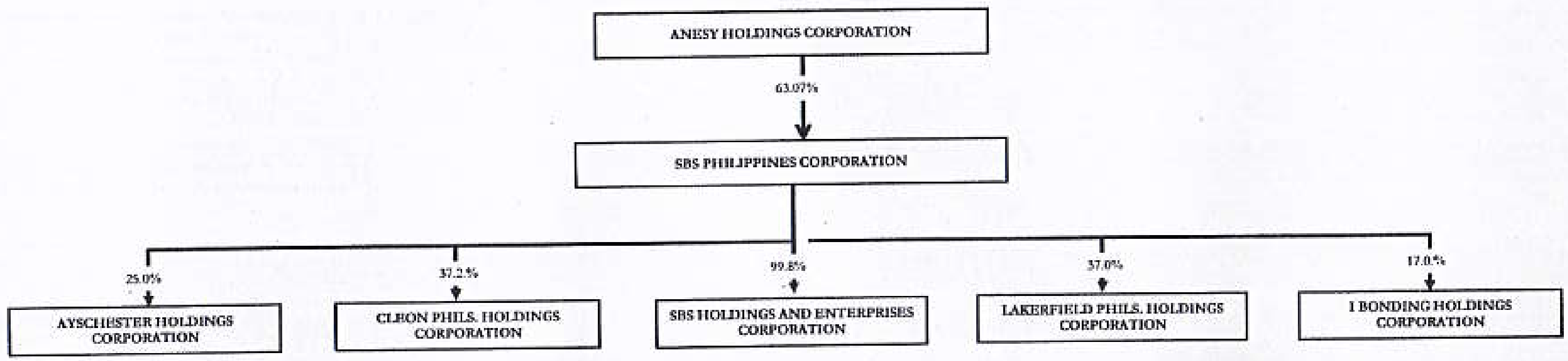
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement 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 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

INVESTMENT MAP



SBS 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, 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 1,011,527,187	
Non-actual/unrealized income		
Deferred tax income	(1,442,131)	1,010,085,056
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 932,075,406

SBS PHILIPPINES CORPORATION

(A Subsidiary of Anesy Holdings Corporation)

Schedule of Financial Indicators for December 31, 2016, 2015 and 2014

	2016	2015	2014
Liquidity Ratio [1]	**379.6%**	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*

SBS PHILIPPINES CORPORATION

Annual Summary of Disbursement of the IPO Proceeds
as of December 31, 2016
(Amounts in Philippine Peso)

Net Offering Proceeds	P	1,112,244,295.45
Less: Disbursements		
Accumulated costs incurred as of December 31, 2016		462,499,404.57
Balance of the Net Offering Proceeds as of December 31, 2016		649,744,890.88

By:

Aylene Y. Sytengco
Chief Financial Officer / Treasurer

January 12, 2017

SBS PHILIPPINES CORPORATION

(Formerly Sytengco Philippines Corporation)
(A Subsidiary of Anesy Holdings Corporation)

NOTES TO THE SCHEDULE ON DISBURSEMENT OF IPO PROCEEDS AND PROGRESS REPORT AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. BACKGROUND

SBS Philippines Corporation (the Company) is engaged in the trading of goods and buying, selling, distributing and marketing, at wholesale, goods such as chemicals, fertilizers, foodstuff, agricultural products, feed ingredients, industrial products and medical devices.

On April 8, 2015, the Company applied for the registration of its common shares with the Philippine Securities and Exchange Commission (SEC) and the listing of the Company's shares on the Philippine Stock Exchange (PSE). The SEC approved the registration of the 1,200,000,000 common shares of the Company on July 16, 2015 and the PSE approved the Company's application for the listing of its common shares on July 23, 2015.

On August 10, 2015, the Company, by way of a primary offering (IPO), sold 420,000,000 shares of its common stock (Offer Share) at an offer price of P2.75 per Offer Share, and generated gross proceeds of P1.155 billion (the "IPO Proceeds") from such IPO.

2. REALLOCATION AND CHANGE IN USE OF IPO PROCEEDS

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 which then amounted to P670,884,497.96. These revised allocation and disbursement schedules together with the explanatory notes were submitted to the PSE through the PSE Electronic Disclosure Generation Technology.

The details of the reallocation and change in the use of IPO Proceeds are as follows:

(a) P350,000,000.00 initially allocated and earmarked for the acquisition of a real estate property located in Muntinlupa City have 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 channeled 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) P100,000,000.00 initially allocated and earmarked for the construction of the new Muntinlupa warehouse facilities have been 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) P103,969,248.00 initially allocated and earmarked to fund specific capital expenditures as detailed in the Company's Prospectus dated July 24, 2015 have been 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) P100,000,000.00 initially allocated and earmarked to fund specific new product purchases as detailed in the Company's Prospectus dated July 24, 2015 have been 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) P14,830,318.45 excess of actual IPO expenses over the estimated IPO expenses have channeled to general working capital requirements.

(f) P2,084,931.51 savings arising from lower actual interest expense from the interest costs estimated for the BDO debt prepayment have likewise been channeled for use as additional general working capital.

Summarized below is the allocation of IPO Proceeds:

Use of IPO Proceeds	Allocation of Use of IPO Proceeds based on Prospectus	Effect of Reallocation	Revised Allocation of Use of IPO Proceeds
Working Capital	P 157,813,977.00	P 16,915,249.96	P 174,729,226.96
Debt Retirement	285,000,000.00	(2,084,931.51)	282,915,068.49
IPO Expenses	57,586,023.00	(14,830,318.45)	42,755,704.55
Product Expansion	100,000,000.00	(100,000,000.00)	-
Capital Expenditures – Muntinlupa Property Acquisition	350,000,000.00	(350,000,000.00)	-
Capital Expenditures – Warehouse Construction	100,000,000.00	(100,000,000.00)	-
Capital Expenditures – Warehouse and Office Improvements	52,500,000.00	(52,500,000.00)	-
Capital Expenditures – Warehouse Equipment & Machinery	34,200,000.00	(34,200,000.00)	-
Capital Expenditures – Delivery & Service Vehicles	12,000,000.00	(12,000,000.00)	-
Capital Expenditures – IT Systems & Renewable Energy Savings Systems	5,900,000.00	(5,900,000.00)	-
New Product Offerings	-	100,000,000.00	100,000,000.00
Acquisitions	-	350,000,000.00	350,000,000.00
Capital Expenditures - Facility Improvements	-	100,000,000.00	100,000,000.00
Capital Expenditures - Equipment & Machinery	-	104,600,000.00	104,600,000.00
TOTAL IPO PROCEEDS	P 1,155,000,000.00	P -	P 1,155,000,000.00

3. NATURE OF EXPENDITURES

Expenditures based on the reallocation and change in use of the IPO Proceeds are discussed below and in the succeeding page.

(a) General Working Capital

About 15.13% 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 December 31, 2016, the Company has disbursed a total of P167,574,922.73 to settle trust receipts obligations and interest charges incurred for the purchase of product inventory replenishments and for marketing expense in connection with the trade exhibit participation of the Company in the 2016 Philippine Food Trade Expo.

(b) New Product Offerings

About 8.66% 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 December 31, 2016, the Company has disbursed a total of P577,611.05 in connection with the importation of new product offerings for water and waste water treatment and related sales support expenses.

(c) Acquisitions

About 30.30% of the IPO Proceeds has been allocated to finance business-building and/or synergistic acquisitions such as investment in allied or complementary chemical businesses. The Company is continuously exploring acquisition and investment opportunities that would complement the Company's growth targets and long-term goals and targets to close such projects during the period 2016-2018.

(d) Capital Expenditures for Facility Improvements

About 8.66% of the IPO Proceeds has been allocated to finance the construction of new warehouses and/or set up facilities for the carrying out value added services such as those for repacking or custom blending of chemicals products. The Company expects to undertake such projects during the period 2016-2017.

(e) Capital Expenditures for Investments in Equipment and Machinery

About 9.06% of the IPO Proceeds has been allotted 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 will be staggered during the period 2016-2017 and aligned with the current business needs of the Company. As of December 31, 2016, it has disbursed a total of P11,431,802.30 for the purchase of air-conditioning systems for its temperature controlled storage facilities for pharmaceutical chemicals, additional office equipment and vehicles.

(f) Debt Retirement

About 24.49% of the IPO Proceeds has been 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 September 5, 2013. This long-term loan was due to mature on August 27, 2018 and bears 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 August 11, 2015, the Company prepaid the BDO loan in the total amount of P282.9 million, inclusive of accrued interest, using the IPO Proceeds.

(g) IPO Expenses

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

4. SUMMARY OF ACCUMULATED DISBURSEMENTS OF IPO PROCEEDS (PROGRESS REPORT)

Summarized below are the disbursements made and the remaining unutilized balance of the IPO Proceeds as of December 31, 2016.

	Revised Allocation of IPO Proceeds*	Application of Proceeds Incurred as of December 31, 2016	Balance of Offering Proceeds as of December 31, 2016
IPO expenses	P 42,755,704.55	P 42,755,704.55	P -
New product offerings	100,000,000.00	577,611.05	99,422,388.95
Acquisitions	350,000,000.00	-	350,000,000.00
Capital expenditures:			
Facility improvements	100,000,000.00	-	100,000,000.00
Equipment & Machinery	104,600,000.00	11,431,802.30	93,168,197.70
Debt retirement	282,915,068.49	282,915,068.49	-
General working capital expenditures	174,729,226.96	167,574,922.73	7,154,304.23
	P 1,155,000,000.00	P 505,255,109.12	P 649,744,890.88

** To the extent that the Offering Proceeds from the IPO are not immediately applied to the specified purposes stated in the Offering Circular, the Company may invest in short-term fixed income securities and/or money market instruments. As of December 31, 2016, the remaining balance of the Offering Proceeds was invested in short-term money market placements with reputable Philippine universal banks.*

5. APPLICATION OF REMAINING BALANCE OF THE IPO PROCEEDS

The remaining balance of the IPO Proceeds amounting to P649,744,890.88 as of December 31, 2016 is expected to be utilized and disbursed in accordance with the proposed change in use of IPO Proceeds as presented above.

P&A
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An instinct for growth

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Report on Review of Certain Financial Information

The Stockholders and 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

Introduction

We have reviewed the accompanying Annual Summary of Disbursement of the Initial Public Offering (IPO) Proceeds (the Annual Summary) of SBS Philippines Corporation (the Company) as of and for the year ended December 31, 2016, and the accompanying explanatory notes with respect to the Company's use of the proceeds from its IPO. Management is responsible for the preparation and fair presentation of the Annual Summary in accordance with the planned use of the IPO Proceeds as presented in the Prospectus of the Company dated July 24, 2015 and the subsequent reallocation and change in use of IPO Proceeds as approved by the Company's Board of Directors and disclosed in the Philippine Stock Exchange (PSE) Electronic Disclosure Generation Technology on May 20, 2016. Our responsibility is to express a conclusion and to issue a report on this Quarterly Summary based on our review.

Scope of Review

We conducted our review in accordance with the applicable Philippine Standard on Review Engagements. A review is limited primarily to inquiries of Company personnel, analytical procedures and other review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Annual Summary of SBS Philippines Corporation does not present fairly, in all material respects, the information on the use of the Offering Proceeds as of and for the year ended December 31, 2016, in accordance with the planned use of such proceeds as summarized in the Offering Circular of the Company and its subsequent reallocation.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 to the schedule on disbursement of IPO Proceeds and progress report, which discloses that 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 P670,884,497.96. In accordance with the Notice of Approval issued by the PSE on the Listing Application of the Company dated July 24, 2015, the actual disbursement or implementation of such reallocations must be disclosed by the Company at least thirty (30) days prior to the actual disbursement or implementation.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

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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)

January 12, 2017